

## CITY of READING

### GENERAL FUND FINANCIAL REVIEW SUMMARY

November 2015

The attached files are the General Fund year to date results through November of 2015. 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:**

Eleven months, 92% of the full year, is completed. On a cash basis, the month's year to date surplus/deficit generates a surplus of \$1,623,908. This result **does include** the City's full year pension MMO (minimum municipal obligation) of \$13,204,536 (General Fund only) and actual State Pension contribution of \$3,234,689. If 92% of these activities are recognized this month, the reported surplus would increase to a surplus of \$2,454,729. The full year projects attaining a surplus of \$5.6 million.

#### **Revenues:**

Please review both the attached summary and detail revenue line items for differences between actual and budget. With eleven months of fiscal year reported, full year projection has increased above plan by nearly \$600,000. Stronger Earned Income Tax returns, \$1.4 million, is the primary reason. This offsets various other line items not attaining budgeted levels, such as EMS user fees, various permit and housing inspection fees.

#### **Expenditures:**

As with revenues, please review the attached summary expenditure line items for differences between actual and budget. Full year projection has changed with a decrease in net spending by \$5.0 million. The main drivers are impact of lower headcount throughout the year, especially uniform employees, and refinancing debt service. With the City having a self-insured health policy, these expenses are difficult to project. The final 2015 medical and prescription costs should be known sometime in March 2016, which may be higher than projected. Since Police and Fire 2015 spending budgets consume 71% of General Fund operating budget before debt and fees, these two lines items are significant to monitor.

#### **2015 Full Year Projection:**

With projected increase in revenues and lower spending, the anticipated surplus is cautiously projected at \$5.6 million.

#### **Cash Flow:**

This month's ending cash and investment positions are \$22,463,705 (\$11,360,487 cash and \$11,103,218 investment) compared to last year's total of \$15,319,180 (\$14,234,634 cash and \$1,084,546 investment). The General Fund has not provided any loans to other funds this year.

#### **2015 Contingency Usage:**

The budget is \$1,142,550 unspecified and \$1,200,000 specified, totaling \$2,342,550. The use of this budget requires council's approval. See Contingency schedule of usage which includes \$75,000 for property demolition related to fire on East Laurel Street and \$30,000 for other Property Maintenance needs.

**2015 Debt Refinancing:**

In April, the City refinanced the following bonds: 2003 (used to finance public works facility), 2006 (used to finance pension), and 2008 (used to finance actuarial liquidity of employee pension) with Series 2015 A&B bonds issued \$54,025,000, providing an estimated savings of \$2.1 million over the life of the bonds. The \$4.8 million 2006 RDA note used to finance the City’s 2006 pension cost has been refinanced in July with Series 2015 bond. This refinancing satisfied initiatives DS01, DS02 and DS03 of the Amended Act 47 Recovery Plan.

**City’s Bond Rating by Moody’s:**

**Baa1** (low medium grade) compared to a target of **Aaa** (prime).

**Ten Year Debt Balance History:**

There were \$7,678,213 debt service payments (principal and interest) made in November. Year to date debt service payments are \$11,901,205.

**2015 \$147,513,461 Projected**

<b>Current \$147,513,461</b>	2010	\$169,000,544.88	2005	\$67,548,791.60
2014	\$145,252,920.43	2009	\$153,912,320.58	
2013	\$150,385,423.83	2008	\$139,256,420.98	
2012	\$156,136,322.53	2007	\$119,487,999.63	
2011	\$164,915,407.88	2006	\$121,374,949.50	

**Headcount by Fund:**

The general fund full time headcount ended 33 below plan, varying among divisions. The mix of headcount between public safety and non uniform is near plan.

	<u>Full Time</u>	<u>Part Time</u>	<u>vs. Plan FT</u>	<u>vs. Plan PT</u>
General	449	115	33 less than plan	14 less than plan
Shade	2	0	0 less than plan	ok to plan
Sewer	68	1	7 less than plan	4 less than plan
Solid Waste	18	3	0 less than plan	2 more than plan
HUD	2	0	4 less than plan	ok to plan
<b>TOTAL</b>	<b>539</b>	<b>119</b>	<b>44 less than plan</b>	<b>16 less than plan</b>

General:	<u>Actual FT</u>	<u>% of Total GF</u>	<u>Plan FT</u>	<u>% of Total of GF</u>
Police	183	40.7 %	194	40.4%
Fire	128	28.5 %	144	30.0%
Public Safety	311	69.2%	338	70.4%
Non Safety	138	30.8%	142	29.6%
Total	449	100.0%	480	100.0%

**FIVE YEAR PROJECTION:**

Page 10 and page 82 of the Amended Act 47 Recovery Plan illustrate the following fund balance usage and projected ending balance between 2015 and 2019. This plan is located on the City’s web site.

Year	Use of Fund Balance	Fund Balance
2015	0	20,260,181
2016	1,031,156	19,229,025
2017	3,145,368	16,083,657
2018	2,806,216	13,277,441
2019	4,527,521	8,749,920

Two months of budgeted expenses are required in fund balance to sustain abnormal expenditures. With current spending at \$90 million, a fund balance of \$15 million should be maintained. Based on the Amended Recovery Plan’s five year projection, the required fund balance will fall below the \$15 million threshold at the conclusion of 2018.

**FINANCIAL DATA ACCESS FEATURE:**

The City has implemented a solution, OPENGOV, to minimize the hurdles it faces when accessing and analyzing financial data. The OPENGOV platform assists directors and chiefs make data-driven decisions, foster productivity and increase collaboration. It aids finance administration by increasing budgeting and reporting efficiency, and supports elected officials by inviting transparency and govern with enhanced data insight. Started in June, it became available to all on the City’s web site.

November year to date results and transactions are available on OPENGOV. This narrative, along with the supporting financial statements, is also available on the city’s web site.

Commencing with the 2016 budget development, OPENGOV will show the progression toward achieving a balanced budget. The initial step is the submission by directors and chiefs followed by administration’s adjustments, leading to the Mayor’s proposed budget. Subsequent adjustments occur through budget reviews among the administration, council and public producing the adopted budget. The directors’ and the Mayor’s submissions along with the council’s adopted budget are currently visible on the City’s web site in the OPENGOV Budget Milestone section.