

## CITY of READING

### GENERAL FUND FINANCIAL REVIEW SUMMARY

January 2016

The attached files are the General Fund results for the first month of 2016. The documents include the statement of activities (income statement), full year projection, year-end cash flow/balance position, revenue by line item, contingency usage and Capital Improvement Plan (CIP). For comparison purposes, prior year income statement results are also included.

#### **OVERVIEW:**

One month, 8.3% of the full year, is completed. On a cash basis, the month's year to date surplus/deficit generates a deficit of \$2,437,320. This result does not include the City's full year pension MMO (minimum municipal obligation) of \$14,238,211 (General Fund only) nor the State Pension contribution of \$3,200,000. If 8.3% of these activities are recognized this month, the reported deficit would increase to \$3,357,171. The initial January 2016 deficit is attributed to timing in the presentation of bills and recognition of revenues due to the City.

#### **Revenues:**

Please review both the attached summary and detail revenue line items for differences between actual and budget. With only one month of fiscal year reported, full year revenue projection remains as planned.

#### **Expenditures:**

As with revenues, please review the attached summary expenditure line items for differences between actual and budget. Also, full year expenditure projection remains as planned. Since Police and Fire 2016 spending budgets consume 74% (49% Police & 25% Fire) of General Fund operating budget before debt and fees, these two lines items are significant to monitor.

#### **2016 Full Year Projection:**

Maintain plan. Concern; however, exists with the possible reduced revenue from the Reading Parking Authority and the unbudgeted expense associated with January's snow event. The 2016 budget does not have any contingency.

#### **Cash Flow:**

This month's ending cash and investment position is \$23,449,849 (\$12,440,353 cash and \$11,009,496 investment) compared to last year's total of \$17,312,986 (\$16,227,952 cash and \$1,085,034). The January 2016 balance includes a \$500,000 loan by the General Fund 01 to the Community Development HUD Fund 32. Loans did not occur anytime in 2015.

#### **2016 Contingency Usage:**

The budget does not include any contingency for potential revenue shortfalls and excess expenditures.

#### **City's Bond Rating by Moody's:**

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

**Twelve Year Debt Balance History:**

There were no debt service payments (principal and interest) made in January. Projected 2016 debt service payments are \$12,553,772 (\$6,335,600 principal; \$6,218,172 interest)

**2016 \$141,177,861.00 Projected**

2015	\$147,513,461.00	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		

**Capital Improvement Plan (CIP):**

2016 budget includes a Capital Improvement Plan (CIP) for the first time in many years. Detailed CIP schedule is included in this financial report. Total budgeted capital spending is \$2.9 million. To date, \$1.2 of the \$2.9 million has been requested to spend. Of the \$1.2 million requested, \$161,605 has been spent.

Source of 2016 CIP Funding:	BUDGET	ACTUAL
0.1% Resident & 0.1% Non-Resident EIT	\$1,198,361	\$0
Prior years carryover	917,250	917,250
Use of General Fund balance	774,127	0
<b>TOTAL 2016 CIP FUNDING</b>	<b>\$2,889,738</b>	<b>\$917,250</b>

**Headcount by Fund:**

The general fund full time headcount ended 27 below plan, varying among divisions. The mix of headcount between public safety and non uniform is near plan, with public safety about 1 percentage point higher than plan.

	<u>Full Time</u>	<u>Part Time</u>	<u>vs. Plan FT</u>	<u>vs. Plan PT</u>
General	447	114	27 less than plan	14 less than plan
Shade	2	0	ok to plan	ok to plan
Sewer	70	1	5 less than plan	5 less than plan
Solid Waste	17	1	0 less than plan	2 less than to plan
HUD	1	0	3 less than plan	ok to plan
<b>TOTAL</b>	<b>537</b>	<b>116</b>	<b>35 less than plan</b>	<b>21 less than plan</b>

	<u>Actual FT</u>	<u>% of Total GF</u>	<u>Plan FT</u>	<u>% of Total of GF</u>
General:				
Police	189	42.3 %	194	40.9%
Fire	126	28.2 %	137	28.9%
Public Safety	315	70.5%	331	69.8%
Non Safety	132	29.5%	143	30.2%
Total	447	100.0%	474	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. Upon completion of the 2015 external audit, these projections will be adjusted.

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 2016 spending budget at \$89.5 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:**

January results and transactions are available on OPENGOV. This narrative, along with the supporting financial statements, is also available on the City’s web site.