

Julio Guridy, President
Ray O'Connell, Vice President
Joseph Davis
Jeanette Eichenwald
Jeff Glazier
Cynthia Y. Mota
Peter Schweyer



Allentown City Council
435 Hamilton Street
Allentown, Pa. 18101
AllentownPa.Gov

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BUDGET SCHEDULE: FINANCE, REVENUE ESTIMATES, RISK MANAGEMENT MINUTES
November 12, 2013
COUNCIL CHAMBERS

Council Meeting – 7:00 PM

Roll Call: Davis, Glazier, Guridy, Mota, and Schweyer

Mr. Schweyer stated that there is a new Rule instituted this year which is the Program Details. This is our first year having it.

Ms. Bowman stated that with the proposed lowering of the Earned Income you will see a little reduction in the resident and nonresident piece. With the Real Estate we do have an increase in that in the quarter of the year with the new tax coming in.

Mr. Schweyer stated that they will talk about the revenue in your budget book, page 1.

Mr. Guridy stated usually when we get a presentation from the administration on the revenue and what are the expenses and the capital projects. This agenda doesn't have it. Are you going to give a presentation as you did in the past?

Ms. Bowman stated that Finance will go over the changes that have been happening. We had a surplus of \$158,000. There is no capital reflected in this budget. They do have a bill put through for an administrative order for that capital project.

Mr. Schweyer stated that they will start with the revenues and finance and budget and go down to break it up. I was starting with the revenue estimates.

Mr. Glazier asked Ms. Bowman about the real estate taxes and she mentioned the increase. Is that a prorated increase? He asked how many properties.

Ms. Bowman stated that they put an estimate of \$750,000 for the real estate. Not knowing when everything is going to officially go on the books. She will work with PFM on this.

Mr. Schweyer stated that Ms. Bowman answering a question on the city's real estate tax and one quarter of 2014 to be on line with the new properties as part of the NIZ development.

Ms. Bowman stated that what they are estimating for the whole real estate for a full year. She asked if Scott Shearer can put that together and he is working with Sara Hailstone on that.

Mr. Schweyer stated that \$750,000 is a conservative number for this first rash for one quarter. In 2015, conservatively it is \$3 million additional revenue based on that. Earned Income Tax, both Act 205 and Act

511 taxes – EIT represent a reduction and that is part of the .002 (two percent reduction). In the adjusted budget the Act 205 is \$3.2 million and the A & E is \$3.9. Why is it an increase from the adjusted budget?

Ms. Bowman stated that it is a tough one to estimate on. It is coming in higher than I previously estimated. It all depends on where the people come from and what their municipality is or their tax is. I did lower for 2014 for earned income taxes.

Mr. Schweyer asked about permits and licensing. He asked about the reduction in plumbing fees and a dramatic increase in electrical permits.

Ms. Bowman stated that some permits are drawn when the work is done. She addressed that with Building Standards and these were numbers that they felt strong.

Mr. Schweyer stated that he noticed that there was an increase in swimming pools. Is that based on the expectation that we will have a higher number of swimmers or are we looking to change the fee structure?

Ms. Bowman stated that they are looking to change the fee structure which they are presenting.

Mr. Schweyer asked Ms. Bowman what miscellaneous is. What is with the wild fluctuation of those dollars?

Ms. Bowman stated that it is miscellaneous billings, interest and fees, curb and sidewalk, and as we go through the year I lowered to \$1 million from \$2.2 million.

Mr. Glazier asked if the city real estate revenue was \$750,000. If you do the math, it looks to be \$950,000.

Ms. Bowman stated that we have the current real estate that we estimate and the \$750,000 that I am estimating for the new construction, tax rolls.

Mr. Glazier stated that the actual is 28.6.

Ms. Bowman stated that they are estimating it to be \$28.8 and my \$750,000.

Mr. Glazier stated that the \$750,000 is attributable to NIZ development and the other \$200,000 is contributable.

Ms. Bowman stated that it will be in the monthly report.

Mr. Glazier asked about the Intergovernmental Revenue and stated that it will be categorical revenue. There is a wide variance from last year, this year and next year. He asked about 5141 State Aid for Pension.

Ms. Bowman stated with all the grants that Lauren has brought through. We had a lot of RACP grants this year that we hadn't had in the past.

Mr. Guridy asked about Page 2 – Line 4112 – 4113.

Ms. Bowman stated that the fines and restitution, Account 4112 that is given to me by the Police Department. The Parking Authority reimbursement has gone up. The Parking Authority's debt has gone down. We will use that money for all the improvements downtown.

Mr. Schweyer stated that you see a receipt of \$190 on page 3 from the Water Lease, transfer from Water and Sewer Fund, Bill 47. On Page 5, we see transfer from the Pension Fund of \$170 million. We haven't done anything with the \$170 million. It is still in the General Fund.

Ms. Bowman stated that they had changes: Revenue and Audit, Budget and Finance which we are taking out the Budget Coordinator position. Under accounting and finance, we have the same amount of staff, just a reduction with Beth out of the Treasury Manager's position. The Payroll and Pension Clerk is going under HR.

Mr. Guridy asked about the General Support Aid.

Mr. Schweyer stated that the Tax Examiner position goes from \$128,718 to \$147,748 with no increase in salary.

Ms. Csanadi stated that two positions were supported by the Sewer Fund.

Ms. Bowman stated that Karen does a great job of collecting our tax revenues.

Mr. Schweyer stated that you eliminated a Budget Coordinator and we talked about that. You moved the Grants Coordinator/Management under the mayor's office.

Mr. Guridy asked what is the rationale on that.

Mr. Dougherty stated that it stems from a number of conversations including Mr. Schweyer. We found looking at other cities and the mayor interacting with other mayors that most felt it important that the grants manager that is dealing with other entities have the exposure. It helps expedite the flow to the department in order to complete grants. This will give her more exposure and prestige to do some more work.

Mr. Schweyer stated that he is working currently with an RACP Grant at Sacred Heart Hospital. There are so many documents that need to be signed by the Chief Executive.

Mr. Guridy stated that Lauren does a wonderful job for the entire community.

Mr. Schweyer stated that they are on Accounting and financial management and he saw nothing.

Ms. Bowman stated that you will notice this year in the budget, she took the actual and original budget that was passed and added a column for the adjusted budget. That is important because as we are looking at our A&E we see during the year that things were appropriated.

Mr. Schweyer stated that we talked about payroll moving to HR.

Mr. Glazier stated that what is interested with that position, they cut the pension checks as well.

Mr. Dougherty stated that you talked to our HR Director and it is the first step towards a greater automation. We are going to return finance to its core mission.

Mr. Guridy stated that when we print our business cards, we usually send them out and it takes a long time. Did we fix that problem?

Ms. Bowman stated yes. With the equipment and the new staff that are down there they are really do a great job moving things along quickly. We have an outside vendor that does our cutting.

Mr. Dougherty stated that kudos to Debbie for the beginning of modernizing the print shop. We have trained staff down there.

Mr. Schweyer stated that if there are any changes in debt services and we have the opportunity with improved credit ratings to refinance any of these. Scott Shearer will bring them to us. If the administration were to propose parts of the pension obligation bonds earlier, that would be done by ordinance. No new debt and if there is a refinance opportunity that will be down the road.

Mr. Hunsicker asked about the estimated taxes. What is the new base value going to be on the NIZ zone area?

Ms. Bowman stated that they are working on putting the whole details together.

Mr. Schweyer asked Mr. Hunsicker if you are referring to the current building under construction. All we have tonight is a quarter of the year of \$750,000. We will get a full report from PFM.

Ms. Bowman stated that she will be getting it very shortly, with a week.

Mr. Schweyer stated that if we get that, I have no problem making that available to you.

Mr. Hunsicker stated that number, when it goes onto the tax rolls, three or six months after they are finally constructed and they get permits. Do we have the numbers in our heads for the previous assessment?

Mr. Glazier stated that I think that it would when they get the Certificate of Occupancy. We are probably looking at September 2014 or October 2014. For the block where the Hockey Arena is going up, the school district used to get \$102,000 property taxes from the whole block. The hotel alone should eclipse that. The only thing that we could look at is the proposed construction cost of these buildings. What the county reassess them at, could be a little different.

Mr. Guridy stated that it is probably some kind of projection. We never got a Performa of how that was going to happen.

Mr. Schweyer stated that it change dramatically. When this was first conceived I personally had no idea that there will be any development plans.

Mr. Hunsicker asked what are we projecting for the Sands revenue this coming year.

Mr. Schweyer stated \$3.9 million. That is the maxed out number by state law. There is a cap on it.

Mr. Hahn stated that in November an ordinance was passed by City Council about the general revenue for the fiscal year. How does that affect the budget? He asked about the Lock Box money.

Mr. Schweyer stated that was a bill that was introduced. We have to set the tax rate every year.

Mr. Lou Hershman asked if they are not going to pass the water and sewer fund budget.

Mr. Schweyer stated that water and sewer have been folded into this as a result of Bill 47.

Mr. Hershman stated that if you budget \$200,000 again from Homeland Security 2014 do you transfer again as you did last year. He asked what \$190,000 represents.

Ms. Bowman stated that is for the security which is through our police department. It would come directly into the General Fund. It will not transfer from the water and sewer fund because we won't have a water and sewer fund.

Mr. Schweyer stated that it was CDBG reimbursement probably transferred from water and sewer which is zeroed out and then the Homeland Security charges that are \$200,000. That was Bill 47, \$187 million as a result of the water and sewer and then there was a previous bill. There were two separate bills.

Ms. Bowman stated that it is federal money that comes in for Homeland Security and that would come directly into the General Fund.

Mr. Hershman asked about expenditures. He asked how could arrive at a MMO figure without looking at what the MMO.

Ms. Bowman stated that the 2013 is the revised and we will be coming back with an ordinance through for what we are going to do for the pension. The 2014 MMO we will be presenting once we have the final. Once we have that in place to present to Council that will be presented at that time.

Mr. Hershman stated that he heard them mention the pension debt not being paid off. Maybe we don't have all the money available for the pension fund once you deduct all these expenses.

Mr. Schweyer stated that he did not say that, we have not transferred the money yet. It is a liability, not a debt. We do and it has been accounted for and spoken about in public.

Mr. Hershman stated that he thinks they will need a Capital Fund Budget which you don't have one here.

Mr. Hunsicker stated that we got \$211.3 million and then you said you paid off about \$29 million. Of the \$29 million you paid off bonds. Can we get the detail analysis of the \$29 million? He discussed the System Bonds and that comes up to \$19.1 million. He asked would a discussion on expenditures come up other than tonight. He was reading the LCA agreement again and there is something called Retained Water System Assets and it includes the reservoirs, and all the piping between the systems.

Mr. Schweyer stated that besides what I already handed to you. When Mr. Hanlon puts that all together, I will ask him to give that to you. Every one of our Budget meetings is a discussion of expenditures. He stated that it would be a great conversation during the Public Works section.

Mr. Hershman stated if you look at the budget in front of you there is going to be a cash balance in each one.

Mr. Schweyer stated that it will be done by the end of the year and we mentioned that at the budget and finance committee meeting and your point is well taken. He stated that they will now discuss Bill 63 that was referred to Budget and Finance.

Ms. Bowman stated that what this fund is doing is taking some of the concession lease monies and moving it into the Risk Fund and into the Capital Fund and the Administrative Order for the Capital Fund.

Mr. Schweyer stated that Bill 63 is a Bill that alludes to conversations that we had at the Budget and Finance meeting and a special Thursday meeting we had in October when the Mayor talked about these things. That handout talked about what his vision and idea was for the balance of the \$211.3 million minus the \$29.3 million and minus \$170 for Pension Obligations.

Ms. Bowman stated that is to complete the AMR Project for the Capital piece, the AMR and the Administrative Order and the balance of \$5 million into Risk.

Mr. Guridy asked how much the Administrative Order right now.

Ms. Bowman stated that is the \$1.5 million.

Mr. Schweyer stated that the actual Administrative Order is yet to be determined. I know that 40 percent will be anywhere and will be borne by our signatory.

Mr. Guridy stated that the Mayor said it the other day and we may get a more accurate number as time goes by.

Mr. Hershman asked are you going to take \$8.5 million out of the General Fund. Would that reduce the ending fund balance of \$32 million to \$4 million? He asked if you are going to spend \$1.5 million and transfer \$2.5 million. What the \$2 million going to be in the Capital Projects Budget.

Mr. Schweyer stated yes. He stated no.

Ms. Bowman stated that this is already reflected in there. The \$2 million is for the AMR which we already had appropriated and expensed. Part of the Lease Concession was taking that and finishing the AMR Project (Automatic Meter Reading). That was already appropriated. It was just putting that money into the Capital Fund. Whatever was paid on PennVest was what we had expensed at the time. We did not have a loan out there for the full amount.

Mr. Hunsicker stated that he is trying to understand and it goes back to the Capital Fund. In the beginning of the year, we had a \$4 million loss and it graduated to \$7 million by the end of September.

Mr. Schweyer asked when the capital fund being considered.

Mr. Hunsicker stated that Mr. Hershman said earlier about transferring money to the Capital Fund in Bill 63 and in the Risk Management Fund. If it is \$3.5 million and we are already in the hole \$7.2 I am trying to balance that out.

Ms. Bowman stated that the \$2 million for the AMR Project we already expensed to finish that Project and we are reimbursing that back. We already reappropriated that in the Capital Fund. This is just part of that reimbursement.

Mr. Schweyer stated that Bill 63 doesn't talk about the AMR. Bill 63 is Risk Fund and Capital Fund total of \$3.5 and contract services and other fees.

Ms. Bowman stated that of that \$3.5 million, \$2 million is for the AMR.

Mr. Hunsicker stated that only \$7 million was paid so far. Is the total \$9.5 million going to be for the meter cost?

Ms. Bowman stated that they paid off whatever we had expensed at that time. The \$2 million is the balance on that project.

Mr. Hunsicker asked when are we going to close that out.

Ms. Bowman stated for the AMR, correct.

Mr. Hunsicker it will roughly be \$9 million. Mr. Shearer said that \$7 million was already paid. Basically, we are talking \$9 million for that project and does that close out both those loans, \$8.5 million PennVest and \$1.5 million.

Ms. Bowman stated for Shantz Spring, yes. That has been done.

Mr. Hunsicker stated that we have to find out why we were losing all this money in the Capital Fund from the first of the year until September. Is this going to continue on until December? At this rate, the slope will be \$10 million.

Mr. Schweyer punted to Ms. Koval.

Ms. Koval stated that she cannot help them with this. This is the Capital Fund that we have been looking at throughout the year and asking questions on. We keep saying that a report is due, but I don't know when that is coming due.

Mr. Hunsicker stated that one of the things that are puzzling is that we have to bite the bullet. If it is \$1.7 million missing somewhere why didn't the auditor pick it up and if they did, why wasn't it reported? What are we going to do about it?

Mr. Schweyer stated that he doesn't have an answer. There is something bothering me about Bill 63. There is still \$2 million missing.

Ms. Bowman stated that she is giving \$8.5 million. The \$1.5 million down below is appropriating for the expenditure and is a new Capital Project. (The Administrative Order)

Mr. Hunsicker asked if they will be straightening out the Capital. Is there a paragraph with the Capital Funds for 2014 in the budget?

Mr. Schweyer stated that we have a Capital Improvement Program that was given to us.

Mr. Hanlon stated that there are no Capital Improvements in the 2014 budget.

Mr. Hunsicker asked are you transferring them out to zero in those accounts. We are negative already.

Ms. Bowman stated that the 2014 budget does not reflect any capital at this time. What we are presenting here is for 2013, not for 2014.

Mr. Hunsicker stated that under the uncompleted work there were four major items: the meters for \$10 million, items 2 and 3 that were repairs and maintenance to the water tanks. Is that money part of the \$2 million?

Ms. Bowman stated that the uncompleted work that is projects that have already been appropriated and we received funds for and that is part of the debt payoff for the lease of the water/sewer debt. It is the same projects.

Mr. Hunsicker stated that he is referring to the lease.

Ms. Koval stated to Mr. Hunsicker that some of that money was previously budgeted and it had to be bid out and that was in the budget and being taken care of as a Capital Improvement.

Mr. Hunsicker stated that it falls under the negative number in the Capital Funds.

Ms. Koval stated yes. It is in there somewhere.

Mr. Hahn stated on the Administrative Order. Why does Council have to give a free hand for \$1.5 million for someone to do whatever they want and not come to you to protect the citizens from an outlandish spending spree?

Mr. Schweyer stated that there is a belief that some point in time we are going to do some Capital upgrades as a result of an Administrative Order. We have no idea how much it is going to be, when it is going to come due, how much percentage from the city, how much will be based on the signatories. We do know that \$400,000 specifically for our manhole covers. That was a significant part of it.

Mr. Hahn asked would it be a reflection of what has to be done for the 19th Street problem.

Mr. Schweyer stated that is not part of the EPA order.

17. ADJOURNED: 8:31 PM

Council meetings are held on the first and third Wednesday of each month beginning at 7:00 pm in Council Chambers. For copies of the agenda or meeting announcements, please visit our website at www.allentownpa.gov or contact the Clerk at Michael.Hanlon@allentownpa.gov to receive an email notice of the meetings.