

Steelton Borough Council Agenda
November 14th, 2018 Special Meeting

Call Meeting to Order: President Proctor

Pledge of Allegiance: President Proctor

Moment of Silence: Mayor Marcinko

Approval of minutes from previous meeting: None

Public Comment on Agenda Items only:

Presentation:

Kevin Buraks, Portnoff Law Associates

Utilizing Portnoff to Improve Collection of
Delinquent Real Estate Taxes

Communication: None

Unfinished Business:

Mr. Segina

Discussion of General Fund Budget and
Recommendation to Lay General Fund
Budget Out for 30 Day Public Inspection
Period

Mr. Segina

Discussion of Sewer Fund Budget and
Recommendation to Lay Sewer Fund
Budget Out for 30 Day Public Inspection
Period

Public Comment:

Council Concerns:

Executive Session:

Other Business:

Adjournment:

Steelton Borough Council Special Meeting Minutes

November 14, 2018

Present:

Mr. Brian Proctor, President
Mike Segina, Vice President
Keontay Hodge, President Pro-Tem
Dennis Heefner
Natashia Woods

Dave Wion, Solicitor
Doug Brown, Borough Manager
Anthony Minium, Chief - Police Dept.
Thommie Leggett-Robinson, Exec. Asst.

Absent with cause: William Krovic, Kelly Kratzer, Maria Marcinko

President Proctor called the meeting to order at 6:30 p.m. after which he led the body in the Pledge of Allegiance.

Ms. Hodge led the assembly in a Moment of Silence.

No minutes were presented for review at this meeting. The minutes of the November 5, 2018 and this meeting will be presented at the December 3, 2018 meeting.

The public made no comments on the agenda items.

Presentation:

Mr. Kevin Buraks from Portnoff Law Associates made a presentation to Council to explain how the company can help the Borough to improve the collection of delinquent Real Estate Taxes. He explained that the law office has over 29 years of experience collecting delinquent real estate taxes, water and sewer, and other municipal fees. At this time, the office services over 140 different municipalities in the State of Pennsylvania. The collection laws they use are different from the laws used by Tax Claim Bureau. Tax Claim Bureaus use a law that allows them to handle the large volume of collection requests they receive from the County and all the municipalities and school districts in that County. Their law requires them to send out a letter to the delinquent taxpayer after one year after the taxes become delinquent by July 31, telling them that their taxes are outstanding. Following that, if nothing is done, the property will be placed up for sale. This is a two to three year process that does not provide incentive for the property owner to pay the taxes early in the delinquency phase. Portnoff operates under the Municipal Claims and Tax Liens Act. This law allows the Borough to pass the cost of collections to the delinquent tax owner. It allows the Borough to collect 100% of the taxes owed and provides incentive for the owner to pay the delinquent taxes sooner. The company makes contact with the property owner – both positive and negative incentives are used. They can develop payment plans, there is a hardship program for persons who have financial problems. The company's staff has a caseload of 80 people, so they have the ability to work closely with the owner to resolve the issues. They can go to the company's website and pay on line, if they choose to do so. Those persons who ignore the efforts to collect the taxes receive negative incentives. They must pay fees for legal action that is taken, incrementally, to receive payments. They receive a letter and if they do not respond, they receive a letter telling them a lien will be placed on the property. With the lien, interest begins to accrue for the Borough. If nothing happens after the lien is placed, something like a civil complaint is filed where the sheriff actually serves paperwork, which is a move to receive judgement. Finally, the property is placed for sale. Generally, with this company, rarely does the process get to the final step of placing property for sale. The goal is not to sell the property, but to work out something so that the property owner can continue to own the property and the Borough receive the property tax payment. With the built in incentives, delinquencies

tend to be reduced, which helps the Borough. All funds collected are given to the municipality weekly, along with the detailed payment information.

Mr. Wion stated that the Finance Committee met with Mr. Buraks several weeks ago and reviewed the program. If Council decides to move forward, there are three documents involved. The first document is the Agreement with Portnoff Associates for the collection of delinquent real estate taxes. This document has been worked out and is ready for approval of Council, if it decides to move forward. The second document is an Ordinance allowing the collection of attorney's fees to set a schedule and give authorization for them to do so. Finally, a Resolution to Dauphin County indicating that the Borough is allowing Portnoff to collect delinquent taxes. Action on the last two documents may be acted upon at the December 17, 2018 Council Meeting.

Ms. Hodge requested clarification regarding the collection of taxes. Mr. Buraks explained that anything currently in collections with the County now will remain with the County. He also stated that Portnoff would start collecting 2018 delinquencies in 2019. She then asked Mr. Wion about the ordinance. He explained that an ordinance that authorizes attorney's fees and the fees involved when attorneys are involved in collection that requires that the fees be publicly adopted and listed will satisfy the State law. The Ordinance will have to be advertised just as other ordinances have been. The Resolution will serve as notice to Dauphin County that we will now be collecting property taxes through Portnoff. The resolution will not be advertised, but adopted and sent to the Tax Claim Bureau. Mr. Wion stated that he thinks the Tax Bureau is aware that the Borough is considering using the Portnoff group. The School District is already working with them. Ms. Hodge asked if taking action at the December 17th meeting will be enough time to have the ordinance advertised. Mr. Wion responded in the affirmative. Ms. Hodge was concerned that she has not been able to review the agreement. Mr. Wion stated that he has a copy of the Agreement and it has been reviewed and agreed upon by the Finance Committee. When the County collects delinquent fees the Borough pays a 5% fee. Mr. Segina wanted to know if the 5% fee to could be passed to the delinquent taxpayer so that the Borough does not lose that fee. It was determined that it will be included in the Ordinance.

Ms. Hodge moved that Council accept the Agreement with Portnoff Law Associates and move forward with using their services beginning January 1, 2019. Mr. Segina seconded the motion which passed by a unanimous vote of Council.

Communication: None

Unfinished Business:

Mr. Segina deferred to Mr. Brown for the presentation of the 2019 Draft General Fund Budget Summary (see attached). Mr. Brown's oral report stated:

The General Fund's anticipated budget is \$4,400,000.00.

- Revenues look to remain flat, which has been the case since 2012. Property values and assessed values have remained flat so fixed cost increases while having flat line operating revenue.
- The 2019 Draft General Fund Draft Budget is based on a revenue projection of \$4,449, 655.00.
- The budget uses a carry forward of the \$ 250,000.00 which was not spent in 2018 because of the delayed paving project. The paving project was pushed off to 2019 and will be bid in the beginning of the year.
- Major revenue assumptions are no property tax increase, all existing property taxes as well as the debt tax amounts remain in place in order to meet expenses.

- Real estate tax projections are based on the historical average of actuals rather than the millage calculation and the delinquency rate is based on the certified assessment list from Dauphin County.
- The secured \$100,000.00 was included to pay for part of the paving project.
- Transfers from reserves on the Revenue Worksheet line item is \$ 249,076, which is the money carried forward that was supposed to be spent on the paving project.

Projected budget expenses are \$4,449, 655.00.

- The largest driver and the original deficit faced is the debt service which has increased from
- \$ 69,831.00 in 2017 to \$ 350,232.00 in 2018. The annual debt service principle is projected to be \$ 397, 300 in 2019.
- As a part of the sale of the Water System, defeasing the Borough's debt will resolve the current deficit, which is projected to lead to a surplus by removing \$ 400,000 – 500,000.00 in debt service expense from the budget over the next ten years every year.
- Discretionary non-fixed cost assumptions in the budget include:
 - The increase in the line item of the Codes Department including the increased training line item. However, the part-time Property Manager Officer was placed on hold in order to balance the budget.
 - In the Police Department there are no major purchases. There is the additional Patrolman line item in the budget.
 - Public Works there is the paving of the streets which is paid for by the transfer from reserves. Filling the Public Works Director position was put on hold in order to close the original deficit. A limit has been placed on the amount used for funding the Center for Employment Opportunities due to having to balance the budget.

On the 2019 revenue projections, the PUC Review of the sale of the Steelton Water System assets is expected to be completed by June 2019 after closing. The Borough will receive approximately \$11,000,000.00 which can be used to reduce defease General Fund debt which is approximately \$ 5,000,000.00 which will lead to a \$ 400,000-500,000.00 in General Fund expenses over the next ten years and allow the Borough to place money in reserve or fill frozen positions.

Mr. Brown is requesting Council lay the budget before the public for a 30-day inspection period. This will allow Council to approve the budget and related ordinances by the end of the year. Laying it out for inspection, does not mean that Council cannot make changes to the budget during the inspection period.

Mr. Heefner asked why there was an increase to debt service. Mr. Brown responded that a lot of it was related to the timing of the outstanding bonds, and it is actually with re-funded some of the debt in 2015. Other than the Fire Truck loan which is the \$630,000.00 note, no new debt service has been added. The existing debt service and when the principle of the outstanding GOB's are now ballooning. Mr. Heefner asked if \$250,000.00 was being moved from reserves to balance the budget and the money would be used for the paving project, the \$250,000.00 to actually operate the Borough will come from where? Mr. Brown stated that funds will off-set the \$250,000.00 listed for capital projects, which is the paving project. Mr. Heefner asked how much money is currently in the reserve fund. Mr. Brown stated that it contains approximately \$1,900,000.00, but that is all in the operating fund. He stated that he would have a more accurate response by the end of the year. Mr. Heefner requested a printout of the debt services. Mr. Brown agreed to provide the information as requested. Mr. Heefner asked if the Council will go through line items and discuss them or just lay the budget out for review and discuss the line items later. Mr. Segina recommended that since they were coming close to the 30-day lay out period, that Council move to lay the budget out as is, and during the course of the meeting discuss the line items. Mr. Wion added the budget will be advertised in summary form. An ordinance adopting the budget must be passed

and advertised 10 days prior to adoption. The ordinance will include the budget listed by category. Finally there will be an ordinance regarding tax charges for 2019. That ordinance must be advertised seven days before adoption. Those dates indicate that Council has a 20 day period before the budget must be finalized as a proposed budget to be adopted. Although the last scheduled Council meeting is December 17, 2018, technically, Council has until December 31, 2018 to complete the process. Mr. Brown stated that the budget presented the overall revenue and expenses are pretty revenue is whittled down to as realistic as possible and the balance will have to be within the framework or within the revenue assumptions. Mr. Heefner asked Mr. Segina if the Department Heads came to the Finance Committee meetings. Mr. Segina responded that, as discussed at the last meeting, he did not want to meet with the Department Heads until after the budget had been reviewed by Council to see if anything was changed. Mr. Heefner then tried to clarify his understanding of how the budgeting process was handled. He asked if the budget was developed with discussion with the Department Heads to which Mr. Segina stated, no, the Department Heads and Administration met to develop the departmental budgets, which were then presented to the Finance Committee. The budgets were reviewed, line-by-line at that time. Mr. Brown interjected that the departments presented their "wish list" budgets to Administration and were presented to the Finance Committee without amendment. Mr. Heefner made the point that in the past, the budgeting process was handled differently. Ms. Hodge asked Mr. Wion if there were any legal problems with the way the budgeting process was handled by the new Finance Committee. President Proctor stated that past practices were past practices and Ms. Paul and Mr. Brown were trusted to bring the correct information to the Finance Committee. The only difference between the past practice and present practice was that the Department Heads presented their budgets directly to the Finance Committee instead of having their budgets presented by Ms. Paul and Mr. Brown. Ms. Hodge stated that somehow the current, new Council is being perceived as incompetent because it does not conduct business as it was conducted in the past, and she wishes to clear up that perception. She again asked Mr. Wion if the actions of the Finance Committee were illegal in any way. Mr. Wion responded that the Borough Code simply requires that Council begin work on the budget 30 days prior to adoption, it must then be laid before the public for 30 days. The procedure for getting to that point is not a requirement of the Borough Code, a matter of determination internally of the Borough. Council has never adopted a resolution detailing how the budgeting process will be conducted. He stated that there is nothing improper about what has been done. Ms. Hodge stated that she does not know what the Department Heads need, so they should be included in the budgeting process. However, for two meeting Council members have discussed how things were done previously, and rather than bring the information forward during the process, wait and allow the Borough to crash and burn so that they can stand on their own high horse and she is not willing to allow that to happen. The people one Council now, are new. Past practice, anyone who had a history of being on Council before, she feels should have spoken up for the whole Council rather than go on record saying what happened prior. President Proctor asked that the record note that Mr. Heefner left the meeting at 7:40 p.m. Mr. Segina stated that he has been on Council since 2016 and he attended all of the publically advertised budget meetings held for the 2015-16 budgeting process and did not see the Department Heads at the meetings. He was not there last year, and was not on the Budget Committee last year, however, he followed what he had seen. If he had any idea that Council wanted the process to be handled differently from how it was being handled it could have been discussed. He noted that the Committee has been working on the budget since the beginning of October and the day before it is being laid out all the questions come up. He was concerned that no questions were asked when the process began and believe any questions should have been asked at that time. However, moving forward some things can be changed. Mr. Segina stated that following the Committee's meeting on Monday, he emailed the entire Council a copy of the original draft budget that contained what each Department had asked for. He asserted Council members had the opportunity to review both the original budget and the current draft budget. It should be noted that major cuts were staff positions that do not exist, staff positions that were not currently filled and the CEO program. Mr.

Segina stated that there were some minor changes, most of which were regarding projected revenue. Mr. Segina wanted to bring the budget out so it could be discussed. He stated that he has not been contacted by one Council member in regards to the budget of the budgeting process. He also stated that he has reached out to several members of Council. Mr. Segina requested that Council move to place the budget before the public and defer specific conversation on line items to later in the meeting. Chief Minium stated that the Police Department line items do not have to be discussed at this meeting, explaining that he was basically present to see the process. He agreed that the review of his budget items can be deferred for review and discussion to a later time. Ms. Hodge stated that those items would be discussed at his meeting. Chief Minium did state that in the past that he had been given designated times to appear before the Committee to present his budget. Mr. Segina said that procedure will be added to the process next year. Mr. Segina stated that in order to do the will of the Council, there was no problem changing the process of the Finance Committee regarding the budget process. *Mr. Segina moved that the budget be laid out for a 30-day public inspection period. Ms. Woods seconded the motion which was passed by a unanimous vote of Council.*

Mr. Segina deferred to Mr. Brown who presented the 2019 Draft (see attached) was developed by the Finance Committee and Management Staff. In Mr. Brown's oral presentation he stated that:

- Internal Department meetings on a staff level were held in August and September 2018, and publically advertised Finance Committee meetings were held October 17, 24, and 31, 2018.
- The Finance Committee meet formally to consider the unbalanced Sewer Fund Budget which was balanced with recommended adjustments, which were:
 - The recommended adjustment to the Sewer Fund Budget was to use the Settlement Reserves Account (called the cash on hand account) currently has \$500,000.00 in reserve funds to fund the capital improvements and purchases are included in the 2019 budget.
 - The Finance Committee recommends that Council lay the budget before the public and finalize it in December.
 - The Sewer Fund continues to exhibit consistent revenues but has been relatively flat and had a little bit of a dip in 2018.
 - Sewer rentals, the main source of income, is \$1,792, 881.00 with total revenues with the transfer from reserves the total revenue is \$2,325,116.00.
 - Expenses are the same as the revenue since this is a balanced budget.
 - The budget provides increased investment in the system's capital needs, primarily with the Hoffer Street Pump System, which is in serious need of renovation.
 - The expenses are \$300,000.00 higher than 2018 with the major capital purchases being repairs with maintenance to the system for \$100,000.00. The capital purchases are new motors equipment, and pump station equipment, line replacement, and the Hoffer Street Pump Station improvement. The Hoffer Street Pump Improvement Project is the largest project and will be in the design and engineering phase of development.
 - Debt service continues to be the major driver of expense, with principal debt service in the sewer fund in 2019 is \$346,217.00. Interest is projected to be \$79, 991.00. Debt service is beginning to increase and create budgetary pressure.
 - If Council should choose to apply proceeds from the water system sale to defeasing this debt it would create an annual savings in the budget of approximately \$350,000.00 to \$400,000.00.
 - The Borough has also budgeted reserve from the rate and rate settlement, which is the cash on hand account, of around \$400,000.00. This will be used to fund some of the capital projects, which will serve as an investment to the system.

President Proctor had some questions. 1) line item #82, 08427191 clothing allowance for \$600.00. Mr. Brown responded that the ASCME contract included a stipend for the clothing allowance for sewer employees. Currently, there are three sewer employees who will receive \$200.00 in a clothing allowance. 2) Regarding the boots - Mr. Brown responded that would be included and is 08427238. He explained that under the ASCME collective bargaining agreement, the employees must present a receipt for reimbursed for boot purchases. 3) How often do we purchase boots? Mr. Brown responded that he would have to check the contract, but every year there is an allowance for boots. 4) Can we increase the price of the Boat Dock daily fee and/or parking stickers? One idea was increasing use of the Boat Dock by advertising it in the County newsletter. Mr. Wion responded the fees can be raised, however, justification for an increase in the fees would be the inclusion of the cost of the printing, the cost of the employee and any other cost that is directly related to it, otherwise, it would become a tax.

Mr. Segina wanted to emphasize something about the Draft Sewer Budget. Mr. Brown explained that the sewer has two accounts from which it can draw funds, the Settlement Reserves Fund or the Operating Reserve Fund. Both Funds have adequate money to finance the capital improvement projects. Mr. Segina explained that instead of taking money from the Operating Reserves account which is an unrestricted account, money was transferred from the Settlement Reserved Fund, which is restricted to use for capital improvements. *Mr. Segina moved that Council lay the Sewer Fund Budget out for 30 day Public Inspection. Ms. Woods seconded the motion which was passed by a unanimous vote of Council.*

Chief Minium reviewed the Police Department Budget with Council line item by line item. Chief reported that there was a meeting with Mr. Miller earlier today in which contraction negotiations they worked to prepare items for contract negotiations. The proposed contracts, Chief budgeted 3% salary increase, thinking that would be the general cross the board increase. Any increase would require the approval of Council. In his prepared presentation, Chief stated that it is imperative that Steelton place an office of the Drug Task Force. In order to have a person on the Task force and maintain adequate personnel on the Borough Police Department, the Borough needs to hire an additional Patrolman. He went on to show how reduction in certain line items will reduce the budget so that adding the addition officer can be done within the currently proposed budget. Both the President Proctor and President Pro Tem Hodge expressed their support for the Police Department and its efforts to maintain the level of law enforcement needed in the Borough. Chief Minium pointed out that crime in the Borough is increasing. The Borough is experiencing a major drug problem as indicated by having two drug arrest in two days. The Canine Unit was instrumental in making those drug arrest.

After discussion, President Proctor cancelled the Council meeting scheduled for November 17, 2018.

Mr. Segina moved that the meeting be adjourned. Ms. Hodge seconded the motion with passed by a unanimous vote of Council.

Respectfully submitted,


Douglas Brown, Secretary