

CITY of READING

GENERAL FUND FINANCIAL REVIEW SUMMARY

October 2013

The attached files are the General Fund results, year to date through October 2013. The documents include the statement of activities (income statement), full year projection, year-end cash flow/balance position, revenue by line item and contingency usage. For comparison purposes, prior year income statement results are also included.

OVERVIEW:

Ten months, 83% of the full year, are completed. On a cash basis, the month's year to date surplus/deficit generated a surplus of **\$7,389,145**. This result **does** include the City's full year pension MMO (minimum municipal obligation) of \$9,928,999 (General Fund only) and the State Pension contribution of \$3,068,643. If only 83% of these activities are recognized this month, the reported surplus would **increase** to **\$8,532,537**. The entire MMO expense and revenue contribution has occurred in September, opposed to December as in previous years.

Revenues:

Continued good returns on EIT through October...**\$14,386,895** compared to plan of **\$12,693,821**. Because of these positive returns, the full year forecast continues to include \$750,000 higher than anticipated EIT filings.

Source of EIT through October: (2% collection fee not deducted)

	2012 & Prior	2013	Total
Actual	\$4,980,156.16	\$9,406,738.66	\$14,386,894.82
Budget	<u>4,655,070.31</u>	<u>8,038,750.26</u>	<u>12,693,820.57</u>
Excess/(Deficit)	\$ 325,085.85	\$ 1,367,988.40	\$ 1,693,074.25
Percent of Budget	7.0%	17.0%	13.3%

Now for the full year revenue outlook: **(Change from prior month's outlook)**

Property Tax	(\$44,000) reduced assessment
Earned Income Tax	\$750,000 increase in returns
Act 511 Taxes	\$125,000 various fluctuations; increase in real estate transfer of Penn St. property
Licenses, Permits	(\$600,000) reduced new construction permits related to hotel
Fire SAFER Grant	\$850,000 salary & benefit reimbursement for 20 added fire personnel
Act 129 Rebate	(\$52,000) lower estimate
OT Reimbursement	\$20,000 police reimbursed for assisting DA with drug investigations
Stadium Lease	\$292,000 loan refinanced with Phillies; offset with equal debt expense
Derivative Settlement	\$45,000 class action award from Wachovia
Berks EIT Refund	\$40,000 lower collection expense incurred in 2012
CD Indirect	(\$92,000) reduced indirect cost reimbursement
Total	\$1,334,000 added revenue

Expenditures: (Change from prior month's outlook)

Through this month, Police and Fire year to date overtime exceeds budget by **\$302,091** and **\$419,455** respectively; **\$721,546** cumulative. At this pace, the full year overtime public safety spending will surpass plan by **\$866,000**.

Now for the full year expenditure outlook:

Mayor	\$5,000 various added expenses
Police	\$400,000 increased overtime
Police	\$(100,000) reimburse pay adjustment per arbitration award
Police	\$100,000 move reimburse pay adjustment per arbitration award to 2014
Fire	\$200,000 increased overtime
Fire	\$200,000 additional overtime
Fire	\$69,000 unfunded fireman
Fire	\$900,000 20 added fire personnel (SAFER grant reimburses \$850,000)
Law	\$200,000 added legal fees
Law	\$100,000 additional legal fees
Actuarial Fees	\$30,000 unbudgeted mandatory retiree medical actuarial study (GASB 45)
EIT Fees	\$15,000 2% fees on increased collections
Charter Board	\$95,000 added legal fees
Charter Board	\$155,000 additional fees
Debt Service	\$292,000 loan refinanced with Phillies; offset with equal revenue
Total	\$2,661,000 added expenditures

2013 Full Year Projection:

Anticipating \$1,334,000 excess revenue, \$2,661,000 excess spending, and \$41,168 refinancing loan proceeds, the projected 2013 deficit is **\$1,285,832**; a \$130,000 deficit increase from prior month.

Cash Flow:

This month's ending cash position is **\$19,300,059** compared to last year's **\$20,787,918**. With a projected deficit of **\$8,674,977** for the balance of the year, the anticipated year-end cash balance is **\$10,625,082**.

2013 Contingency Usage:

The budget is \$980,615. The use of this budget is strictly prohibited, requiring council's approval. **As of this month, \$20,000 for Charter Board review purposes and \$300,000 for administration legal fees has been approved. Excess Charter Board legal fees and overtime will require future usage. See Contingency schedule for other potential usages.**

City's Bond Rating by Moody's:

Baa2 (low medium grade) compared to a target of **Aaa** (prime). The lower the rating, the more interest expense the City incurs.

Headcount by Fund:

The general fund full time headcount is 4 above plan, with the added 20 fire SAFER grant the primary reason. The reduced part time employees are associated with the seasonality of crossing guards. The mix of headcount between public safety and non uniform is near plan, with public safety 2 percentage points higher than plan.

	<u>Full Time</u>	<u>Part Time</u>	<u>vs. Plan FT</u>	<u>vs. Plan PT</u>
General	468	123	4 more than plan	25 less than plan
Shade	1	0	1 less than plan	ok to plan
Sewer	72	1	1 less than plan	4 less than plan
Solid Waste	25	2	1 less than plan	ok to plan
HUD	5	0	2 less than plan	ok to plan
TOTAL	571	126	1 less than plan	29 less than plan

General:	<u>Actual FT</u>	<u>% of Total GF</u>	<u>Plan FT</u>	<u>% of Total of GF</u>
Police	189	40.4 %	194	41.8%
Fire	146	31.2 %	131	28.2%
Public Safety	335	71.6%	325	70.0%
Non Safety	133	28.4%	139	30.0%
Total	468	100.0%	464	100.0%

FIVE YEAR PROJECTION: (STOPPED projections until 2014 budget is finalized and approved.)

The following are estimated deficits during the next five years per the current 2013 projection and the ensuing years: (Each year assumes the following increases: 5% Property Tax, 2% Salary, 5% Fringe, 5% Pension. The 5% fringe assumption is a high risk...underestimating health cost.)

		<u>Cumulative</u>	<u>Major Drivers (in addition to above increases)</u>
2013 Projection	\$1,155,832	\$ 1,155,832	Overtime, Legal Fees
2014 Projection	\$1,450,194	\$ 2,606,026	EIT Reduction
2015 Projection	\$10,192,935	\$12,798,961	No Commuter EIT; No RAWA (Act 73) \$6.7 MM
2016 Projection	\$10,961,044	\$23,760,005	Same as 2015
2017 Projection	\$11,408,317	\$35,168,322	Same as 2015

	EIT Rates		Property Tax
	<u>Resident</u>	<u>Non-Resident</u>	<u>Mils</u>
2013	2.1	0.3	15.689
2014	1.9	0.1	16.473
2015	1.9	0.0	17.297
2016	1.9	0.0	18.162
2017	1.9	0.0	19.07 (21.6% increase from 2013)

The impact of not increasing property tax between 2013 and 2017 expands deficit by \$10,358,361; increasing from \$35,168,322 to \$45,526,683.