



# *CITY COUNCIL*

## ***Finance Committee***

### **Meeting Report Monday, July 18, 2016**

**Committee Members Attending:** M. Goodman-Hinnershitz, B. Twyman, J. Slifko

**Others Attending:** J. Waltman, L. Kelleher, K. Hess, B. Rivera, C. Younger, D. Cituk, D. Pottiger, J. Encarnacion, and G. Steckman.

Ms. Goodman-Hinnershitz called the meeting to order at approximately 5:30pm.

#### **I. PFM Act 47 Update**

Ms. Hess introduced herself to Council and stated that she has been working directly with Mr. Mann for some time; her presence at this committee is purely to inform Mr. Mann of what is being discussed so as to update him.

#### **II. Legislation Review**

1. Proposed Ordinance - Mr. Steckman stated that Ms. Butler and Ms. Encarnacion have been working on the new section and reorganizing the Purchasing Policies in order to provide clarity.
2. Ordinance – Mr. Steckman stated that this is a housekeeping measure to authorize the purchase of a bucket truck in 2015. Though the truck was purchased in 2015, it was not delivered until 2016. The City needs to account for it in the budget this year since it was not included for in last year's budget.
3. Ordinance – Mr. Steckman stated that this ordinance is adhering to the recommendation of PFM to satisfy the loan for the 2010 unfunded debt bond in the amount of \$6,570,000.

Mr. Steckman stated that there were other ordinances in review which were all financial in nature. One of them pertained to the Berks County EIT and the other had to do with altering the language on the packaging of garbage. Another ordinance for review not mention pertained to the PennDOT grant for the downtown lighting project. He stated that this project has ceased

temporarily because the City has chosen not to extend the agreement with McTish Kunkel as another certified PennDOT party is being sought to manage the project.

Mr. Slifko inquired what the status of this project is thus far. Mr. Steckman responded that it is beyond the halfway point of completion. He stated that this will likely be completed by the fall.

Mr. Steckman stated that he was hoping to present another proposed ordinance regarding the fund balance policy to reflect the inclusion of casualty insurance and healthcare costs. He stated that putting forth this legislation will serve two purposes. First, it will provide clarity should the City get into a contractual dispute. Secondly, for bond rating agencies fund balance policies are required for municipalities.

Mr. Steckman stated that the ordinances being introduced are for the purpose of providing a more organized accounting system. He stated that when the City receives a grant, that grant money is included in the budget amending the budget to add the grant will keep better record of all finances.

Ms. Encarnacion reiterated stating that the prior method utilized was not efficient. Streamlining into USL provides more organization making it easier to track all of these transactions.

Ms. Goodman-Hinnershitz inquired if, moving forward, Council will be seeing more legislation introduced that is financial in nature. Mr. Steckman replied affirmatively adding that the organization of the financial area continues. He stated that a resolution will be proposed regarding general operating procedures for the Reserve.

### **III. Update on 2015 External Audit and Timelines to Correct 2014 External Audit Findings**

Mr. Cituk stated that in the next few days there will be a meeting with members of the Finance Division, Mr. Steckman, Ms. Encarnacion and individuals representing Herbein to go over a checklist of items including actuary and reconciliation information to establish a guideline moving forward to reduce audit findings.

Mr. Slifko inquired if any of last year's findings would be removed. Mr. Cituk responded affirmatively.

Mr. Pottiger stated that the Finance Division has been restructuring how things are being done and that the City would like to maintain Herbein's auditing services. He stated that the City's USL system is being underutilized which contributes to the difficulties encountered in performing the audit. One of the City's priorities is monitoring state grants by utilizing USL properly. He stated that it is a work in progress for continued efficient and proficient operations.

Mr. Twyman stated that there had been an issue regarding the staffing of the Finance Division and inquired if that is still the case.

Mr. Pottiger stated that due to the transition, new employees and those promoted are being trained. Once those individuals are established in their duties, it will be easier to assess if there is a need for additional personnel.

Ms. Goodman-Hinnershitz inquired about the reconciliation of the General Disbursement Account (GDA). Mr. Pottiger responded that Ms. Rodriguez has been assisting him with this and he needs to review her work. He stated that he's been working on the Account Reconciliations and the monitoring of State Grants. He stated that everything is moving forward positively at this point.

Ms. Goodman-Hinnershitz inquired if Mr. Cituk had set up a date for the Audit Committee to meet. Mr. Cituk responded that the meeting will be set up once the 2015 draft audit is completed.

#### **IV. Update:**

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

Mr. Steckman stated that there is some frustration regarding Berks EIT as they have sent notice terminating service of collections of EIT, LST, BPT and Per Capita. He stated that he has reached out to one provider of these services to obtain a sample RFP but has not been contacted back. He stated that he put in a request to the PA Municipal League as well. In regard to the BPT, Berks EIT was collecting the license fee and the City collects the tax; however, the City is looking for another party to collect the tax. The RFP process will be used to identify the company to collect the BPT.

- *Pension Reform*

Mr. Slifko states there is no new update at this time. He will be making phone calls to learn where this is in the process on the state level.

Mr. Steckman stated that he would like to get together with Mr. Slifko explaining that there is a new section of the City's contract with AFSCME which allows for a different pension plan for new hires with the exception of Police and Fire employees. Currently there is communication with the Pennsylvania Municipal Retirement System (PMRS) for options for a cash balance plan or a hybrid plan, which would be a defined benefit plan or defined contribution plan. Mr. Slifko will be included in those communications.

- *Healthcare Costs*

Ms. Encarnacion stated that all letters to retirees have been sent out and the HR Division is awaiting responses before progressing to the next step which will remove those who have access to insurance from another provider.

Mr. Steckman stated that the next step will involve an arbitrator. The City is also in the process of auditing retirees to ensure they are paying the proper contribution to the healthcare plan. He stated that he has been communicating with EHD to find a way to reduce contract coverage costs by joining a co-op (Lehigh Valley Business Co-op). This will provide a savings of approximately \$60,000 per year in contract administration fees. He stated that when there are spikes in the healthcare coverage contribution fees, it indicates that our employees are having more health related issues than anticipated.

Ms. Goodman-Hinnershitz asked if there are measures the City is taking for preventative care. Ms. Encarnacion responded that there has been a Wellness Committee established to educate and inform employees of the benefits of exercising and eating healthfully with specific goals targeted.

Ms. Goodman-Hinnershitz suggested that all of Council be involved and to place this on the next Strategic Planning agenda for an update.

## **V. Review Finance Reports**

Ms. Goodman-Hinnershitz asked Mr. Pottiger to highlight the reports that were provided electronically.

Mr. Pottiger stated that currently there is a surplus of approximately \$18M which excludes the annual Pension Contribution of \$14M and State Pension Contribution of \$3.2M. He stated that Revenues are on track with the recovery plan and so are the Expenditures.

Ms. Goodman-Hinnershitz asked if receiving all of the finance reports at once is working for all the Council members. Mr. Slifko responded that he likes an explanation during the committee on the reports.

Mr. Waltman stated that a summary of the main issues in narrative form is always appreciated.

Mr. Steckman stated that he is working with Mr. Pottiger and Ms. Encarnacion to develop more comprehensive financial reports.

Mr. Pottiger stated that he would also like to add a balance sheet so that it is clear to Council what the cash balances are.

Mr. Waltman stated that during the budget process this year, PFM will be assisting in doing a complete overlay.

Mr. Steckman stated that the goal is to have the City's Fund Balance Policy and revenues in place. He stated that we have a very high real estate transfer tax which is causing issues. He stated that he wants to have a conversation with PFM regarding additional revenue concepts outlined in Act 47. He stated that he will be having meetings on the Capital Budget and benchmarks in the Act 47 Plan to determine the City's status. He also wants to meet regarding a future Insurance Recovery Plan which is the utilization of a third party to collect fees when our fire services go beyond the normal usage.

Ms. Goodman-Hinnershitz stated that she wants to look at the Recreation Commission agreement and how that's formulated in the budget as we are nearing the last year of this agreement.

#### **VI. Update from City Auditor**

Mr. Cituk stated that he is still working on a number of issues including Capital Expense Reports and management salaries. He stated that last year management was informed they would receive an increase and then never received it.

Ms. Kelleher corrected Mr. Cituk stating there were some members of management who did receive the increase.

Ms. Goodman-Hinnershitz asked Council members if there is something they would like to see added to upcoming agendas.

Mr. Twyman stated he would like to hear from the Finance Division on the need for additional employees if that is something that is needed to ensure the division is operating effectively.

Mr. Slifko stated he would like a more comprehensive discussion on Capital budget issues; priorities and resources available.

Ms. Goodman-Hinnershitz agreed with Mr. Slifko stating that Mr. Johnson was discussing the assessment of our Capital needs and deferred maintenance issues last year.

Mr. Steckman addressed some of the concerns related to street work needed. He stated that before the roads are repaired, the corners have to meet handicap accessible regulations. Work is currently occurring at Walnut, Franklin and Washington Streets. Those are scheduled to be paved either late this year or early next year. PennDOT representatives will be coming in to talk about Bingaman Street, Perkiomen Avenue and another street including Kenhorst Boulevard to be paved in 2017. The curb-to-curb paving will be partially funded by UGI. There are many

projected street projects to start in the next year.

Mr. Waltman inquired about the amount of money provided to complete the handicap corner ramps. Mr. Steckman stated that the ADA handicapped curb project has been identified as a \$7M project. If the City waits to complete this, it could change that figure to somewhere around \$10M. He stated he is meeting with Mr. Olsen to review the City's ADA needs/requirements.

Mr. Slifko stated that this type of Capital budget discussion needs to occur comprehensively as it is a very big ticket item.

Ms. Goodman-Hinnershitz adjourned the meeting at 7:40pm.

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

### **Action Items**

1. Finalization of TCC Ordinance re EIT delinquent collection fee.
2. Administration recommendations for approach to Baker Tilly Report.
3. Administration's next steps regarding resolution of repeat findings #s 2 and 3 as per PFM.
4. Healthcare Audit for retirees who are reemployed

### **July**

- BPT & Per Capita collection
- Retention of the Commuter Tax
- Health insurance cost and exploration of alternatives
- Remove re-employed retirees who have access to similar healthcare coverage
- Pension reform
- Pension fund management
- Timeline to resolve Account reconciliations and State Grant Management

