



# *CITY COUNCIL*

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## ***Finance Committee***

### **Meeting Report Monday, September 19, 2016**

**Committee Members Attending:** B. Twyman, J. Slifko

**Others Attending:** J. Waltman, L. Kelleher, C. Younger, D. Cituk, D. Pottiger, J. Encarnacion, G. Steckman, A. Palacios

Mr. Slifko called the meeting to order at approximately 5:04 pm. He stated that Ms. Goodman-Hinnershitz was unable to attend tonight due to a work commitment.

#### **I. Legislative Review**

**B. Ordinance** – authorizing the transfer of cash reserves in the General Fund totaling \$85,000.00 from Fund Balance to Public Works

Mr. Steckman stated that this ordinance will make an accounting correction to eliminate expenses credited directly to revenue accounts. Mr. Cituk stated that this was a coding issue.

Mr. Steckman stated that the USL support will be contacted to make a correction within the system to eliminate this from happening in the future. He noted that at some point in the not too distant future, the City will need to purchase a new software system.

**C. Ordinance** – authorizing the transfer of cash reserves in the Sewer Fund in the amount of \$61,717.50 from Fund Balance (54-07-00-2980-000) to Engineering Costs (54-07-45-4816-000) and to Administrative costs (54-07-45-4823-000) and amends the 2016 Sewer Fund operating budget to allocate funds to Engineering to be performed on 6<sup>th</sup> and Canal Pump Station for Phase I.

Mr. Steckman stated that this transfer places a grant into the USL financial system within the project management system. He noted that placing grant funds into the project management system will allow the funds to be tracked and eliminate a repeat external audit finding Monitoring State Grants.

**D. Ordinance** – authorizing the transfer of \$35,000 from the Fund Balance to the Charter Board to cover their expenses through the end of 2016

Mr. Steckman questioned if these funds are being transferred from the Reserve. He stated that he will suggest an alternative location prior to Monday's meeting.

Ms. Kelleher distributed a handout showing the amounts expended for all matters billed by High Schwartz and Hartman Shurr. She stated that the handout reflects amounts billed, including amounts that are billed but unpaid between August and September. The Charter Board has a \$40K budget for 2016 and to date High Schwartz has billed the City \$37,757.65 and Hartman Shurr has billed the City \$18,735.

Ms. Kelleher explained that the Charter Board's budget is driven by the number of complaints that are issued to the Board. She read from the actuals provided in the 2016 budget reflecting low complaint years and peak complaint years. She stated that she has worked with the Charter Board Chair to estimate the amount of funding the Board will need until the end of 2016.

Ms. Kelleher noted the need for better monitoring of the legal bills received as the bills from High Schwartz reflect bills totaling \$15,000 for "Miscellaneous" and \$6769 for "General". Mr. Younger expressed the belief that Ms. Katzenmoyer sends the bills to Law for review before they are paid. He stated that he will distribute the Law Department's policy on legal billing.

Mr. Waltman asked Ms. Kelleher to speak with the Charter Board Chair and High Schwartz about the bills submitted and requesting improved detail on the bills for the changes made.

## **II. Budget Review Meetings**

Mr. Waltman suggested deferring this discussion until the upcoming Committee of the whole meeting. He suggested dedicating Budget Review meetings on Monday evenings and Wednesdays or Thursday evenings, avoiding Saturday mornings.

Mr. Steckman suggested delaying defining the budget review schedule until the budget is distributed. He suggested that the budget may not require an in depth review. He stated that the budget will be distributed on September 30<sup>th</sup> and introduced at a Special meeting scheduled for October 3<sup>rd</sup>. He noted that the budget will contain editorial comment regarding major items. He stated that they continue to work to squeeze some fat out of some areas. He noted that prior to this administration, departments and offices were encouraged to spend all the money allocated to avoid cuts in the next budget year. However, he said that this administration prefers to see budget managed properly and save money where possible.

Mr. Waltman left the meeting.

Mr. Steckman stated that the IAFF contract expired at the end of 2015 and that the FOP and AFSCME 2763 contracts will expire at the end of 2016. He stated that the 2017 budget may need to contain some predictions for new contract terms. He stated that the 2017 budget will make no changes in salaries due to the Recovery Plan and the salary cap. He stated that a higher MMO is expected from the State and the healthcare numbers are within the 5% range defined by the Recovery Plan.

Mr. Steckman asked Ms. Encarnacion to explain the changes required under the new federal overtime regulation. Ms. Encarnacion explained that the federal government has adopted a new regulation, which takes effect on Dec. 1, 2016, which will raise the salary threshold for overtime eligibility from \$455/ week to \$913 (\$23,660 per year to \$47,476) and automatically update the salary threshold every three years and strengthen overtime protections for workers. She explained that the new regulation defines a duties that are management related and are exempt from the new threshold. She stated that there are 13 employees in the management class that will be reclassified from a salaried status to an hourly status. She noted that management employees are paid to work 35 hours per week. The new overtime regulation requires overtime compensation for work beyond 40 hours per week.

### **III. CDBG Action Plan Budget**

Mr. Palacios stated that the draft CDBG Action Plan budget, prepared jointly with the County, will be advertised this Friday and the draft will be shared on Friday. He explained that the CD Budget is complementary to the General Fund Budget. He stated that the CDBG Action Plan will be reviewed with Council prior to the November 14<sup>th</sup> meeting when it must be adopted to meet HUD requirements.

Mr. Steckman explained that some shifting has taken place over the last few months to use unprogrammed funds to cover the cost of a fire truck that was scheduled for purchase in the Capital Improvement Plan (CIP). He stated that those types of changes are freeing capital money for other capital expenditures. He reminded the group that a portion of the resident and commuter EIT goes directly into the capital budget and that percentage will continue to increase while the City completes its last years in Act 47.

### **IV. 2015 External Audit**

Mr. Cituk stated that the draft audit report will be reviewed with the Administration at the end of this week, which will allow the Administration to prepare the corrective action plan. The final audit report will be presented to Council on October 10<sup>th</sup> and the first Audit Committee meeting is scheduled for October 11<sup>th</sup> at noon in the City Clerk's office.

Mr. Cituk explained the purpose of the Audit Committee which was recommended by the Act 47 Recovery Plan.

Mr. Steckman expressed the belief that Herbein & Co. has been pleased with the progress the City has made. He stated that the Administration is considering having someone manage post-retirement benefits to prevent the errors that have occurred in the past, such as under billing of insurance payments and not monitoring the availability of healthcare packages when retirees become re-employed.

Mr. Pottiger stated that while some repeat findings may be eliminated there may be a few new findings.

Mr. Cituk stated that the list of Repeat Finding will be updated and distributed. He explained the new reporting regulations and the problems associated with personnel turnover in the Accounting Division.

Mr. Steckman explained the difference between the external audit and a forensic audit. He also noted that many variables limit the pool of candidates for unfilled positions. He stated that the largest factor is the starting salary, which is on average below market. He stated that the administration is working on a viable solution for management level employees.

Mr. Steckman explained the new exploration into the management of automobile insurance and the administration of the healthcare program that should reduce costs.

#### IV. Updates

- *Berks EIT re: EIT Collection (Act 32), LST, Per Capita, BPT*

Mr. Steckman stated that the RFP for the collection of BPT, LST and Per Capita is out and bids are due this Thursday. He stated that the Berks EIT issue has been assigned to Mr. Pottiger. He noted his displeasure with Berks EITs collection practices and performance. He questioned why the City would assign the issuance of the license to Berks EIT and the collection of the tax to the City.

Mr. Steckman stated that he expects one of the companies experienced in municipal LST, Per Capita and BPT collection to be the winning bidder for this RFP.

Mr. Steckman stated that PFM predicts that the City under collects BPT annually by at least \$500K. He stated that it believed that there are a variety of businesses who are not paying the BPT. He explained the BPT is based on the gross income of a business, not the net income.

Mr. Pottiger explained that there are terms for different types of business established by the State. He stated that businesses operating inside the City and businesses operating outside the City but conducting business within the City are both required to have a license and pay the tax.

Businesses try to avoid detection by not getting a business license.

Ms. Encarnacion stated that there are also new types of businesses such as Uber, that are also required to pay the BPT.

- Pension Reform

Mr. Steckman stated that the City has asked PSERS (PA State Employment Retirement System) for some advice on creating a defined contribution program similar to a 401K for new hires.

- Healthcare

Mr. Steckman stated that issues related to retiree healthcare are being negotiated with the FOP. The FOP is the only employee group that receives post-retirement healthcare benefits. He stated that the administration will also be putting an RFP out for the auditing of BPT returns, as the City does not have sufficient staffing to perform this task. He explained that BPT is based on gross revenue, not net income. He explained that those who inspect commercial properties will be directed to look for the Business License when they are performing inspections.

#### **IV. Repeat Findings**

Mr. Pottiger stated that staff regularly reconciles 19 of the 21 City accounts on a monthly basis. He stated that the new Accounting Manager is working on reconciling the GDA (General Disbursement Account).

#### **V. Finance Reports**

The finance reports were distributed electronically on Friday.

Mr. Steckman reported that on average the City operates with 3% less staff than budgeted and the administration is looking at various areas to reorganize to create efficiencies. He stated that some positions that may require description adjustments as the needs have changed or duties were reassigned. He noted that the City has not built its Reserve by intentionally leaving positions unfilled.

Mr. Slifko questioned if leaving vacancies in some area harms the City's ability to provide critical services and sometimes overloads existing employees. Mr. Steckman agreed that sometimes this is the case. However, sometimes positions are left open because qualified candidates cannot be identified due to a variety of reasons. He stated that before positions are advertised, the position descriptions are reviewed and adjusted.

Mr. Twyman and Mr. Slifko stated that Council would consider creating new positions to alleviate staffing shortfalls.

#### **VI. Capital Project Report**

Mr. Cituk distributed his report electronically last week. He stated that the WWTP capital project started in 2008, under a consent decree and to date \$54.7M was spent as per June 30, 2016. He stated that the report includes a list of contractors that has been paid since the projects inception.

Mr. Slifko adjourned the meeting at approximately 7:30 pm.

*Respectfully submitted by  
Linda A. Kelleher CMC, City Clerk*