

ALTOONA CITY COUNCIL 2016 BUDGET SESSION MINUTES
WEDNESDAY – NOVEMBER 4, 2015 - 6:00 P.M.
COUNCIL CHAMBERS - 1320 WASHINGTON AVENUE, ALTOONA, PA

Due to previously scheduled programming, the Budget Session was recorded by Public Access and re-broadcast on Public Access Channel 14 on Thursday, November 5, 2015.

CALL TO ORDER – by Mayor Pacifico at 6:00 PM in Council Chambers.

SILENT MEDITATION

PLEDGE OF ALLEGIANCE

Present: Councilmen Butterbaugh, Cacciotti, Cagle, Haire, Kelley, Neugebauer and Mayor Pacifico

2016 BUDGET REVIEW

City Manager Marla Marcinko welcomed Gerald Cross and Patty Moorehead of the Pennsylvania Economy League who are providing assistance and advice to the City through the budget process and are the experts in best explaining all of the options relative to taxing

City Manager Marla Marcinko summarized the various options available to Council in a chart that was distributed electronically on Tuesday

City Manager Marcinko stated her best recommendation was to not do anything differently at this time with Real Estate Tax due to not being fully aware of the implications from the County Wide Reassessment; preliminary numbers are expected in June of 2016; the budget message will describe that the plan in 2016 is to take a look at the new numbers and the basis upon which it make sense to assess – whether it be on land value solely or land and improvements; in order to properly evaluate that the City will need the new numbers

Earned Income Tax includes three components – one component is the amount levied under the Local Tax Enabling Act , a second component is under Act 47 and the third component is a pension or the Act 205 component with monies designated specifically to municipal pension obligations; City Manager Marcinko's recommendation is that the Act 205 component of Earned Income Tax is increased from .25% to .4 % for both residents and non-residents; it was mentioned at the last budget session on October 28th that the Act 205 fund has enough monies to cover the 2016 first quarter payment on the Minimum Municipal Obligation(MMO); the total MMO is \$5,752,928; state aid received roughly 1.3 million dollars; this brings the obligation of what needs to be paid out of the general fund to 4.4 million dollars; when you look at what is realized from one tenth of one percent levied the City absolutely needs .38 to meet that MMO so the recommendation is to go to .4

City Manager Marcinko is recommending the Local Tax Enabling Act component and Act 47 component remain the same

Another option is to increase the Realty Transfer Tax; one half of one percent would yield \$225,000; this decision is up to Council and is an option

Another option is an increase in the Local Services Tax(LST); due to having a moderately to severely distressed pension plan and being under Act 47 this can be doubled to \$104 and the City would receive \$99 and the City would lose the Act 47 component of the Earned Income Tax (EIT) in doing that; this is further explained in footnote c in the chart; even with the lost revenue the net would be \$364,000

Councilman Butterbaugh stated he would like to keep the LST where it is

City Manager Marcinko stated the preliminary budget figures presented last week include no increases and actually the Act 205 component is not reflected in the General Fund; if Council would choose to only go with an increase in Act 205 nothing has changed in the preliminary figures Council was presented with last week

Mercantile and Business Privilege Tax could be substituted with a Payroll Tax; it would have to remain neutral for the first year; as payrolls grow this number would grow at a greater rate than Mercantile and Business Privilege

The City Manager is recommending no change to Per Capita Tax and Flat Rate Occupation Tax

Councilman Kelley asked if Council agreed to an increase in Act 205 what would change in the proposed budget; the City Manager stated nothing would change because by law the obligation has to be budgeted; Councilman Haire asked what would happen to the extra 1.7 million dollars; the revenue would go to the Act 205 fund; the City Manager stated that it is accounted for because the entire MMO has to be budgeted for; in preparation the entire MMO less what state aid the City knows is coming in; Finance Director Omar Strohm stated they calculated what they have to pay in this year and what they anticipate to collect through the first quarter; the fund has approximately \$900,000 in it now; the MMO can be paid all at once or quarterly; the City pays quarterly; the state aid was received after September 30th; the City Manager stated if you don't do the Act 205 component you have to get the money somewhere

Realty Transfer Tax and Payroll Tax are options the City can explore; Mayor Pacifico stated there needs to be more research; Councilman Haire asked if the hospital would pay Mercantile or Business Privilege Tax; Mr. Cross said they would not pay

City Solicitor Larry Clapper stated Act 205 does not require court approval but he will still have to petition the court for Earned Income Tax for non-residents only; a petition is not required for tax millage now under Home Rule which is currently at 30 mills

Council reviewed and discussed the various taxing options provided by the City Manager

It was the consensus of Council that they were not in favor of an increase in LST or Realty Transfer Tax at this time; Council did agree to the Act 205 component and Council was fine with the budget as presented

City Manager Marcinko stated there are no changes from the budget figures provided last week and this proposed budget has the Act 205 component built into it; the City Manager's plan is to have the budget document distributed to Council by Friday; Omar Strohm will provide Council with information on the other taxing options which Council can review and discuss at a later time but not for the 2016 budget

PUBLIC COMMENT ON THE 2016 BUDGET – offered and none given

MEDIA – Bill Kibler of the *Altoona Mirror* was in attendance and posed various questions regarding the proposed 2016 Budget

ADJOURNMENT – by Mayor Pacifico at 6:55 pm