

**June 16, 2014 FINANCE COMMITTEE MEETING
EXECUTIVE SUMMARY**

Agenda Item	Action
Create Fund 55	Review the administration's plan to create an additional Enterprise Fund to track the City's contribution to the plants
2014 Priorities	capital needs
RAWA External Audits	The Auditor is reviewing the RAWA external audits and management letters. A list of repeat findings is in the minutes
Act 111	Further discussion of the State Act 111 amendment was referred to the 6-23 COW
Recovery Plan Amendment	Discussion delayed until Mr. Mann has the actuarial reports



CITY COUNCIL

Finance Committee

Meeting Report Monday, June 16, 2014

Committee Members Attending: M. Goodman-Hinnershitz, J. Waltman, D. Reed

Others Attending: F. Acosta, D. Cituk, C. Younger, C. Zale, L. Kelleher, D. Kersley, C. Snyder, D. Hoag, B. Rivera, R. Johnson

Ms. Goodman-Hinnershitz called the Finance Committee meeting to order at approximately 5:45 pm.

I. Legislative Review

- Establishing of Fund 55 – Retail Sewer Fund and a Budget Amendment to transfer money from Fund 54 Sewer Fund

Ms. Hoag distributed handouts to the group. She explained that there have been many changes over the years that have altered the sewer revenues and rates. A rate study was done to promote rate stabilization to prevent rate spikes when the consent decree required construction begins. She stated that on the first page of the handout, the diagram describes the revenues moving into the 1986 IMA Sewer Fund account: contributing municipalities, industries: surcharges, fines, miscellaneous monies, etc. The sewer fund is divided into two components; #54-Operation, Maintenance & Debt payment & Service and #12 1986 IMA Capital Reserve (Municipal). Both of these components are set aside for improvements needed to the sewer system.

On the second page of the handout, Ms. Hoag explained that the diagram indicates a 2013 Hybrid IMA flow of dollars to the Sewer Fund account. The difference is that the #12 component is divided into two parts: the 1986 IMA Capital Reserve and the New IMA Infrastructure Contingency. Laureldale and Muhlenberg have executed new IMAs. The rates are calculated differently by using budgeted numbers and projective flows. The municipalities are charged on their reserved and used capacity. There are two charges: a

debt service charge and a 10% infrastructure contingency charge that continues to accumulate for capital needs.

Ms. Hoag directed everyone's attention to the last page of the handout to a sheet showing a separate fund; Fund #55 -City Retail Sewer Fund. Creating this fund would allow the city to track, control and stabilize rates by having portions of City monies stay in the City. The City Retail Customers funds would flow into Fund #55 which would then move into the sewer fund (Fund #54).

Mr. Johnson stated that the consent decree regulators have approved this transaction.

Ms. Snyder explained that Muhlenberg and Laureldale up charge residents to prevent the rate spike that is expected when the consent decree required construction at the plant occurs.

Mr. Cituk stated that he agrees with this proposal to form Fund #55 and that opening an account requires Council approval.

Ms. Goodman-Hinnershitz commended Ms. Hoag on the detailed information given in its illustrated form; it is very informative. She also thanked the administration for taking the correct steps to resolve this issue.

- Act 47 Amendment – 1year/5year

Ms. Kelleher stated that this topic will be deferred to next month as this is still currently being worked on by PFM. She explained that Mr. Mann cannot begin the Recovery Plan amendment until the actuarial information is available from the three (3) pension boards.

- Review Act 111 and Proposed Amendment

Mr. Waltman stated that the pension problem is not getting resolved. He explained that under Act 111 police and fire personnel are prohibited from striking and are afforded with a defined arbitration process in an attempt to achieve balance. Pensions are being paid out immediately after leaving employment and should not be paid out until the employees reach standard retirement age. In the case of police officers (20 years of service and out, with the option to buy 5 years of military or non-military time) an officer can at times retire as early as 40 years of age, which can expose the City to pay out a monthly pension for 40 or 50 years.

Mr. Waltman expressed his personal belief that the City should pursue a legal remedy in the court system as the State legislators have repeatedly failed to change this law.

Ms. Goodman-Hinnershitz agreed that perhaps these issues should be challenged in court.

Ms. Snyder stated that this issue is being addressed and is considered a “high agenda” item by the Chamber, PFM and the PA Municipal League (PML).

Mr. Waltman noted that the State needs to consider the overall costs paid by the state and the local municipalities. He stated that the laws need to be changed or cities will be headed for bankruptcy.

Mr. Cituk stated that he is working with actuaries and he currently has drafts for the police and fire pension. In a 20-year analysis, he found that some years were “over-funded”. He stated that this is being closely reviewed to determine numbers moving forward.

Ms. Goodman-Hinnershitz noted that there is a draft resolution attached to the agenda that the State legislators want municipalities to pass to show their support for the amendment of Act 111.

Ms. Kelleher stated that the proposed amendment is also attached to the agenda.

Mr. Waltman and Ms. Goodman-Hinnershitz suggested discussing the resolution and proposed amendment at the June 23rd COW.

II. RAWA External Audits

Mr. Cituk distributed a handout and explained that the overview of audits is a work in progress for RAWA and the City. The handouts outlined management letter observations for years 2005 through 2012. Billing is no longer the issue that it once was as RAWA now handles their own billing. He stated that the 2007 letter was regarding “modifying & improving the authorities practices and procedures”. He stated that one of the items was M & T Restricted Cash Accounts; however, moving into the following years the item that continues to be of issue is the account receivables and allowances.

The repeat findings are as follows:

- Accounts receivable issues 2006, 2008, 2010, 2011 and 2012
- Reconciliation of accounts issues – 2005, 2006, 2008 and 2009
- Budget reporting issues – 2008, 2009, 2010 and 2011
- Petty cash issues – 2008, 2010 and 2011

Ms. Goodman-Hinnershitz asked in which year there was a combination of two year’s worth of audits. Mr. Cituk did not recall that there was a year where that occurred. Ms. Goodman-Hinnershitz stated she will look into this more in depth.

III. Review Finance Reports

Mr. Zale stated that revenues and expenditures are coming in based on the projected budget. The surplus at the end of 2014 is estimated to be \$7.8M, after the MMO payment. Police and Fire consume 68% of the General Fund operating budget and these areas will be monitored. The month's end cash flow is \$25.9M compared to last years \$19.9M.

Mr. Zale reported that the funding loaned from the General Fund to the Recycling/Solid Waste Enterprise Fund for curbside collection must be repaid by the end of 2014. To date no money was expended from the Contingency Fund.

Mr. Zale stated that the headcount should read six (6) below plan not 11 as listed in the narrative.

Mr. Waltman inquired about the request made at last month's Finance Meeting regarding the amount of actual cash available in the reserve. Ms. Snyder responded that she would have that information for Council to review within the next two (2) weeks.

IV. Addition of 4th Medic Unit – Financial Impact

Mr. Kersley distributed a handout and stated that in this comparative analysis of the most recent eight-month period to the same period last year, there were overall improvements in financial performance due to the addition of the 4th Medic Unit. A surplus of \$184,500 resulted rather than the subsidy of \$336,000 for last year during the same period – an improvement of \$520,500.

Mr. Kersley stated that staffing expenses including salaries, holiday pay, uniform expense, etc. are down by 15.7% or \$237,000. Overtime is down by 25% due to the addition of EMS employees.

Ms. Snyder stated that user fees have increased and delinquencies have considerably decreased as well. She stated that four additional medics are to be added to basic staffing very soon.

Council went into Executive session to discuss litigation regarding recycling billing at 6:55 pm. The Executive Session concluded at 7:10 pm and the meeting adjourned immediately.

*Respectfully submitted by
Linda A. Kelleher CMC, City Clerk
Bea Rivera, Legislative Aide*