

CITY COUNCIL MINUTES  
DECEMBER 3, 2008

COMMITTEE OF WHOLE 6:00 PM

Mr. Donovan, Mr. Schweyer, Mr. Guridy and Ms. Eichenwald were present.

**Bill 125**

Establishing fees associated with Keystone Municipal Collections for the collection of delinquent taxes of Act 511.

Mr. Hilliard said we have the owners of the Keystone Municipal Collections agency here. According to state regulations we must codify the rates they use for collection services. He introduced Mr. Kratzenberg and Mr. Lazaro. Joe Lazaro, Vice President and General Counsel with Keystone Municipal Collections. He is joined by Tom Kratzenberg who is the President and Rose Hart who is Vice President of Community Relations.

Mr. Lazaro said they just negotiated the lease to occupy the first floor of the Sovereign Building. We will open our office there for the convenience of the local residents and provide tax services. They represent over 135 cities, school districts and municipal governments across the Commonwealth. They've developed their system in a manner unlike any other entity or tax collector in the state. We are focused on the legal component, the highest level of technology and our other third and primary is customer service. We believe tax collection is done best when there's a constant and open dialogue with the taxpayers, as well as with the communities. They've designed a system that's very responsive through a very well designed and controlled telephone system. We have customer service representatives in all our areas across the state. We are providing legal services, technology to deliver revenues to you with speed, unparalleled and unmatched accuracy and accountability. We expect to not only cut the cost of delivering these services but we believe we'll dramatically increase the revenues that you will see coming in. In Lebanon County, they're taking over the municipal government and all 6 school districts. It has worked very well.

Mr. Hilliard said the Commonwealth of Pennsylvania, by Act 32, designated that within a couple of years there will be only 69 tax collectors in the state. The City of Allentown needs to position itself for that. We didn't have the IT resources to stay current, let alone improve out customer service. We decided we were wasting our money. In addition to trying to go for a better cash flow and better customer service we decided to modernize the approach.

Tom Kratzenberg said the new law that already has taken effect, but does not mandate county-wide collection to be limited to 69. There will likely be fewer than 69 tax collectors in the state. That's because 1) there will be the same tax collector in multiple counties; and 2) the requirements of the law will put burdens on the tax collector to be accountable and fast in turning that money over. What comes in that day, is run through the system that day, is wired into the banking system that day, and those funds are wired right back to you, and you'll be receiving a detailed report to show what has happened and what has come through the system. That is in compliance with the new act. We are actually one of the few, if not the only entity in the state, that is already in full requirement of every part of the new act. We complement the City on what they went through in the search process. They were more thorough than we could really see in any western side of the state in looking at technology, machinery, legal capacity and ability to comply with the existing and upcoming law, and went thoroughly through the customer service and customer response systems and delved into anything any collector can and could do. We haven't seen that kind of thoroughness before and we were very pleased to be the ultimate, best fit for Allentown.

Ms. Eichenwald asked when a payment comes in for tax collection, how does it get funneled into the bank account?

Mr. Kratzenberg said when that check comes in, it gets imaged the same day. The imaging system we have – all of our imaging technology – all of our technology is integrated full time into our system. When you send a check in that check gets imaged and posted to your individual account. It doesn't sit out in some imaging file somewhere. That gets imaged from and back and it gets processed that day. The next day the bank courier picks it up and takes it to the bank. Once it clears the banking process then it gets put onto a detailed report that goes out to you. We also will be, every week, ACHing the money directly to your account. Even though you don't have the complete detail of what you're getting until that report comes, you have money and that's the important thing.

Ms. Eichenwald asked if within 24 hours is this money in the bank?

Mr. Kratzenberg said that money is in the bank waiting for clearance. The Federal Reserve requires so many days before it clears the check. As soon as we receive clearance on the funds – it's usually one week.

Ms. Eichenwald asked what will our contract state?

Ms. Hart said if your contract says that every Thursday you receive your ACH then we run a report that says how much money is there, the money is ACHed into your account. Your office will receive an email that says how much was deposited and a breakdown on how much your Earned Income, was etc.

Ms. Eichenwald said she wants to make the rapidity issue so that the money gets into the bank.

Ms. Hart said the money is deposited into the bank immediately.

Ms. Eichenwald asked how much is it now? How fast?

Mr. Kratzenberg said they are literally slicing envelopes. It's twice as fast if not faster.

Mr. Lazaro said the way they advance that process is by bar coding – every invoice has a bar code matched to the taxpayer. As the checks are coming through, there is optical character recognition (OCR), it will be reading the handwriting on the check matching that to the statement and the amount due. There are 3 computer systems. They must all agree on what is being read, instantaneously, with accuracy that is sharper than the human eye. Human error is eliminated. That's why the turnaround is within 24 hours. Because of the high volume of work they do, the bank comes to them and picks the funds up in their armored car. They are moving to a system called Check 21. We will be the first in that system in the state. It will be more like a credit card. The checks won't even go to the bank. The computer system will extract all the data and communicate, electronically, with the Federal Reserve. Then the funds are moved automatically – you're not even waiting for that movement through the Federal Reserve for the check clearance system. It happens under the rules the United States Government set up to move that money without moving paper. Our goal is to become a paperless office. We will eventually convert everything into an electronic image and run that money in a blink of an eye.

Ms. Eichenwald said as far as delinquents?

Mr. Lazaro said on the delinquent side, which is really how this company started, we will be auditing all accounts. We compare the earned income tax return that are filed in Allentown with the tax return reports these individuals have made to the Department of Revenue. We're obtaining on your behalf, from the Department of Revenue, we do an analysis, and where there's a discrepancy, or where there are non-filings, funds are reported – incomes are reported to Harrisburg, or a resident of yours but not reported here, every time that person comes up, that person will receive a notification to explain the discrepancy. We will pursue and collect those accounts where non-payment or under payment occurs.

Ms. Eichenwald said if someone is delinquent beyond a reasonable amount of time, what happens to them?

Mr. Lazaro said they work with them through the entire process, and they always have an opportunity to get onto a payment plan or payment arrangements. Something that's workable for them. We firmly believe you do not have any success in the collection business by trying to get blood from a stone. We understand there are hardship situations. We understand those who have an illness in the family, loss of a job. We work with people. There is a considerable number of people who simply don't pay.

Ms. Eichenwald asked who is in charge of the personal element? Having been a member of the Allentown School Board, we did have problems in that area. She's wary.

Mr. Kratzenberg said we understand why you have a problem. You will not encounter that problem.

Mr. Hilliard said it's for earned income, LST, per capita. It's not for property taxes.

Mr. Lazaro said this is not for real estate tax. It's not a foreclosure issue or Sheriff's sale. There are employers out there who withhold from their staff, and never turn the funds over. It is their job to make sure they do that.

Ms. Eichenwald asked if they resort to legal . . .

Mr. Lazaro said he runs the Legal Department. He runs that division in the company.

Ms. Eichenwald asked if that is part of the service provided?

Mr. Lazaro said absolutely. That is covered in part of the Act 192 resolution that every client in Pennsylvania engages in part of their agreement with them and that will be before counsel. That will make sure all the legal services are provided to you, and there is no charge for them. There is no cost, no legal fee. You never have an hourly bill or anything like that. We will be providing all the legal services when necessary for whatever needs to be done as far as collection. That may be going into bankruptcy court. If a municipality or a school district receives a notice of bankruptcy – bankruptcies in Pennsylvania in 2009 are

expected to be at the highest level we've ever seen. That report came out about a month and a half ago. They make your claim for your taxes and delinquencies is part of that bankruptcy reorganization or bankruptcy payment. They can wipe out Discover, cell phones, cable TV – all those will be reduced to zero, but under the Federal Bankruptcy Code, municipal government taxes are considered a priority debt and they are factored into the payment schedule under the bankruptcy process, but only if someone is filing your claim. We believe no one's ever done that before for Allentown. We will be monitoring, and our systems will be locked on to, the federal district. In our system we know when someone files for bankruptcy and we know that claim will be in place.

Ms. Eichenwald said she looks forward to a 20% or 30% increase. She just wants to temper justice with mercy. As much as we want to protect our paupers, we want to protect our citizens. All treated with the scales of justice.

Mr. Lazaro said we take your advice.

Mr. Schweyer asked if their customer service reps were local?

Mr. Lazaro said they will have a customer service office in Allentown.

Mr. Schweyer asked if they're going to be bilingual?

Mr. Lazaro said that's their intention now. That's part of the criteria. They are interviewing now.

Mr. Kratzenberg said they are going to have people local in Allentown, but they also will have a fully trained customer service department in our headquarters at an 800 number. They will have all the information in front of them when they are called. All their offices have complete real time access to the system.

Mr. Schweyer asked if they've ever had conversations about out-sourcing those jobs and sending them overseas?

Mr. Kratzenberg said there will never be. We do not do that and never will.

Mr. Schweyer said one of their key concerns is we've seen a lot of new municipal operations come into our borders only to hire people who don't live in or near our municipality – not that you can mandate a certain quota of your employees to be residents – we'd like Allentown residents to have a fair opportunity to engage in employment. You talked briefly about going after bankruptcies and collecting what Allentown is entitled to. Are you bonded if you miss something?

Mr. Kratzenberg said yes, they are. They're bonded on the IT side and attorney as well.

Mr. Schweyer said your imaging technology on people's personal information, what are your protections for that?

Mr. Kratzenberg said they are required to sign an Act 356 which is a privacy document whereby there are criminal penalties if we, or anyone in our company, would divulge any personal information of any taxpayer. That includes deliberately and negligence.

Mr. Schweyer asked who created the fee schedule?

Mr. Lazaro said that is standard format used throughout the country. The numbers are all the same.

Mr. Schweyer said that's all municipalities, school districts, cities of the Third Class, county, etc. Are they similar to our numbers prior to this?

Mr. Hilliard said theirs are going to be much broader and active.

Mr. Lazaro said it won't cost the City any more. They are comparable. In fact, they will always be subject to a 2<sup>nd</sup> review. You mentioned the district justice cases, small claims court, they're always subject to review by the courts. They have to approve it at the time

Mr. Schweyer asked what is the comparison with what we charged before?

Mr. Hilliard said he thinks most fees are in the \$30 to \$70 range with our magistrates, depending on the nature of it. The ones that are relevant, he'll try to make an estimate.

In response to Mr. Guridy's question, Mr. Kratzenberg said they believe the benefits to the City will come from increased tax collection and the use of high speed technology to get to you more quickly than you're used to seeing. Also, the rate we're charging is extremely low compared to what some of the other collection agencies are charging, and maybe far lower than you can do it yourself. As far as Lehigh County is concerned, we're going to be looked at under a microscope here in Allentown. We want people to see what we're doing. They're proud of what they do and the reputation they've developed over the years. He founded this company 22 years ago and it has become far greater than he ever expected. When Lehigh County is required to go County-wide in 2012, they want to be that County-wide collector. We expect to be, and hopefully will support and encourage that.

Mr. Guridy asked if Allentown is the only municipality they are collecting for?

Mr. Kratzenberg said in Lehigh County. They have 135 municipalities and school districts and all of Lebanon County. The transition in Lebanon County has been so smooth. They did the same thing Allentown did. As you did, they sent a team of people to look at our IT. They get the state lists and they compare what those folks reported to the Pennsylvania Department of Revenue as to their earned income on what they've paid to the City of Allentown. When they see a discrepancy, they send out a discrepancy notice that asks them to explain why. Delinquencies occur for non-filers, people who haven't filed at all, and people who have filed but have not paid. They look at every dimension of a delinquency. Overriding all this is the fairness principle.

Mr. Guridy said he's very encouraged to hear about their technological advancements and where they want to go in the future in regards to making it seamless and painless in the transition. Just come in mind the human concerns when dealing with customer service.

Mr. Lazaro said you have to be aware not only of human concerns but the political sensitivity. Those issues are real. If you're not dealing with those when you're trying to collect, you're not going to collect.

Mr. Donovan said he heard 2 banking transactions; he heard one day cash collection.

Mr. Lazaro said it goes into the bank client's account – it's a client account of all of our clients. We fast process . . .

Mr. Donovan said then we wait a week for the money.

Mr. Kratzenberg said right. One thing he didn't mentioned is we don't have to wait until we get a big group of Allentown checks so we can process them. We fast process, so it doesn't matter where that check is coming from.

Mr. Donovan said in your fees, Litigation, numbers 11 and 12, is that an hourly rate?

Mr. Kratzenberg said you likely will never get there.

Mr. Lazaro said yes, it is an hourly rate.

Mr. Donovan said and the rest are per unit rates. We need clarification.

Mr. Kratzenberg said the one that's in the contract itself.

Mr. Donovan said the contract says per hour. Mr. Donovan requested an amendment to the ordinance when it comes up for vote on numbers 10, 11 and 12; also, Item 3, Taxpayer Notification, and to establish monthly payment plans – there's a 10% and a 1% of tax.

Mr. Kratzenberg said the one isn't valid. It's 10%.

Mr. Donovan asked if you will accept ebank check from a client?

Mr. Kratzenberg said we don't have online filing right now. It's something they believe is coming next year. They can download forms on line, but they can't accept credit. We do accept credit card payments. The fees are paid by the taxpayer.

Louis Hershman, 405 Gilmore Street, said the LST Tax isn't listed in the ordinance. Doesn't the school district collect the per capita tax?

Mr. Hilliard said the City and school district are going to be collecting the \$20 tax, but the school has its own delinquent agency, and that's in the contract.

Mr. Hershman said years ago Council passed legislation for taxpayers to appeal any assessment or tax. People are unaware of the appeal process.

Mr. Kratzenberg said everyone of our tax notices has a notification at the bottom, that under Act 50, Taxpayers' Bill of Rights, a taxpayer has a right to appeal. They can ask for a complete disclosure statement as to what they're entitled to. They furnish that to them.

Mr. Donovan said if they received a \$10 late filing fee, will they get a notice?

Mr. Kratzenberg said any notice has that language at the bottom.

Bill 125 was forwarded favorably, 3-0.

#### **R85**

Authorizing Keystone Opportunity Zone Area Expansion by adding 12 properties totaling approximately 15 acres to the City's Keystone Opportunity Zone. The properties are located at the Bridgeworks Industrial site on Harrison Street, the Schoen's site at 614-616 and 618 Hamilton Street; and various properties for Overlook Park, Phase 2, on North Dauphin Street.

Joyce Marin presented a Power Point presentation, which is attached.

Michael Hefele said since the Hanover Acres section was included initially in the KOZ about 10 years ago, some additional properties are going to be acquired by the Housing Authority; streets have been vacated; they've changed external roads and the perimeter boundary of the project. There would be about 8 housing units that would not have benefits of the KOZ, and they're proposing to round off the edges to include these units so that all the benefits and all the units in the redeveloped area will be similar and all will have the same expiration date. He has a technical revision to the map and parcel identification information. The City map they used was not consistent with the County parcel map that had been created for the site. They've prepared a revised map, which essentially is the same geography but depicts how the County shows the parcel now. They've also included a revised table which shows the corrected parcel's ID. It's a technical amendment that covers the same area.

Mr. Gurdy said he had to recuse himself from discussing the Overlook Property since he is a member of the Allentown Housing Authority. But in regards to the Schoen's Building when we initially included this property in the KOZ would that be extended to 2011?

Ms. Marin said the expansion is expanding the 2011, the round one benefit, to include the adjacent parcel. She most likely will be back asking for an extension on the parcels. In early 2009, we'll be back talking about the long list – if you remember, there is a deadline made first for us to come before you for the additional 10 years.

Mr. Donovan said while he'll be voting yes for this, he'd like to go on record saying he has significant problems with tax free situations for non-residential properties. Enterprise Zones are primarily commercial operations and he does have problems with that. He has philosophical problems as far as giving residents full tax breaks. When was the law passed and when did you begin figuring out what you needed to do in terms of this new law?

Ms. Marin said they began in the summer. They've been in constant contact with the state. Initially they didn't know the extension and expansion were options. They decided there were a couple of properties that could be included in order to ease in the Administration with this going forward.

Mr. Donovan said that was a major concern. It seems very compressed. Was there a delay in terms of interpretation of the state law?

Mr. Hefele said the law was passed on September 11<sup>th</sup>.

Ms. Marin said they went to Harrisburg to sit down with staff to have them help us with the interpretation. There was an evolution there.

Mr. Donovan said later he'll have questions on Bridgeworks.

Ms. Eichenwald asked if we are the first taxing body to whom you are making this presentation?

Ms. Marin said in full, yes. Last night, Mike and I went to a committee of the School Board – just the co-chairs.

Ms. Eichenwald said Mr. Donovan stated it's unusual for residential properties. In her recollection she thinks there are many residential properties that in KOZ areas. It is not at all uncommon.

Mr. Donovan said it may just be in Pennsylvania. He has problems with non-residential properties getting full tax breaks.

Ms. Marin said she respects his opinion. Unfortunately this legislation is either take it or leave it. The Bridgeworks property is owned by AEDC. 50% is leased. They've had a problem with leasing because of the configuration of the zig zag roof. They looked at how can this be good for Allentown businesses. They also looked at the Bridgeworks Enterprise Center which is presently operating as an incubator business and will lose its KOZ benefit in 2 years. It would benefit AEDC to have a property with KOZ benefits so they can rent to young businesses. There is the capability of the staff of AEDC to support these businesses. We could rehab the building and make it a center for a green incubator. We would need the KOZ benefit to make it as appealing as possible to lease the space. There is a dollar amount and it presently pays \$15,135 to the City, so you would be looking at exempting that.

Ms. Eichenwald said if a firm comes in as an incubator at the KOEZ Zone, what guarantee do we have that when they move out of there they stay in the City of Allentown, after we've given them this benefit of a start up?

Ms. Marin said we don't. Historically, AEDC has done a great service, not to just the City but the region, but businesses come and we often work with them in trying to find a good location for them to stay, but sometimes they leave.

Ms. Eichenwald asked if there is no way to guarantee that if we grant this that it be part of the operational procedures that they remain within the boundaries of Allentown, so that we get the tax benefit? It seems to her to be unfair to give a tax benefit to start out a business and then they go somewhere else.

Ms. Marin asked Scott Unger of AEDC if that is something that could be marketed?

Scott Unger said it is something that's been discussed even over the life of the current incubator. They've discussed ways to do that. We're not sure if it will have an impact on the success or willingness of businesses to enter into the agreement. As they graduate from the incubator they try very hard to keep them. One example is Environmental Recycling on Mitchell Avenue. They stayed in the City and own their own building. There are some legal aspects on how we make that happen as well.

Ms. Eichenwald said maybe there could be a payback.

Mr. Unger said that's where the legal question comes in play. If they don't stay within the City for a certain period of time, whatever the arrangement may be, how do we go about retroactively paying taxes? He can't guarantee that's going to happen.

Ms. Eichenwald asked what is the time factor . . . she doesn't know if her colleagues feel the same way about giving a tax benefit to someone, to a commercial entity, that's going to go somewhere else. Are we on a time constraint? Do we have to make that decision right now? Can you check it out with the legal department if there can be a payback?

Mr. Unger said the deadline is December 31<sup>st</sup>. There probably isn't ample time to do that. He will commit that he will continue to pursue it from AEDC's end for ways to incentivize . . . he's not sure how that mechanism is going to work.

Mr. Guridy asked what their vacancy factor is there or how many spaces do you have?

Mr. Unger asked if he meant the incubator or the industrial building?

Mr. Guridy said the industrial building.

Mr. Unger said less than 50% out 260,000 square feet. It's an enormous building. It's functionally obsolete. It has 15' high ceilings that are difficult to insulate and leak.

Mr. Guridy asked if they all pay taxes?

Mr. Unger said yes.

Mr. Guridy said if we were to pass this, we would be freeing them from paying taxes?

Mr. Unger said the real estate taxes are paid by AEDC. Local business taxes would also be a concession the City would be making.

Mr. Guridy said we would not only be paying real estate, etc. What about the LST?

Ms. Marin said she thinks the only ones are the ones she listed in her presentation.

Mr. Hilliard said there are so few. There's only \$47 a person you're talking about.

Mr. Guridy asked how many people work there?

Mr. Unger said he doesn't have that information in front of him.

Mr. Guridy said 100. Fewer than 100 – 50?

Mr. Unger said probably around 50.

Mr. Guridy asked if you're looking to do the whole building, or just the incubator part?

Mr. Unger said they're not sure they can do the entire building. They don't have all the numbers worked out. There are 2 parts to it. To have AEDC have this building off the tax rolls for a short period of time gives them some additional capacity to make modifications to the building which will make it more marketable, but also the KOZ incentive itself makes it more marketable for future tenants. It may be a phased approach. Some of the phases may take place after the KOZ benefits have expired.

Mr. Guridy asked what prompted you to put this property into the KOZ? Are you having a hard time attracting people to come in? How's the rent?

Mr. Unger said the rent is significantly below market value. Being that it's an industrial zone and we have leads constantly coming from places like LVEDC, with 15' high ceilings, there are few industrial users that are interested. We've already had an engineering study done to modify the roof structure by keeping the slab in place and replace the roofing with a steel post building with more conventional 24' to 36'.

Mr. Guridy said like his colleagues he's uncomfortable giving KOZ to a business whose owners are not going to stay in the City.

Mr. Unger said more than likely the entire industrial building would not be made into an incubator. It's possible only one of the 24,000 square foot units within the building would be a post incubator space. Not to say we would only improve that much of the building or that we would only try to attract tenants, but of the incubator tenants, which are the ones of particular flight risk, the other tenants and some of the other spaces we would hope would stay for a long time. Many of their tenants have been there 5, 10, or 12 years.

Mr. Guridy said he'd like to see this postponed until the next meeting and do some research in between. Would you have enough time from the 17<sup>th</sup> to the 30<sup>th</sup> to submit your application?

Mr. D'Amore said we have to move on this this month. Also the school district and County Commissioners do. The Commissioners are waiting for us to take the lead on this. They aren't going to act until we do, so we're in an unfortunate position where we need to act even earlier than the deadline.

Mr. Guridy said the deadline isn't until the 31<sup>st</sup>.

Mr. D'Amore said the school board may not have a meeting between then and the 31<sup>st</sup>.

Mr. Guridy said they meet twice a week. The only concern he has is the County.

Mr. D'Amore said they meet the 2<sup>nd</sup> and 4<sup>th</sup>, on Wednesdays.

Mr. D'Amore said he took a look at these with Ms. Marin and Mr. Hefe. He also has some hesitance with tax abatements, especially when it comes to residential tax abatements. All these 3 parcels are appropriate for this. It's a program the state puts together for us. It's not necessarily the program for tax abatements he would choose, but the state legislature gave us what they gave us, and we have a choice to use the program or not use it. If it's a choice between yes or not, he thinks we should. There are some parcels in the City we need to market aggressively and one way is by offering the KOZ tax abatement.

Ms. Eichenwald said you've heard our concerns. She will support this because she has confidence he'll choose wisely and after the choice is made everything will be done to try to keep those people here. She still requests he looks into the legal aspects for paybacks or contracts. Please pursue those avenues.

Mr. Unger said you've heard us commit to do that.

Mr. Gurdy asked if we have to make an amendment to the budget?

Mr. Hilliard said the budget isn't to the accuracy of \$15,000. It would be in there technically because we're using the tax duplicate from the County.

Mr. Schweyer said he will support this resolution as a whole. He has no objections to Overlook Park and Schoen's. With regard to the Bridgeworks and the industrial zone, the fundamental difference he thinks in the presentation and what Mr. Unger proposes – these are bricks and mortar properties. These are people who bought property in the City and presumably made a significant long term investment in the City. When someone comes in and takes over one of our abandoned or blighted properties or a brownfield, they invest a significant amount of money. He feels relatively comfortable that after the tax abatement is gone, they'll remain here because by that point in time they're already committed to that property. If people who are renting at below market value -- he is not confident they're going to stay in that spot when the tax abatement goes or go anywhere else in the City. This would end at the end of 2010 for this property?

Mr. Unger said yes.

Mr. Schweyer said that gives us 2 years to find out if it works.

Ms. Marin said we actually have 2 months because the decision for extending it will be June of 2009.

Mr. Gurdy said the KOZ was initially designated for properties that had a difficult time being redeveloped. The Schoen's Building and the parking lot fits very well into that category. He will reluctantly support it. We'll probably be incubating properties that probably will leave the City. They have no interest to stay. Bethlehem doesn't take advantage of the KOZ, and they're doing well.

Mr. Donovan and Mr. D'Amore moved to forward R85 forward favorably, 6 Yeas and 1 Nay (Phillips).

### **Mayor's Budget**

Mr. Donovan said he was disappointed the Mayor has not been here throughout the budget process to discuss his budget. It is his understanding that he had meetings with other Councilors to develop amendments for this evening. While he understands the reality of politics, he thinks the fact that you have not been to the budget hearings is not appropriate to the City. The budget process is a public one. It deserves to be out in the open and include discussion of all accounts. The people behind the development of the budget, which includes you, should be available at all times with all Councilors, the media, the public to take and ask questions. The budget represents the execution of the strategy for the City. Expenditures and assets of the City determine where activity will take place. We can hope for volunteer effort but money is the source of action. You were not available at all during the time allowed for the examination of the budget and the implied strategy. Indeed, you let the taxpayers down by not being part of that 2008 process. This is his first year as a City Councilor, but it would have been an expectation that he would have had the Mayor here for at least the 2 committees he chairs. While your own department's budget is a small one, and will not take much time, it is not enough to be here for just that discussion. We had to reschedule to have the hearing at this time this evening and further while I expect you had some plans that precluded you from attending November 25<sup>th</sup>, the hearing schedule was established early in November. We could have scheduled a different hearing. We will have amendments tonight. Some you may like, others you will dislike. Nonetheless I do believe it would have been important for you to be here during the month of November. I feel we should have had those discussions.

Mayor Pawlowski said the Mayor usually comes and does a budget presentation. He gave the presentation. He was asked to speed up the presentation. Many Councilpersons did not show up that day for the actual presentation. But as for tradition, the Mayor comes and gives the initial budget address. The staff people are here to answer anything on their particular budgets. This year was an elongated process. We asked Council to reconsider that and shorten the process so we could have more people and more staff at these meetings. You did not want to do that. That's your prerogative and we respect that. I made sure appropriate staff was at each committee meeting to answer any questions you had. The Mayor, being the Chief Executive, puts forth the budget. He's here tonight to answer any questions you may have. Regarding the last meeting, that request was given to him a day before. He already had plans scheduled. He asked in advance to work together on a schedule that coincides with everyone. That was ignored. We had pre-budget meetings where everyone was invited to the Mayor's to discuss the budget before it was even handed out. You were there; your colleagues were there. The only one not there, naturally, was Mr. Phillips. We had pre-discussions beforehand – first time ever. As Council requested, we brought you into the budgetary process before the budget was finalized. It was then left up to the individual departments to explain the specifics of their individual budgets. This has been tradition for the last 20 years. We brought you into the process very early – before the budget book was even released. He'd tried to be as respectful and accommodating to Council as he could. There also has to be mutual respect. Progress comes with mutual respect. That progress is only put forth if we work together. The fact that you're suggesting he wasn't there is inaccurate. Every single Friday there are Councilpersons – Michael D'Amore, yourself – meet with Ken for hours. His door is

always open during those sessions to come and ask any question. He meets with many of you individually on a monthly basis, so there's a constant line of communication back and forth during this process. It does not have to be specifically during the budget hearings, which is really for department heads. When we come to this broad faced deliberation on the budget this evening, we have some of those questions answered. He'll answer whatever questions you have regarding the budget. Again, it is a 2 way street. Progress does come with mutual respect.

Mr. Donovan said respects that. Your presentation to us occurred several weeks ago. We did not get this until Friday, at the end of the month. Several times members of this committee have said to Mr. Bennington that we wished you were here, and Mr. Bennington repeatedly said he would bring that message to you.

The Mayor said he did, but there were prior commitments he had that precluded him from being there. That does not mean my door was not open. Ms. Eichenwald and I met just this morning and talked about the budget. Councilman Howells and I have talked. Julio and I have talked about the budget. My door is always open; my phone is always on. He's on this job basically 24/7. He's really here to answer any questions tonight that you may have. His budget is probably one of the smallest in this budget book. It is down \$2100 from last year. It was down from the year before that. We have decreased on many different levels. It is actually .0025% of the entire City budget.

Mr. Donovan said thank you for the conversation. It is a philosophical difference he has in terms of how the City budget and executive and Council work together. The Mayor should have public discussion.

### COUNCIL MEETING DECEMBER 3, 2008

1. Invocation: Mr. David M. Howells, Sr.

2. Pledge to the Flag

3. Roll Call

Mr. Donovan, Ms. Eichenwald, Mr. Guridy, Mr. Howells, Mr. Phillips, Mr. Schweyer and Mr. D'Amore.

4. Courtesy of the Floor

Dennis Pearson, 942 East Tilghman Street, said he would like to report to the City of Allentown, once again, the East Allentown Rittersville Neighborhood Group would like permission to use Irving Street Park for our own holiday display. While it's not complete yet, we are well on our way to completion. The bathhouse has lights up. Our flag pole decorations are up. It took us 2-1/2 hours to put that up today using a PPL truck. Our famous balloons will most likely be up by Saturday, with the help of Mike, and Mike has our permission to have a repeat of an official lighting ceremony, which the Mayor requested of us last year, and they're doing it again. The County Commissioners passed a resolution concerning 20 houses to be built at Overlook Park similar to what has been constructed going into east Allentown, on Allentown State Hospital property, They're homes for people with mental deficiencies and those who need help with drugs. They are concerned about that. Hopefully, the right decisions will be made. It still has to go before Zoning.

Mr. D'Amore said he saw the lights when he was coming home for New Jersey today. He's sorry he couldn't help out today. They look very nice.

Mr. Schweyer asked if there's a date and time for the tree lighting?

Mr. Pearson said we're not there yet. Mike is part of a committee. He'll pass on that assignment to him.

5. Approval of Minutes

6. Old Business: None.

7. Communications:

Mr. Donovan said on Monday, our President of Council, Michael D'Amore, was granted his doctorate degree in political science from the University of Massachusetts.

8. REPORTS FROM COMMITTEES:

**ADMINISTRATION** – **Chairperson Donovan** said the Committee met this evening. They don't have any more meetings scheduled for the year. They'll be back in January.

**COMMUNITY AND ECONOMIC DEVELOPMENT** – Chairperson Schweyer said met this evening as a Committee of the Whole to discuss the Keystone Opportunity Zone.

**PUBLIC WORKS** – Chairperson Gurdy said the Committee has not met since the last Council meeting; a future meeting has not been scheduled.

**PUBLIC SAFETY** -Chairperson Howells said the Committee has not met since the last Council meeting; a future meeting has not been scheduled.

**APPOINTMENTS** - Chairperson D'Amore said the Committee has not met since the last Council meeting; a future meeting has not been scheduled.

**LEGAL AND LEGISLATIVE** – Chairperson Phillips said the Committee has not met since the last Council meeting; a future meeting has not been scheduled.

**RULES AND CHAMBERS** – Chairperson D'Amore said no meeting; no report.

#### **OTHER COMMITTEE REPORTS**

Mr. Donovan said the Committee on Presales Inspection/Buyer Notification Report is essentially done. He'll be sending it out for comments to Council and then he'll release it to the public.

#### **CONTROLLER'S REPORT**

Mr. Hoffman said he will address the budget bills as they come up on the agenda.

### **9. ORDINANCES FOR FINAL PASSAGE:**

#### **Bill 125**

Establishing fees associated with Keystone Municipal Collections for the collection of delinquent taxes of Act 511.

Mr. Donovan said we have 3 representatives from the Keystone Municipal Collections Company here. This will establish fees for their contract with the City. There are a few amendments to be made before final approval. It was forwarded to Council favorably.

Mr. Donovan and Mr. Schweyer moved to amend Bill 125 by adding per hour, under Section 394.05, Litigation, to Numbers 10, 11 and 12; and, adding Local Services Tax under Section 395.04, Taxpayer Notification and Administration, to Number 2.

The amendments to Bill 125 were approved by common consent, 7 Yeas and 0 Nays.

Bill 125 was adopted, as amended, 7 Yeas and 0 Nays.

#### **Bill 97**

Adopts the Solid Waste Enterprise Fund: \$14,467,495

Mr. Hoffman said he sent a memo to Council last week. He suggested we need a water and sewer rate increase. We need more revenue. Mr. Hoffman suggested sending it back to the Administration to create a rate structure, or other sources of revenue, to fill that revenue gap rather than saying let's raise every number on this rate sheet by 8% or 5%. It may be better to come back with new rates. Next are bond proceeds. We've had a series of bond issues, 2007 and 2008, when we effectively wound up with some proceeds even though they were refunding and restructuring bonds. In his mind, economically, they're bond proceeds. They were derived from long term debt. He's concerned, especially in this economy, if we don't do something with them of an equally long term nature. Next year they may be sucked down into the budget and used for operating expenses. He was trying to come up with some long term uses that would be appropriate. We could pay down a long term debt. He's not sure that's a great thing to do. We can direct them into capital. We have a capital budget for you to approve. We don't have enough capital projects to approve to use all the dollars, but you can put the money into the capital fund, have the Administration come up with additional projects and spend it. You could use it for streets. We should be paving 15 miles of streets. This \$3 or \$4 million would help catch up with that project. The other thing is it's not a budget issue. -- the Pension Fund. It's not a budget issue for 2009. For 2009, our pension payment is fixed. You all know what happened in the market and because of that decline in value of our pension fund, unless something miraculous happens between now and 1/1/09, our MMO is going to increase by a lot. If we were to take these dollars before the end of this year, it doesn't count next year, it has to be done before the end of this year, and put additional dollars into the pension fund; it would reduce the increase by about \$400,000. If we put that in, it may reduce the amount of the increase in the MMO for 2010.

Mr. D'Amore commended Mr. Hoffman for a job well done during this budget process. We all appreciate your efforts and the information you've provided us with. You've provided us with an expertise that we needed to properly evaluate the budget.

Mr. Phillips said you mentioned the prospect of looking at raising sewer rates by making an across the board increase. Would you suggest we hire someone to make a study to make sure it's necessary and that it's something we should be involved in.

Mr. Hoffman said we certainly have people on staff who work for Water and Sewer who have lots of expertise. A 5/8" meter produces so much revenue, etc., so if you really want a 5% increase in revenues, you need to tweak each meter accordingly. He doesn't know about any study.

Mr. Phillips asked if he's concerned because the funds are being depleted for revenue sources or are they not being repaid?

Mr. Hoffman said the reserve has been depleted in the Water and Sewer Funds. That's his concern.

Mr. Phillips asked him to expand on why.

Mr. Hoffman said we haven't had any water or sewer rate increases – the last one was effective 1/1/05 and expenses keep rising. Our water rate has stayed level, therefore, our income has stayed level. You've got revenue, expenses. It's eating away at the reserves. The Administration and staff in water and sewer know the gory details of how these things are going to work as opposed to him saying raising them all 5%. It may not produce the income or revenue that you want.

Mr. Donovan said we've talked about this issue and the proceeds sitting in the checking account and what is the best use for them. I hear you saying one of the options is we had talked about a bond next year and instead that cash might be used toward those capital projects . . .

Mr. Hoffman said he thinks the intended life of the bond may be shorter – about 10 or 15 years?

Mr. Hilliard said 15 is what we did the analysis on.

Mr. Hoffman said the bond that produced this pot of money may not be exactly that but it's a long term use of money, and that's what he's after.

Mr. Donovan said he respects that. You also said we could put that money into an investment into the pension fund. That's the way he understood it.

Mr. Hoffman said yes.

Ms. Eichenwald said it was obvious when we went through the process of the auditor's report about how depleted those 2 funds were. Do you think there is wisdom in waiting to see what happens when the LCA and the City of Allentown come to an agreement on the water? Will that impact our decision making?

Mr. Hoffman asked do you mean can you wait until a certain point next year? Can you then go back and do something? You can't unless the Administration suggests it. You'll have to figure out the mechanics. There are other sources of revenue coming in. Let's throw them into the pot and mix them up. Then it's not a 2009 budget issue.

Ms. Eichenwald asked if he would be in agreement if we would hold off that decision until the 2010 budget?

Mr. Hoffman said that's your decision. What he might do is hedge his bets a bit. Like let's put some small increase into effect so that it throws a few more dollars into the fund and if some other water contract comes along, than we'll be in better shape. He can't decide probabilities. That's the Administration's job.

Mr. Guridy said in regard to the water and sewer increases you're talking about – to make it part of the budget process he thinks is a little too late. We should have raised them in conjunction with capital projects. He agrees we should raise the rates in increments -- but this year, it's difficult to do that. We are in a big recession right now. PPL is raising our rates by 36%. He doesn't think we should hit the residents with another increase considering the way things are today. We should see what we can do in the future. He welcomes his wisdom and suggestions.

Mr. Donovan said he is in favor of seriously increasing the water and sewer rates for exactly the same reason you talk about on a more level process than suddenly giving rate payers a large increase all at once. He does look at the fund balances, and they are dangerously low. While money could be had in a variety of ways, the balances are still dangerously low. He's glad he recommended examining different water meter rates and whether our rate schedule should not be a 5% across the board, or

6.8% as you recommended. He actually has an amendment today about water rates. He certainly would be in favor of asking the Administration to examine the opportunities for rate increases that are appropriate given volume usage and would help bolster funds back into a more respectable position.

Mr. D'Amore said on the refinancing savings --- his thoughts are that we should -- when we do consider the bond -- in the aftermath of the budget -- see what happens with the budget first and then talk about the bond. At that time, when we do consider the bond, is that now in the end reserve balance?

Mr. Hoffman said some of the dollars from 07 refunding -- some fell into the unallocated and the dollars we'll save in 08 will fall in there also.

Mr. D'Amore said after the budget, and before we address the bond issue, that would be the time to talk seriously what we want to do with that money. Would that be an appropriate financial sense? Would that help us to best spend the money? By looking at it in the aftermath of the budget but before we talk about bonding?

Mr. Hoffman said as long as there is the understanding and commitment to reexamine it and with the possibility of using those dollars, that's fine. You could put the money into the capital fund now and think about the projects next June. If you don't put it in now, then it's between the Administration and Council to work out something in the future. There's no obligation on either side to work at it.

Mr. D'Amore said in accordance with our processes, Charter and ordinances, the Mayor can reopen the budget, not Council. Council can't initiate the reopening of the budget.

Mr. Donovan said he sees the Solid Waste Fund has been financing street cleaning over the years, and this year we put it into a separate program and Solid Waste financed it. That revenue is primarily from our residential waste collection fees. Why should my fee for picking up the trash cover street cleaning? That's basically an activity he would think would be in the General Fund and puts it out in a separate fund. It's really a tax in a sense. To pick up the waste in front of his house is a fee, he understands that. To have that million in street cleaning within the fine and then the residential fees covering that -- he expects it's been there for a while. Commercial entities pay differently or they hire private or they hire us and pay a much lesser fee, maybe \$150,000 versus \$12 or \$13 million of collecting fees. Does that mean he's paying for street cleaning where the trash is being generated elsewhere and actually may come out of commercial entities in which people bought things and dropped it on the street? Why is street cleaning in Solid Waste?

The Mayor said it's been in Solid Waste for the last 20 years. It adequately belongs there. It's a process where we actually pick up debris and over 11,000 tons of garbage off the street on a yearly basis. We also pick up over 2500 tons of leaves, which is debris and compost. It's appropriately placed in Solid Waste and is correctly budgeted in this respect.

Mr. Donovan said he doesn't disagree with its use. I agree with the street cleaning. It's the resident that pays the solid waste fee. That's where most of the fund is coming from. We pay \$340 to cover the waste pick up as well. Does commercial property in the City pay a fee?

The Mayor said many commercial properties opt into our commercial trash service fee. There's always trash in front of his house. We're actually paying as the residents of Allentown for the City to pick up that fee.

Mr. Donovan said \$12.24 million in residential trash collection. Is that mostly residents paying that, or is it commercial?

The Mayor said there's commercial and residential. Some commercial businesses opt out if they're big entities. It's more than our haulers can handle. They petition the City to opt out of the program. We don't usually allow that to happen. Most of the smaller businesses throughout the City use our residential service.

Mr. Donovan asked how does he interpret \$2900 and \$2905? The bulk of the revenue collected is labeled as residential and \$2905 is labeled commercial trash collection -- far less -- only \$162,000.

The Mayor said most of it is in the \$12.2 million. The \$161,000 is special collections for commercial entities.

Mr. Donovan said his major concern is correlation of service.

The Mayor said they can break it down more in next year's budget, if you want.

Mr. Donovan said that may be helpful.

Bill 97 was adopted, 7 Yeas and 0 Nays.

**Bill 98**

Adopts the Solid Waste Fee: Continues at \$340

Bill 98 was adopted, 7 Yeas and 0 Nays.

**Bill 99**

Water Fund Budget: \$15,109,572

Mr. Hilliard said there are transfers between the Water and Sewer Funds in Risk Management, in the budget process. They're out of balance. This brings the adjustments of the 2 funds so they are the same.

Mr. D'Amore said the amendment that needs to be brought forward for this would be to reduce the revenue in Account 7122.

Mr. Howells and Mr. D'Amore moved to amend Bill 99 to reduce the revenue in Account 7122, in the Water Fund by \$100,000

The amendment was approved by common consent, 7 Yeas and 0 Nays.

Mr. Donovan said in looking over the Water Fund there has been a rapid increase over the years.

Mr. Donovan moved to amend Bill 99 by asking the Administration to find a 1% reduction in non-personnel overhead items.

There was no second on the motion. The motion was withdrawn.

The City Clerk suggested offering all 5 revisions in Budget Memo #2 to Bill 99 at one time.

Mr. Hilliard said one is just combining 2 accounts into one.

Mr. D'Amore said he doesn't know if they can amend things that aren't on the floor.

Attorney John Marchetto said these are just moving numbers around so that the budget pages actually reflect what's going on. They're going to have to be adopted at some time. Budget Memo #2 details the amendments and the budget pages show the actual changes.

Mr. Howells and Mr. Donovan moved to amend Bill 99 as follows, pursuant to Budget Memo #2:

Risk Management, Employee Health Benefits – Combine Account 39 – Insurance-HMO with Account 35 – Insurance-BC/BS resulting in no to change to the fund balance. This will enable the health benefit invoices to be paid out of one account regardless of vendor. A revised RM-3 is attached.

Risk Management, Fund Summary. Reduce revenue Account 7122, Water Fund by \$100,000. Over allocated amount transferred from Water Fund into the Risk Management Fund for Homeland Security. A revised RM-3 is attached.

Risk Management, Fund Summary. Reduce revenue Account 7123, Sewer Fund by \$100,000. Over allocated amount transferred from Sewer Fund into the Risk Management Fund for Homeland Security. A revised RM-3 is attached.

Risk Management, Fund Summary. Increasing revenue Account 7124, Trexler Fund by \$6,936. Correcting total amount transferred from the Trexler Fund into Risk Management. A revised RM-3 is attached.

Risk Management, Fund Summary. Increasing revenue Account 7127, Golf Course Fund by \$3,456. Correcting total amount transferred from the Golf Course Fund into Risk Management. A revised RM-3 is attached.

The amendments to Bill 99 were approved, by common consent, 6 Yeas and 1 Nay (Phillips).

Bill 99 was adopted, as amended, 6 Yeas and 1 Nay (Donovan).

**Bill 100**

Adopts Water Rates for 2009

Mr. Donovan said originally he was going to move to increase the water rates by 5% on the basis of a recommendation from

Mr. Hoffman for 6.8%. He requests the Administration examine the opportunity for adjustments to the multiple rates of the Water Fund.

Mr. Donovan and Mr. D'Amore moved to amend Bill 100 by rejecting the request for no change in the rate and send it back to the Administration for recommendations on changes to the various rate options that exist for customers in the City.

Mr. D'Amore said in effect this would send the rate back to the Mayor and ask for action on that by the Mayor.

Mr. Gurdy said he doesn't think we can do that. We won't be passing the budget.

Ms. Eichenwald concurred.

Attorney Marchetto said no you can't.

Mr. D'Amore said he has the right to not take any action on it.

Attorney Marchetto said technically you could, but that's amending the budget.

Mr. Gurdy said they won't be able to pass the budget tonight.

Attorney Marchetto said you would amend the budget.

Mr. Donovan said by following Mr. Hoffman's recommendation, it would delay the process. If we ended up making an amendment of a fixed amount, we would send it back to the Mayor's office and he would reject or accept.

Attorney Marchetto said by sending it back with a recommendation to change it, that's not really an amendment. You have to recommend a change for it to go back, or pass it the way it is and pass the fees at a later time and then it will be surplus coming into the fund as revenue later on.

Mr. D'Amore said we cannot just refer the bill back to the Mayor for action, or if he chooses inaction.

Attorney Marchetto said for example, if that was the only thing you did tonight and you sent it back, it would be a rejection of the Mayor's budget, but there's no amendment to it.

Mr. Gurdy said if we send it back to the Mayor and we act on the others, none of the other bills will take effect.

Mr. Donovan said he originally had a specific increase he was going to be recommending. We only had a brief discussion on this at the budget hearing, which is why he is frustrated with the inability to talk about these things in more depth.

Mr. Donovan withdrew his motion.

Mr. Donovan and Mr. Schweyer moved to amend Bill 100 by increasing the water rates by 5%.

Ms. Eichenwald said we must come to a decision tonight. She does not think we should increase the water rates at this time. There are too many variables, especially with the LCA contract. She recognizes that we have difficulty in maintaining a fund balance. She doesn't think that's supercritical at this moment. She will not back this particular motion and will go back to adopting the original water rates.

Mr. Gurdy said he agrees with Ms. Eichenwald. He doesn't think this is an appropriate time to increase the water rates because of the economic difficulties we are experiencing. It is not a critical issue to increase the rates at this time. In the future, we should do a study to see if we can make some incremental increases. He will be opposing this motion.

Mr. Howells said somewhere in the future he may find a way to go along with that goal. It's just the wrong time to be looking in that area.

Mr. Schweyer said he's going to support this amendment. Looking at the budget, we are anticipating finishing the year with a \$2.38 million surplus in our Sewer Fund. We are looking at a decrease of almost \$2 million by the end of next year. It's almost another \$1 million for the Water Fund as well. He doesn't have nearly as much faith in the LCA proceedings. Everybody is trying to get the best deal they possibly can. Even if it does pass, he doesn't think it's going to be this windfall of profit for our Water and Sewer Funds. The last thing he wants to do is put the residents in a situation where in 2 or 3 years, this fund is completely broken and then we're looking at a massive increase. It's easier to budget and easier for people

to understand if your rates are going up \$2 or \$3 as opposed to \$30 or \$50.

Mr. Donovan said we are significantly reducing the fund balances and this is an Enterprise Fund, therefore this is the retained earnings of these 2 organizations this year. He requested a 1% deduction in overhead as part of this strategy to at least put it on the table. The typical water bill for a resident amounts to \$300 to \$400 a year, which would mean it would be a \$30 or \$40 increase. Water and Sewer fees are carried by businesses beyond the City and residents of Allentown. This is a fee that goes to large water users that isn't captured through property taxes. Non-profits – colleges, hospitals and other institutions – even though they pay water and sewer, they do not pay a real estate tax. Good fiscal practice would be to make sure a level type of rate, to make sure when overtime is necessary, to make sure both funds are healthy. He does not believe a 5% increase is significant on the typical residential owner. I do realize it may be a hardship. He will be voting yes for this. He realizes it may be voted down, but he wanted the topic out in front of the public.

Kim Beitler, 838 North 8<sup>th</sup> Street, said she has a concern with raising the water and sewer rates. Councilman Phillips asked why the Water and Sewer Funds – which she always thought were healthy --have been depleted. She didn't realize it went down as quickly as it did. Wasn't there a fund initiated this year for national security? It was taken out of Water and Sewer and primarily for the use of Fire and Police. Do we know what Police and Fire are actually doing for the Water Department in order to receive those monies? In 2005, Mayor Afflerbach had taken some money from the Water Fund to pay for health benefits and some payroll salaries. Those payments were supposed to be initiated within a few months of those loans to start to pay the Water and Sewer Funds. Has that loan been paid off in its entirety?

Mr. Hilliard said maybe the Police and Fire Chiefs can talk about the national security. Based on what he understands there's \$100,000, from each of the funds, per year, transferred back because of the increased demands the fire and police had. He doesn't know all the activities they're required to do but it has to do with security. In 2003 and 2004, the number is principally, the largest amount, 80%, is in the General Fund. The modest amounts are in the other funds. The Water and Sewer through the CAFR has been in and it's a complicated process. There's no longer a remaining balance.

Dennis Pearson, 942 East Tilghman Street, said he's curious. Have revenues from outside our community for water service been declining?

Mr. Hilliard said not that he knows of. The one thing that's in Sewer is very unpredictable and very cyclical. That varies dramatically. At times there's a lot of money; other times there's very little. This year it's a modest amount. In the water there should be no major fluctuations.

Mr. Gurdy said part of the reason the Water started declining were because of the rules and technology.

Mr. Pearson said their requirement for water was very soft and delicate water.

Louis Hershman, 405 Gilmore Street, said last year you took the money out of the Water and Sewer Fund and put it in the General Fund. You said we'd never have a problem. Mr. Schweyer just pointed the problem. He hopes they're happy with their vote. It looks like we're going to be facing water rate increases. He told them this would happen -- when you take money out of Water and Sewer to meet General Fund expenses. Nobody offered cuts, and you're asking the people to pay more. Where do we stop? The \$1.3 million loan hasn't been paid back yet because the ordinance wasn't amended to change the years to pay it back. They didn't budget it to pay it back.

The amendment to raise the water rates by 5% failed, 2 Yeas and 5 Nays (Howells, D'Amore, Eichenwald, Phillips, Gurdy).

Bill 100 was adopted, 6 Yeas and 1 Nay (Donovan).

### **Bill 101**

Sewer Fund Budget: \$16,922,936

Mr. Donovan and Mr. D'Amore moved to amend Bill 101 by reducing the non-personnel costs in the Sewer Fund by 1%.

Mr. Donovan said the Sewer Fund is an extremely well managed operation of personnel. We've had rapid increases in a variety of accounts in the last 5 years, far exceeding inflation. Out of the \$17 million, the managers or directors can find an additional 1% to cut. The public needs to have The opportunity to speak to it.

Mr. D'Amore asked Rich Young if he was handed the mandate to cut the Sewer Fund by 1%, what would be your initial reaction?

Mr. Gurdy said cutting funds like this arbitrarily – we're lucky there's a surplus. If the Administration felt it was something they wanted to do, they would have suggested it. With the economy and a lot of uncertainty – we have some things coming up – we're expecting more funds in the future and hopefully the budget will be better than what it looks like. It's dangerous to do this type of cutting.

Mr. Donovan said he understands the 1% reductions are difficult. Sometimes you have to go back to people and say you want a little bit more. We should be sending a message that this budget should not be handed to us one day and 30 days later, other than going through short hearings on some topics – he feels there's an obligation on us to ask if they can squeeze anything else out. He wants people to know he's concerned when he sees 35%, 40% increases in certain accounts over the years, and some might be necessary, he feels he should make that request.

Ms. Eichenwald said when you look at a budget, such as the one we're looking at now, so much of it is fixed costs. We have no control over the increases. She doesn't think it's fair to ask someone who is in charge of a large, important department to ask them for an across the board increase when so much of the costs are fixed. She will be voting against this amendment.

Mr. Howells said he also has a problem with last minute amendments, especially with across the board cuts. As a former department director himself, most of his costs had to do with personnel costs. We're always looking for the best deal for the taxpayers. He cannot support this 1% cut.

Mr. Donovan said he understands fixed costs. He's not talking about personnel costs. He feels that a City that has not necessarily been growing is seeing very rapid increases in certain accounts.

The Mayor said if you go back to G-5, the initial budget presentation that he gave at the beginning of this process, he pointed out 77% of the City budget is personnel and benefits. We have minimal room to do much in this budget. We have been very diligent and disciplined in reducing costs.

Mr. D'Amore referred to SF-32, line 44, Professional Service Fees, and said it's about \$100,000 larger than budgeted for last year and about \$80,000 larger than what we actually paid this year. What are the professional service fees for and why the big increase?

Rich Young said that's related to infiltration and inflow removal. That will identify areas where water from the storm sewers into the sanitary sewers which gets to our treatment plant and overwhelms our treatment plant and causes problems down there.

The Mayor said if we can eliminate that we will save money and increase our capacity which we could then sell to the surrounding suburbs.

Mr. Donovan withdrew his amendment.

Mr. Gurdy said he met with Mr. Young and he can vouch for him and his department. They have a very lean budget. He thinks they provide very good services. He commends them.

Mr. Hershman said there's nothing wrong with Mr. Donovan's amendments. We have transfers if we run short.

Mr. Gurdy said it's very dangerous to cut 1% across the board.

Mr. Donovan said he sent emails to all of his colleagues about amendments he wanted to discuss at this meeting, but he didn't hear back from many, only a few.

The amendment to Bill 101, Risk Management, Fund Summary, reduce revenue in Account 7123, Water Fund, by \$100,000. Over allocated amount transferred from the Water Fund into the Risk Management Fund for Homeland Security, was approved, by common consent, 6 Yeas and 1 Nay (Phillips). A revised RM-3 is attached.

Bill 101 was adopted, as amended, 6 Yeas and 1 Nay (Donovan).

## **Bill 102**

Adopts Sewer Rates for 2009

Mr. Donovan said based on a recommendation from the Controller, he'd like to raise the rates by 13.8%.

Mr. Donovan and Mr. Schweyer moved to amend Bill 102 by increasing the sewer rates by 10%.

Mr. Gurdy said he still believes this a very difficult and uncertain time to raise the rates. He opposes raising the rates.

Mr. Phillips asked Mr. Donovan if he has a dollar amount of how this will impact the budget?

Mr. Donovan said Mr. Hoffman provided a spreadsheet that shows the impact of his proposed rate increase which was 6.8% His decision to offer lower rates were twofold: 1) to not have the impact completely in this year. It will be spread over several years; and 2) if there was an attempt to reduce some non-personnel costs that would also have an affect. He was basing it on Mr. Hoffman's recommendations.

Mr. Phillips asked what new revenue would that bring? Do you have a number?

Mr. Donovan said he does not have Mr. Hoffman's spreadsheet in front of him, and he can't remember those numbers. His would be 1.8% less than Mr. Hoffman's.

Ms. Edinger said we're talking about a rate increase on something people control their consumption of. You missed an opportunity in the water discussion. If your water is too high, run your water less. You can do this with sewage, although it is less pleasant. She does it for environmental reasons; you can do it for economical reasons.

Mr. Gurdy said many of them have been controlling that for a very long time. There are ways to increase the revenue in the City in the future. We are working on that.

Ms. Edinger said she hears a lot of infrastructure. You talk about wanting to attract more businesses and more industrial uses into this community. You have to have the infrastructure in place to attract those businesses. You have to have buildings that are usable and water and sewer capacity that are up to snuff. We all take for granted how much water and sewer we consume. We all took for granted how much we consumed gasoline. Good government is good government all the time.

Dennis Pearson, 942 East Tilghman, said historically, if they are still saying there are problems with the sewer system with runoff problems, he hopes everything will be okay when Sam Adams starts brewing their beer. Mr Donovan is introducing a fee increase, which really is a tax increase – this was all part of our budget before we moved it from the budget – does this require a super majority vote to pass?

Mr. D'Amore said yes.

Ms. Eichenwald said we need to take care of our infrastructure, especially our water and sewer. She differs in her opinion with Mr. Schweyer. She feels we are going to come to an LCA agreement, which is why she will not support the amendment. She believes we'll come to an agreement and end up with a fund balance.

Mr. D'Amore said he thinks we're going to come to an LCA agreement as well. He requested Council be updated and included in on the negotiations.

The amendment to Bill 102 failed, 5 Nays (Howells, Gurdy, Phillips, Eichenwald and D'Amore and 2 Yeas.

Bill 102 was adopted, 6 Yeas and 1 Nay (Donovan).

### **Bill 103**

Adopts the Liquid Fuels Fund: \$2,527,769

Bill 103 was adopted, 7 Yeas and 0 Nays.

### **Bill 104**

Adopts the Trexler Fund Budget: \$1,833,937

The amendment to Bill 104, Risk Management, Fund Summary, increasing the revenue in Account 7124, Trexler Fund, by \$6,936, was approved by common consent, 6 Yeas and 1 Nay (Phillips). Correcting the total amount transferred from the Trexler Fund into Risk Management. A revised RM-3 is attached.

Bill 104 was adopted, as amended, 6 Yeas and 1 Nay (Phillips).

**Bill 105**

Adopts the Golf Course Fund Budget: \$1,605,715

The amendment to Risk Management, Fund Summary, increasing the revenue in Account 7127, Golf Course Fund, by \$3,456, was approved, 6 Yeas and 1 Nay (Phillips). Correcting the total amount transferred from the Golf Course Fund into Risk Management. A revised RM-3 is attached.

Bill 105 was adopted, as amended, 7 Yeas and 0 Nays.

**Bill 106**

Adopts the Equipment Fund Budget: \$996,306

Bill 106 was adopted, 7 Yeas and 0 Nays.

**Bill 107**

Adopts Risk Management Fund: \$17,152,634

Mr. Donovan said the previous Administration did not properly fund this fund and over the last few years that has been corrected.

Mr. D'Amore noted the Risk Management Fund was amended 5 times just to straighten out the numbers.

The amendment to Risk Management, Employee Health Benefits, combining Account 39, Insurance-HMO, with Account 35, Insurance-BC/BS, resulting in no change to the fund balance, was approved, 7 Yeas and 0 Nays. This will enable the health benefit invoices to be paid out of one account regardless of vendor. A revised RM-9 is attached.

Bill 107 was adopted, as amended, 7 Yeas and 0 Nays.

**Bill 108**

Adopts the 2009 Capital Projects Fund: \$1,580,000

Mr. Donovan asked what the \$1.58 million is for?

Mr. Hilliard said there's \$750,000 in sewer – it's principally water, sewer, Trexler Park . . .

Mr. Donovan said then it would increase to \$5 million if . . .

Mr. Hilliard said if we did a bond or a loan or another transaction like using other monies that would be a new transaction to add money to the Capital Projects.

Bill 108 was adopted, 7 Yeas and 0 Nays.

**Bill 109**

Adopts the 2009 Debt Obligations Fund: \$6,442,052

Bill 109 was adopted, 6 Yeas and 1 Nay (Phillips).

**Bill 110**

Adopts the 2009 911 Fund: \$2,904,099

Bill 110 was adopted, 6 Yeas and 1 Nay (Phillips).

**Bill 111**

Adopts the 2009 General Fund: \$80,458,139

Mr. D'Amore asked if this is to reduce revenue in Account 3490?

Mr. Hilliard said yes, when you add up the transfers out from the General Fund, all the Enterprise Funds were off by \$16,880. This just fixes the balance.

Mr. Howells moved to amend Bill 111 by reducing revenue in Account 3490, General Fund Service Charges, by \$16,880. Correcting the total amount transferred from Enterprise Funds into the General Fund. A revised GF-1, 2 and 3 are attached.

Mr. Donovan said he has a series of amendments for the General Fund and they are all designed with what we can do for community development in the City. One of these amendments goes hand in hand with another amendment he will offer this evening.

Mr. Donovan and Mr. Schweyer moved to amend Bill 111 by transferring the position of 10N, Human Relations Office, in Account 000-09-0903-0004 and 000-09-0903-0005, to the City Council Budget.

Mr. Gurdy said he would not be voting for this amendment. Currently, the position is dealing with administrative functions such as Disruptive Conduct Board, neighborhood controversy issues, housing/landlord complaints, discrimination. In order for him to perform his duties they must be performed in conjunction with the Executive Branch. To bring it under City Council would diminish his functions. If we want to create a position under Council that deals with building and community research functions, we should draft a job description and see how the responsibilities fit into the paygrades and solicit applications under this basis. We should use the community fellow program in partnership with local colleges to do research for model legislation. He believes the HR position should stay where it is.

Ms. Eichenwald said she agrees with Mr. Gurdy. City Council is a legislative function. It would cause great concern if it were placed under our purview to authorize and supervise the office of Human Relations.

Mr. Phillips said this position was eliminated by the Heydt Administration, and its whole department and was brought back by the Afflerbach Administration. His functions then were to deal with landlord/tenant relations and the DCR Board and other things. The referrals come to the HR person but all referrals end up in Harrisburg.

Mr. Donovan said he has a different view of what the Human Relations Officer is. He does not believe he should be doing things like disruptive conduct notices, tenant complaints, etc. Any particular position within that department can do that. It should not be titled, Human Relations. That's a travesty. In his brief time here, he thinks one of the most severe problems are human relations, racial relations, labor relations, ethnic relations, etc. It's his hope we can bring a person into City Council who can take an active policy role to develop better plans within the City that will improve the relations of all people and build better social capital. We can try to make all the investment practices with people, but if we do not solve our relation problems with people in this City, the City will not change. He has sat here for a year and rubber stamped legislation. We have tried to have policy discussions, and they do not occur. This is the first time we've had an opportunity to put some things on the table. He wants this City to understand that we do not do enough in community development for all people in this City. Every single policy meeting he goes to is typically white. The only policy meeting he goes to where he sees people of color are often dealing with other related issues. He finds that offensive. This City needs to recognize we have great people across the board. This City is not set up to handle that like 300 cities around the nation are.

The Mayor said he disagrees with the Councilman. The role of the Human Relations Officer is not just those functions. Part of his job are those functions; the other part is staffing the Human Relations Commission to handle complaints, process paperwork that are not his ability to resolve. He does mediation. He brings in mediators. Those that warrant discrimination or racial attacks, he actually brings in the State Human Relations Commission. The main part of his job is that. 20% of his time is spent on disruptive conduct, which in many cases are disputes between tenants and landlords, which he is there to help negotiate mediation. He's doing exactly what we want him to do in that respect. We are doing reflective diversity within our population. We still have a ways to go, but we are making progress. That has been a joint effort between Council and the Administration.

Mr. Bennington said he supervises the HR officer under Building Standards and Safety. Mr. Paules now supervises him. He personally went on a dispute with this individual and an outside mediator where we sat down for 3 or 4 hours. It does work.

Mr. Donovan said he doesn't disagree with those tasks. They are administrative tasks. He would give it a different title, if we could some day fund it in Council Office or the Mayor's Office. We need a better policy direction in terms of what the City is going to do and in terms of race and ethnic relations. He doesn't begrudge the person on the task they are doing. He feels there are more important policy efforts we need to make.

Mr. Howells said the location of this position doesn't have any bearing on this office at all. At one time he worked out of an office on the 5<sup>th</sup> floor. The best group of people to ascertain whether the HR person is doing HR work would be the people sitting on the HR Commission. This is a person who knows his job, does it very well with a lot initiative and motivation. He has a desire to fulfill those responsibilities. He doesn't think an HR officer should have to work for the 7

people here.

The Mayor said this is clearly an administrative function.

Ms. Eichenwald said as a Human Relations Commissioner she exceedingly values their work and efforts. She respects and appreciates all the issues with which they deal. We would be harming its mission if we moved it out of its administrative office under the purview of being supervised by 7 City Council members. It's strengthened where it is. We need to work very hard to make sure its mission is fulfilled and we give it all the correct care and concern.

Mr. Schweyer said he thinks we're talking about 2 different things. There's an administrative side and then we have a policy and research side. He doesn't think Mr. Donovan was saying Council have responsibility for any administrative function. He was insinuating that Council needs to start looking at some of these broader based issues. He saw this as an avenue to put this particular topic as an avenue to put this on the forefront for Council to look at. We are in too tight of a budget to expand any research position. He will vote no with the caveat that we do need to continue looking at improving Human Relations.

Mr. D'Amore said what Mr. Donovan is proposing is something novel and fresh to be part of the policy making process. The Human Relations position does mix enforcement with an advocacy. If this would ever occur, he would hope we'd separate the enforcement from the advocacy.

Mr. Donovan said this discussion was about policy not position. He does do a great job. He's looking at exactly what ...

Mr. D'Amore said – the advocacy and enforcement issue in the future.

Rabbi Lennick, Human Relations Commissioner, said he currently encourages you to keep the structure as it presently exists. The commission is at an important time in its life developing new concepts for advocacy and having the very discussion Mr. Donovan was having by developing a relationship with enforcement and advocacy. Please entrust the opportunity to continue that discussion and please maintain the system as it is. We're very proud of Mr. Butterfield and pleased with the future of the commission.

Mr. Donovan said thank you for the information about what your group is doing.

Paulette Hunter said she agrees with Mr. Donovan. Normally you don't see people of color at the meetings. She's concerned about what Human Relations do. When she went to a County meeting, a lady come up and explained what happened to her and her child. There was a meeting at the Palace Center on hate crimes and discrimination. We had a meeting and nothing happened.

Erlinda Aguiar, 1042 East Gordon Street, said she served on the Human Relations Commission for 10 years. This year she represents the Allentown School Board. She also is the Chair for "No Place for Hate" initiative committee. There will be a follow-up session. She apologies if people did not get the email. The session will take place on December 18<sup>th</sup>, at 7:30 AM, at the Palace Center. It is to discuss the results of the breakfast and also to see how the committee can work with the City – and one of our partners is the Human Relations Commission – and make attempts on meetings. Several of the commissioners are also members of the committee.

The Mayor said these types of initiatives are broad based. It was put together by a consortium of groups to address this issue. She's also a member of the Allentown School Board. In her spare time, she is a volunteer working with these groups.

Ms. Aguiar said Gwen Parker, a member of the Human Relations Commission, brought that initiative to the attention of the commission. It was decided it should be its own committee.

The Mayor said the commission is coming up with ways to address these issues on a much broader scale.

Ms. Aguiar said the Human Relations Commission this year has more extensive training and community mediation. We're in the process of applying for a grant that is set up with Senator Pat Browne's Office to help us do additional training. They also are working on a retreat. They invite the Mayor and Council to see the work they are doing.

Kim Beitler, 838 North 8<sup>th</sup> Street, said she realizes we're talking about a position not a person, but Mr. Butterfield does a wonderful job. The position does fit well in Community and Economic Development. In discussions, we felt the Human Relations person would be the fairest and most unbiased. He does an excellent job on the DCR advocating for those tenants.

Candy Svizovsky, Disruptive Conduct Board member, said their only job is deny or uphold an appeal. There have been some occasions where Nick has intervened with disruptive tenants.

Nick Butterfield said he has worked in about 7 different places in the City through the years. He doesn't think budget time is the time to go through it. It takes a lot more study than that. He's part Human Relations and part Community Relations. Those are hard to separate. When we talk about Human Relations we're talking about the same thing that's part of Community Relations. We're talking about the intercultural conflicts of people in the City. The commission has taken mediation training. The problem is trying to figure out how they can do and be protected in the City as far as liability. There is a lot of mediation needed for these disputes that keep going on.

The amendment to Bill 111 was defeated, 2 Yeas (Donovan and D'Amore) and 5 Nays.

Mr. Donovan and Mr. Schweyer moved to amend Bill 111 by reducing the following accounts by the noted amounts: \$60,000 for Civic Expenses for Neighborhood Organizations. The telephone account is reduced by \$3,000; training and development by \$2,000; professional service fees by \$50,000 and contract services by \$5,000. It will increase Civic Expenses by \$60,000 for neighborhood organizations through grants and will be process by CEDC and Council.

Mr. Schweyer said the reduction of professional service fees is from Council. This is all from our budget. It is not from anywhere else in the Administration. The process to do that has yet to be determined.

Ms. Eichenwald said she will be offering an amendment when the opportunity arises. She would like to use some of that money to hire more police. Would it be possible to lower the amount?

Mr. Donovan said he has another amendment depending on what happens with this one. He would like to hire 4 police officers also with a different strategy and still allows this to occur. However, given the discussion earlier about some of what he's proposing for strategy making. He also wants more police. He also thinks it's extremely important that the 30 neighborhood groups in the City that are really scratching to do things and do not have funds. He feels it's the responsibility of the City to help them. His plan was to have matching grants to fund the neighborhood associations to raise \$500; we would give \$5,000. They would have a plan. When they provided the plan, we would present the funds. At the end of the year, they would provide us with what they did and that would open them up for next year. He would like to at least have a discussion on the value of the neighborhood groups in the City and to what extent we should be looking at enhancing them.

Mr. Howells said there's a lot of merit to this. He belongs to a number of organizations. They have a hard time paying oil bills, baseballs and footballs. He's in the same dilemma as Jeannette. She's looking at the same \$50,000. He thinks there's a lot of merit to what you're asking to do.

Mr. Guridy said he's going to side with Mr. Howells and Ms. Eichenwald. He'd like to see how we can hire more police officers.

Mr. Donovan said his only concern about Ms. Eichenwald's amendment is that we, as a department, end of giving up \$100,000 to fund police with about \$96,000 that comes out of overhead. City Council would be giving up a great deal of funds that we may need to do things. If we didn't use all of that \$50,000 to finance the police, can we shift funds around during a budget year?

Mr. D'Amore said no.

Mr. Donovan said he has 2 conflicting goals. One is what do we do with community development to spark neighborhood associations throughout the City to help doing certain things that will help the City significantly? At the same time, how do we find money for additional police officers when we only have so much money? He could be persuaded to withdraw this amendment, and then based on the debate of Ms. Eichenwald's amendment, we might, later in the year, convince the Mayor to be able to transfer for funds for a \$30,000 grant program.

Ms. Eichenwald said she doesn't think it has to be either or. We can still have that as Mr. Howells suggested with \$25,000. That would be our pilot program.

Mr. Donovan said his only concern is her proposal, as he reads it, is the entire \$50,000.

The Mayor said we already have a number of ways we assist community groups. Through the CDBG Program, we print up all their newsletters, which we spend \$5000 to \$7000 on per year. We have a number of ways for community groups to get funding, i.e., Lights in the Parkway. Many of the groups participate in it and get a percentage of the

profits. The County has also put forth a program for community groups. There are a number of venues where community groups can apply for money. He's not sure we should create another one within the City's budget, especially since we're so fiscally strapped.

Mr. Howells said we have people who help cut our gas, which saves fuel. We are out of the CDBG area. Center City groups get money. We could meet their criteria. In our area, we have Cumberland Gardens, which is low income housing.

It was noted that Cumberland Gardens is a CDBG area.

Mr. Howells said we spoke about that. What is the progress of including Mountainville in that?

Heidi Baer said the CDBG boundaries are based on our consolidated plan. Right now it runs from July 1, 2005 to June 30, 2010. There's a lot of demographics that's based on census data. We're starting the process now for 2009-2010. Shortly thereafter, we'll be doing a whole other planning process for 2010-2015 program year based on new data that HUD will provide to us and new census data so that we will look at the demographics, the low-moderate income statistics that we have. Right now, expanding without that data would be difficult. To be eligible for a CDBG program you would have to have a 501(c)(3); eligibility has to be a non-profit; and, if you document that you can serve people within our focus area which includes Hanover Acres, Cumberland Gardens and Riverview Terrace you could be eligible to apply. You would have to do the appropriate record keeping.

Mr. Donovan said he is specifically noting the neighborhood associations, however, since Mountainville Crime Watch Group – he would envision that some of this money is in a creative process in terms of working with other associations, and they would help create some partnership opportunity for events, and it would be the neighborhood groups who work with multi-groups including athletic groups.

Mr. Howells said he read that you wanted to change the name of the groups.

Mr. Donovan said he would like to drop the phrase crime watch and have them become neighborhood associations. He feels we're talking about community building and not just crime.

Mr. Schweyer said we had a question about withdrawing and moving. Where exactly are we?

Mr. Donovan asked if he would reduce the \$50,000 to \$25,000. His concern was would that give her enough money to do what she wants to do?

Mr. Howells said if he does that and we get \$25,000 from the Mayor from some other pot.

Mr. Donovan tabled his amendment. He yielded the floor to Ms. Eichenwald.

Ms. Eichenwald said the most important thing City government has is its responsibility to provide for the safety of its citizens. This amendment was agreed upon through the auspices of both the Administration and herself. In addition to providing our citizens with a safer place to live, she also thinks it's the role of City government to work more cooperatively between Council and the Administration.

Ms. Eichenwald and Mr. Howells moved to amend Bill 111 to add 4 police to the budget as follows:

- A police officer costs the City \$63,620 x 4 = \$254,116
- Legislative Analyst minus \$50,000
- Contract Services, Account 46, \$4,000, Girls at Work Bid came in at \$4,000 less
- Contract Services, Account 46, \$4,000, Ambassador Program
- Program to Walk People to their Cars for Security -- Not needed
- The extra police would cover this program
- Professional Services, Weed and Seed, New Initiative, New Program
- Fuel – Reduce Fuel costs by \$83,000
- Police, Community Police Liaison, \$45,000 add \$12,875 in Benefits = \$253,875
- That provides the City with 4 additional police officers

Mr. D'Amore and Mr. Donovan moved to add a friendly amendment to Bill 111 by retaining the position of Legislative Analyst at \$1; it would then be \$49,999 so we can leave the line item in the budget.

Ms. Eichenwald said the reason for that is we're leaving it as an unfunded item, but one we give value to.

Mr. Donovan said his amendment is very similar. You have \$50,000 for the Legislative Analyst and \$45,000 for Community Police Liaison, but you have not included FICA, pension and insurance.

Mr. Hilliard was asked if that represents additional savings?

Mr. Hilliard said yes.

Mr. Donovan said \$10,000 to \$20,000; there's also \$8,000 in the Community Liaison position.

Ms. Eichenwald said that is \$12,000, the second figure. That would be the benefit package.

Mr. Hilliard said about \$4,000 in FICA, per person.

Mr. Guridy said he likes the amendment; he will support it. He would encourage the Administration to continue supporting the Ambassador Program. It's a great program. It works well in the City of Easton; he brought it to the Mayor's attention 2 years ago. It's supported by Lafayette College and some private industries.

The Mayor said it's something we can ask the Chamber of Commerce a donation for.

Mr. D'Amore said he's concerned about Council's line item, Professional Service Fees. We budgeted \$100,000 last year and spent \$100,000 last year in that account. This line item helps us serve our primary role which is a check on the Administration – if we need a financial analyst, a legal determination that can't be made through the Solicitor's Office, any type of professional service of any kind. If it is something we are in a dispute with with the Administration, we cannot expect the Administration is going to open up the budget and transfer money into the budget and allow us to spend the money on a professional service. Council cannot open the budget; not even our own. It is important to over budget on that line item which is why he puts forth to increase the budget to \$125,000. Mr. Howells raised the issue that we try to get half of that money from somewhere else. There is a line in Civic Expenses, 000-01-0101-0001-40, \$56,000, and 000-01-01010-44, Professional Service Fees, \$25,000, 000-01-0101-0001-50, Other Services and Charges, \$22,800; also Publications and Membership for \$51,500.

Mr. D'Amore and Mr. Guridy moved to amend Bill 111, and the previous amendment, to reduce the amount in Professional Service Fees, to \$25,000 and take an additional \$25,000 from the General and Civic Fund.

Ms. Eichenwald said she accepts the friendly amendment.

There were no objections to the amendment.

The Mayor said can we find out what this is being used for?

Mr. D'Amore said you have the ability to transfer where as Council does not. That's important for us at this time.

The Mayor asked how can you eliminate something if you don't know what it's used for? What did you determine this was being used for?

Ms. Eichenwald said for the same thing the one was from City Council. If we need to hire additional services.

The Mayor said this is used for if we need to hire consultants – it gives the Administration flexibility just like contractual scenario. We put forth a ballot before the voters to hire contractors, i.e., we contracted Bill Hansell to give us some specific language. It was paid for out of Professional Services. To not have that ability when we need specific studies done would be hindering the Administration.

Mr. D'Amore said you don't think it will hinder Council to have \$25,000 less?

The Mayor said you added \$25,000 to your budget this year. What is that for?

Mr. D'Amore said as he said, they spent the \$100,000 last year. It is prudent for us to over budget since we cannot initiate a transfer. If you need \$25,000, you have a large appropriate balance and many other lines that you can request a transfer from Council.

Mr. Donovan said one of the advantages the Executive Office has is for your complete staff to know every single dime and penny in its development. The way this budget works under the City Charter, basically, is we may as well sit here and rubber stamp the whole thing, because we do not know the details. We feel there is a need to help fund additional police officers. We also feel there are some other uses of the funds, within our budget, and we are making a request that one particular item in your budget, which perhaps is something that is needed, could be reduced. You do have the flexibility to be able to transfer funds elsewhere within an \$80 million budget. You may feel you do not have \$25,000, however, you have, in cooperation with Ms. Eichenwald, identified \$96,000 in the budget.

The Mayor said we identified \$153,000 that we were willing to . . . first off, let's go back to the beginning. We budgeted 4 additional police officers. We worked with Ms. Eichenwald and we carved out money for an additional 4. We have 8 new police officers in this budget. He doesn't disagree with Ms. Eichenwald's request. We worked on a joint . . . we carved out \$153,000 of expenses out of the budget; Council carved out \$127,000. We have given back funds, but to say he hasn't reciprocated with Council in reducing costs to fund these positions is inappropriate.

Mr. Donovan said you've worked individually with a Councilperson, which he supposes is okay, but because you were not at hearings over the last few weeks, we did not have discussions on how we might fund 4 additional police officers, which Ms. Eichenwald as well as other Councilpersons have spoke at the hearings. Here we are on the last day . . .

The Mayor said that's not correct.

Mr. Donovan said now all 7 of us are here discussing it for the first time. He sent out an email to all his fellow Councilpersons ahead of time with the hopes of discussing this this evening. It is probably likely that somewhere within our \$80 million budget, of which about \$13 million is non-personnel costs. There is \$25,000 to help fund that very need you have. If you feel that's not the case, that's okay. Most of us have made the request that \$25,000 come from not Council, but elsewhere in the budget.

The Mayor said we have given up \$153,000 elsewhere in the budget. We have had numerous discussions throughout the budget process, including before the budget was even presented to Council regarding this issue. He's worked with Councilperson Eichenwald and came up with a collaborative scenario; he's talked to Councilmen Howells and Guridy. It is a good one. At no time have you ever approached me when you've walked into my office throughout the course of the last 6 weeks to address this particular issue. He didn't see any memos or emails. You talked about budget amendments. They were never sent to our office. This whole process as you talk about is a mutual respect. Ms. Eichenwald and he worked on this mutually to get results.

Mr. D'Amore said Council budget is \$455,000. \$125,000 represents 25% of our budget. \$100,000 from a multi-million dollar budget is a small fraction of a percent.

Mr. Howells said we had 242 police officers at one time. We now have 206.

The Mayor said we'll have 211 in 2009.

Mr. Howells said he doesn't want to sit here and quibble over \$25,000.

Ms. Eichenwald said since the goal is to put more police officers on the street let's look quickly again at where the money is coming from. The first one comes from Council; that doesn't hurt the Administration; we'll find another way to fund the Ambassador Program; \$9,000 comes out of a new initiative in Weed and Seed, it won't be missed, and the price of fuel has gone down. That doesn't hurt the Administration in any way. The Community Policing Liaison affects the police – it's one position. The \$50,000 and \$50,000 are coming out of Council's budget. She stands by the amendment offered by Mr. D'Amore. There are needs Council has. We may need another PFM study or bond issue. To ask us to give up another \$25,000 is unfair.

Mr. Guridy said he concurs with Mr. D'Amore and Ms. Eichenwald. That's why he seconded the amendment. You can find somewhere else to get \$25,000.

Mr. Howells reminded the Administration that every time Council has a police dismissal case we have to hire an attorney.

Kim Beitler, 838 North 8<sup>th</sup> Street, said she is in agreement with this amendment. She thanks Mr. Donovan for recognizing the neighborhood groups and crime watches. As crime watch president, she polled other members and other neighborhood groups were not in favor of receiving money. Rather we were hoping for other technical support, i.e., the printing of newsletters, and lifting some requirements for block parties. When asked what they would rather see

the money used for almost everyone said more police. They're all in favor of going back to neighborhood community policing. We could benefit by having quarterly meetings with Council. They just want more help.

Mr. Donovan said with some of the groups he has spoken with money has come up, and he did test the idea with a variety of groups. Focusing on crime and policing is not the only task of a neighborhood group. If there are groups who want that and identify tasks, that's fine.

Ms. Beitler said under the purview of Council, there are 15 neighborhood/crime watch groups.

Kay Pickel, 1523 Liberty Street, said Kim relayed her sentiments very well. She went through the process of applying for a grant this summer, with the County, and she was really unhappy with the results. She still hasn't received the money from the City yet, but we really need more police officers. She appreciates that the City prints the newsletters. The reason her group is a crime watch group is because she was advised that be in the title so they could get information from the separate crime watch office. They had patrols. They all would like the neighborhood community police officer back.

Louis Hershman 405 Gilmore Street, said he and Dave Howells are defendants in a federal lawsuit. It's going to cost money if they have to go to federal court.

The amendment to Bill 111 was approved, 7 Yeas and 0 Nays.

Mr. Donovan withdrew his amendment to Bill 111.

The amendment to reduce revenue in Account 3490, General Fund Service Charges by \$16,880, per Budget Memo #2, was approved, 7 Yeas and 0 Nays. Correcting total amount transferred from Enterprise Funds into the General Fund. A revised GF 1, 2 and 3 are attached.

Bill 111 was adopted, as amended, 6 Yeas and 1 Nay (Phillips).

#### **Bill 112**

Adopts the 2009 Tax Rate: 10.71979 mills on improvements and 50.38031 mills on land

Bill 112 was adopted, 7 Yeas and 0 Nays.

#### **10. ORDINANCES FOR INTRODUCTION:**

#### **Bill 127**

Amending the 2008 General Fund Budget to provide for a supplemental appropriation of Forty-Seven Thousand One Hundred Ninety-Two (\$47,192) Dollars from the Pennsylvania Department of Education for repairs to the Allentown Public Library.

Bill 127 was referred to Administration.

11. CONSENT AGENDA: None

#### **12. RESOLUTIONS ON SECOND READING:**

#### **R85**

Authorizing Keystone Opportunity Zone Area Expansion by adding 12 properties totaling approximately 15 acres to the City's Keystone Opportunity Zone. The properties are located at the Bridgeworks Industrial site on Harrison Street, the Schoen's site at 614-616 and 618 Hamilton Street; and various properties for Overlook Park, Phase 2, on North Dauphin Street.

Mr. Schweyer said R85 was forwarded favorably, from the Committee of the Whole, 6 Yeas and 1 Nay (Phillips).

Mr. Schweyer said there was a question of matching our parcel size lot up with the County.

Mr. Schweyer and Mr. Donovan moved to amend R85 by modifying the description of the Overlook Park Properties and add the "recital" clause

The amendment to R85 was approved by common consent.

Mr. D'Amore said Exhibit "A" is not referred to in the Resolution. Do we need to add a reference to Exhibit "A"?

Attorney Marchetto said it refers to Attachments A through D.

Mr. D'Amore asked if "Whereases" are legal?

Attorney Marchetto said there is a division. In a contract some judges have allowed them; some do not. If you the whereases are incorporated by reference, and a line that states that, then they are for sure.

Mr. D'Amore and Mr. Schweyer moved to amend R85 by adding at the end of the "Whereas clause" a line that states the foregoing clauses are incorporated by reference.

The amendment to R85 was approved by common consent.

R85 was approved, as amended, 7 Yeas and 0 Nays.

**13. NEW RESOLUTIONS:**

**R86**

Authorizes Grant Application and Implementation of Grant for Master Planning Improvements for the West End Theater District  
R86 was referred to CEDC.

**R87**

Encroachment for Two Awnings for the Cosmopolitan Restaurant - on North 6<sup>th</sup> Street Side and on Court Street Side

R87 was referred to Public Works.

**R88**

Encroachment for an awning on the front porch at 223 West Court Street

R88 was referred to Public Works.

**R89**

Authorizes Disposition of Certain Records

R89 was referred to Administration.

**R90**

Recommends Creating Affordable Health Care for all Americans

Mr. D'Amore said this resolution was brought to Council by Greg Potter of the Central Labor Council and Hcan Advocacy Health Network. It invites the President-elect to stop in Allentown before he's inaugurated and talk health care with us.

R90 was approved, 7 Yeas and 0 Nays.

**14. NEW BUSINESS: None.**

**15. GOOD AND WELFARE:**

**16.ADJOURN:**

The meeting was adjourned at 10:30 PM.

Michael P. Hanlon  
City Clerk