

## Administration Committee Report:

The committee has three bills to consider and the June Finance reports. The discussion of transfers has been postponed for now.

1: Bill 33 – Charter Question – if approved by Council and the Mayor it would ask the voters of Allentown to change the charter by providing that the budget be introduced on October 15 (rather than 60 days prior to the ensuing fiscal year).

### Pros:

- Gives council more time to review the budget in a more substantial way rather than focusing in on and being preoccupied and driven by variances between budget years.
- One of the goals of the EIP is to create benchmarks/performance standards – if this becomes part of the budget it will give council more time to review programs and policies.

### Cons:

- Introduction of budget prior to election during election years can lead to shenanigans – e.g., things like overestimating revenue or not budgeting enough in risk – to present a no tax increase budget. The introduction date could be moved to after elections.
  - Claim that roll over numbers are not as accurate as they can be.
  - The budget is so incremental the amount of time is not essential.
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2. Bill 34 – Charter Question – if approved by Council and the Mayor it would ask the votes of Allentown to change the charter by preventing a tax increase from going into effect. This is the exact legislation that was passed in December of 2005 by Councilpersons Burke, Guridy, Hershman, Hoover, Velazquez and Howells. After some postponement, a study of the budget process by Phil Goldsmith and dialogue with the Mayor, this charter question was repealed in January of 2007. The study basically indicated your budget process is not off the rails – the issue tends to be personnel rather than procedures in the code. We have lost a bunch of computer files so I can't find this.

Historically, my experience after the default budget was installed had many positives - the Mayor had to introduce a budget he or she had to live with and it could contain difficult decisions like tax increases to deal with funding needs – it could be just as easy for a mayor to introduce a budget without funding a significant need and asking council to up the mileage to pay for this – this type of hostage taking took place.

Proposed Amendment to be suggested tonight and proposed at the June 19<sup>th</sup> Council meeting: The amendment would prevent a tax increase from going into effect by default by requiring a majority of council to adopt a budget by December 31 – language will also be provided to clarify what adopt means. The language will be simple and sweet and not contain specific dates or regulations/rules that come from the one-offs and around the edges. Each respective council has and will be able to work within the guidelines. This proposal would force the administration and council to work together – this would be the basic format we followed in the pre-charter years.

### Alternatives Suggested:

1. Get rid of default and restore majority (four) must pass budget by end of the year.
2. A councilperson has suggested if tax increase doesn't go into effect, last years budget goes into effect by default – doesn't really get rid of making cuts.



Pros:

- Prevents an automatic tax increase from going into effect.
- Threat of automatic cuts and creation of potential chaos would force an agreement.
- Periodically there have been solicitor's that wondered if a tax increase could legally go into effect without council's approval – although to be sure, council has received written opinions this is the case. The same provision exists in Reading and, according to the Clerk, they have only once had a default budget go into effect (with no tax increase) and she assumed council must approve a tax increase although they have never faced the situation.

Cons:

- I have been here when across the board cuts are made – this creates chaos and creates a need for a Mayor with chutzpah to deal with the cuts.
- Leads to personnel cuts gauged on estimated cuts in pay accounts because of contracted bump ups with the BU – only the NB could be retained at previous wages.
- Difficulty in ascertaining what constitutes a legal obligation making that account exempt from cuts – i.e., what can and what can't be cut.
- Allows 3 councilpersons to control the process – maybe even one person could hold hostage if they can bridge the fifth vote by getting something they want.
- Creates the need for transfers.
- Creates unnecessary chaos.

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Transfer Process – the discussion has been postponed:

This is under discussion because of the transfer for the police overtime amounted to \$189,000 or so.

Anecdotally, we have looked at this a number of times and it always appeared that we have really tight controls in comparison to other municipalities. Most administrations have much latitude in transfers – Reading allows transfers of \$25,000 within the department; I think the county allows %10 within the budget – I am still waiting for more info here.

**Maintain the current default provision**—The city charter requirement that the mayor's proposed budget becomes law if City Council fails to act by the deadline is a common practice, consistent with Allentown's strong mayor form of government and provides the certainty for government and citizens as recommended by the National Advisory Council on State and Local Budgeting. The alternative approach provided in Ordinance #14359 gives the public appearance of inter-branch squabbling which is rarely appreciated by voters, would reduce rather than enhance accountability and, in the event across-the-board budget cuts were invoked, likely result in ineffective and unworkable budgeting for city functions and services. In addition, across-the-board budget cuts, absolve decision makers of having to articulate service priorities. Better options to consider would include the alternatives presented in the *Model Charter* which ultimately require explicit action by council and the mayor, or even the government shut-down approach which also requires an express action to resolve the stalemate. Implementing some of the additional recommendations offered here likely will mitigate some of the mild concerns about the current provision. Moreover, if it is determined in the future that a charter change is needed, it is recommended that such changes be made not on a piecemeal basis, but rather comprehensively to address all desired budget process and policy issues (e.g. extending a line-item veto to the mayor) at one time.

Bethlehem: Clerk



Robert Vidoni to get back

Reading: Clerk

They have default budget process – never had a tax increase go into effect by default – only had on budget go into effect by default – a no tax increase that was an out of whack budget. Clerk thought it odd that a tax increase could go into effect without council approval. On the transfer process, departments can do transfers within the department up to \$25,000 – any transfer between departments must be approved by ordinance.

Lehigh County: Clerk

Harrisburg Clerk:

Reading Regulations:

§ 9-104 Regulations concerning appropriations and transfers.

- A. The authorization and expenditure of all funds and preparation of department budgets shall be in accordance with a policy adopted by the Council and a financial procedure manual to be prepared and periodically reviewed and updated by the Administrative Services Department. Expenditures shall be executed in a uniform manner for every City Department.
- B. In order to allow flexibility in the administration of the City's business, departments may transfer money between line items within the department. A majority of Council may place a limit on the amount of additional excess expenditure allowed for any program or line item. This is not intended to restrict unduly the Mayor's and/or Managing Director's ability to manage and administer the budget.
- C. Justification for transferring, borrowing or any use of funds between departments and/ or City Fund accounts must be presented to and approved by Council ordinance. The financial procedures manual will stipulate the following:
  1. Expenditure procedures.
  2. Justification procedures for transferring money between line items.
  3. Justification procedures for transferring money between departments.
  4. Administration of petty cash funds.
  5. Justification procedures for transferring, borrowing, or any use of money between City Fund accounts.
- D. Fund transfers and subsidies. The City may make permanent, annual transfers from other City funds into the General Fund under the following conditions:
  1. Use a cost allocation method to allocate administrative and overhead costs to other funds or programs receiving administrative services from the City. The cost allocation method must be applied consistently across funds and years. The cost allocated to each fund must be sustainable by those other funds. A summary of cost allocation method for each allocated cost shall be maintained in writing.
  2. There shall be an adopted schedule for transfers included in the annual budget. Transfers that are not annual shall occur at least quarterly. The City may also make transfers from enterprise funds according to the following conditions:
    - a. The transfer complies with all applicable federal and/or state requirements and agreements.
    - b. The transfer is based on an adopted calculation methodology applied each year. This methodology may be based on percentage of revenues, return on investment, percentage of net revenues, or other calculation adopted by the City Council. The methodology should be adopted consistently each year.

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