

# CITY AUDITOR'S REPORT

## MONDAY, OCTOBER 22, 2012

### MUNICIPAL SEWAGE RATE CALCULATIONS 4/1/13 – 3/31/14

THE NEW MUNICIPAL SEWAGE RATE CALCULATIONS AND NOTIFICATIONS WERE COMPLETED ON SEPTEMBER 28, 2012. THE NEW RATE, WHICH GOES INTO EFFECT ON 4/1/13 - 3/31/14, IS **3.30% LOWER** THAN THE CURRENT RATE.

THE TREATMENT RATE DECREASED SLIGHTLY AND THE TRANSPORTATION RATE INCREASED COMPARED TO LAST YEAR.

THIS CHART LISTS THE MUNICIPAL SEWAGE RATES FROM 4/1/99-3/31/14:

YEAR	TREATMENT	TRANSPORTATION	TOTAL	% CHANGE
4/1/13-3/31/14	243.86	35.75	279.61	<b>-3.30%</b>
4/1/12-3/31/13	255.55	33.60	289.15	-0.53%
4/1/11-3/31/12	252.00	38.70	290.70	+16.41%
4/1/10-3/31/11	220.17	29.56	249.73	+7.92%
4/1/09-3/31/10	205.02	26.39	231.41	-3.35%
4/1/08-3/31/09	210.69	28.75	239.44	+16.00%
4/1/07-3/31/08	179.04	27.38	206.42	+20.33
4/1/06-3/31/07	151.06	20.19	171.55	-0.64%
4/1/05-3/31/06	154.62	18.03	172.65	+21.70%
4/1/04-3/31/05	125.05	16.81	141.86	+4.16%
4/1/03-3/31/04	122.07	14.13	136.20	+ 1.09%
4/1/02-3/31/03	120.23	14.51	134.74	- 11.04%
4/1/01-3/31/02	134.18	17.27	151.45	+ 5.20%
4/1/00-3/31/01	130.62	13.34	143.96	+ 5.99%
4/1/99-3/31/00	123.45	12.37	135.82	

## **2012 ADMISSION FEE/TAX**

WE RECEIVED CHECKS IN THE AMOUNT OF \$30,481.71 FROM THE READING PHILLIES FOR SEPTEMBER'S ADMISSION FEES/TAXES. THE SOVEREIGN CENTER AND THE PERFORMING ARTS CENTER EVENT FEES TOTALLED \$40,673.35 FOR SEPTEMBER SALES. EVENTS INCLUDED IN THESE RECEIPTS ARE FROM PERFORMANCES BY BARRY MANILOW, CARRIE UNDERWOOD & AMERICAN IDOL, JUST TO NAME A FEW. ALSO THIS MONTH, WE RECEIVED \$3,114.21 FROM READING ROYALS HOCKEY FOR SEPTEMBER'S SALES.

THE 2012 BUDGET LIST \$504,000 AS EXPECTED REVENUE.

THE FOLLOWING CHARTS LIST ANNUALLY (2008-2012) THE ADMISSION FEES BY SPORT/VENUE:

ADMISSION FEE/TAX	2008	2009	2010	2011	SEPT. 2012
READING PHILS -1 <sup>ST</sup> ENERGY STADIUM	\$85,828.62	\$94,788.30	\$98,219.57	\$104,498.69	\$87,472.33
READING ROYALS - SOVEREIGN CENTER	\$100,129.25	\$55,054.89	\$61,494.30	\$60,719.57	\$43,873.84
OTHER- SOVEREIGN CENTER	\$236,337.38	\$232,589.23	\$252,268.74	\$117,376.12	\$133,934.84
PERFORMING ARTS CENTER	\$132,528.70	\$99,602.64	\$100,701.62	\$140,860.56	\$63,282.52
<b>TOTAL REVENUE</b>	<b>\$554,823.95</b>	<b>\$482,035.06</b>	<b>\$512,684.23</b>	<b>\$423,454.94</b>	<b>\$328,563.53</b>
BUDGETED REVENUE	\$550,000.00	\$600,000.00	\$450,000.00	\$480,000.00	\$504,000.00
<b>OVER/UNDER BUDGET</b>	<b>\$4,823.95</b>	<b>-\$117,964.94</b>	<b>\$62,684.23</b>	<b>-\$56,545.06</b>	

## REAL ESTATE TRANSFER TAX – 1/1/2008 TO 09/30/2012

THIS IS AN UPDATE ON THE REAL ESTATE TRANSFER TAX RECEIPTS SINCE I LAST REPORTED IN MY SEPTEMBER 24, 2012 REPORT. THIS TAX WAS 1% ('02), 1.5% ('03), 2% ('04-'05), AND 3.5% FOR ('06-'12).

THE FOLLOWING CHART ILLUSTRATES ACTUAL DATA FROM 01/2008 - 09/2012. IN SEPTEMBER 2012 THERE WERE 112 REAL ESTATE TRANSFER TRANSACTIONS, OF WHICH 73 WERE TAXABLE TRANSACTIONS. THE CITY'S PROCEEDS IN SEPTEMBER TOTALLED \$120,767.46. THE CURRENT 2012 BUDGET LISTS \$2,000,000 AS EXPECTED REVENUE.

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
January	88,765.23	90,044.35	159,017.30	148,961.51	652,118.37
February	260,520.16	135,391.03	106,687.67	142,169.66	228,471.03
March	151,719.15	214,724.17	229,645.70	185,351.64	249,460.68
April	142,353.83	156,823.78	393,268.60	258,946.66	546,640.28
May	178,896.46	174,829.49	384,978.30	242,328.73	392,206.10
June	191,760.76	221,457.20	349,449.25	204,198.52	352,496.09
July	155,694.65	121,372.42	222,286.60	182,852.57	267,767.04
August	126,717.87	179,026.81	185,037.44	189,488.42	371,358.83
September	120,767.46	187,496.67	128,921.23	301,455.52	279,643.32
October	??????????	255,432.51	204,050.03	273,838.88	236,179.13
November	??????????	287,145.90	240,401.03	214,016.65	268,455.35
December	??????????	208,991.89	209,455.28	232,908.94	158,499.81
<b>JAN-SEPT.</b>	<b>1,417,195.57</b>	<b>1,481,165.92</b>	<b>2,159,292.09</b>	<b>1,855,753.23</b>	<b>3,340,161.74</b>
<b>Entire Year</b>	??????????	<b>2,232,736.22</b>	<b>2,813,198.43</b>	<b>2,576,517.70</b>	<b>4,003,296.03</b>
Budget	2,000,000.00	2,750,000.00	2,500,000.00	5,000,000.00	7,215,868.00
Over Budget	??????????	<517,263.78>	313,198.43	<2,423,482.30>	<3,212,571.97>

THE FOLLOWING CHARTS LISTS THE TOTAL NUMBER OF MONTHLY REAL ESTATE TRANSFER TRANSACTION MINUS NON-TAXABLE TRANSACTIONS TO ARRIVE AT TAXABLE TRANSACTIONS. FOR EXAMPLE, IN JANUARY 2012 THERE WERE 108 TRANSACTIONS MINUS 36 NON-TAXABLE TRANSACTIONS, WHICH LEAVES 72 TAXABLE TRANSACTIONS.

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
J	108-36=72	101-44=57	145-54=91	123-55=68	213-67=146
F	103-36=67	126-49=77	103-37=66	137-44=93	190-51=139
M	179-56=123	144-43=101	212-67=145	167-47=120	174-47=127
A	159-41=118	121-31=90	193-59=134	163-54=109	282-62=220
M	160-35=125	168-52=116	208-73=135	169-40=129	225-46=179
J	150-57=93	175-39=136	185-51=134	171-60=111	213-56=157
J	148-52=96	127-48=79	149-44=105	161-62=99	201-48=153
A	118-39=79	153-39=114	161-55=106	141-48=93	195-53=142
S	112-39=73	141-40=101	114-31=83	137-39=98	183-50=133
O		181-52=129	201-72=129	219-67=152	184-64=120
N		149-31=118	120-33=87	175-65=110	156-55=101
D		172-61=111	153-45=108	163-44=119	134-39=95
T		1758-529=1229	1944-621=1323	1926-625=1301	2350-638=1712

## **2002 - 2013 MINIMUM MUNICIPAL OBLIGATION**

THE FOLLOWING CHARTS ILLUSTRATE THE CITY OF READINGS MINIMUM MUNICIPAL OBLIGATION (MMO) FROM 2002-2013. THE MMO IS A STATE REQUIREMENT PER THE MUNICIPAL PENSION PLAN FUNDING & RECOVERY ACT (**ACT 205 OF 1984**). THIS ACT REQUIRES THAT MUNICIPALITIES MUST PROPERLY FUND THEIR MUNICIPAL PENSION PLANS AND THAT THE STATE WILL ALSO ASSIST BY GIVING FINANCIAL AID.

THE COMPLEX MMO CALCULATION REQUIRES SUCH INFORMATION AS NORMAL AND ADMINISTRATIVE COSTS AND PERCENTAGES, ESTIMATED ANNUAL PAYROLL, ALLOWANCES FOR ACTUARILY OVER/UNDER FUNDED PLANS, AS WELL AS EMPLOYEE CONTRIBUTIONS. PENSION PLAN GAINS AND LOSSES AND ACTUARIAL ASSUMPTIONS ARE ALSO INCLUDED IN THIS CALCULATION.

IN 2002, THE TOTAL MMO WAS \$1,998,438. THE STATE AID RECEIVED THAT YEAR WAS \$1,621,277. THE STATE AID RECEIVED BY THE CITY WAS THEN PAID INTO OUR MUNICIPAL PENSION PLANS. THE DIFFERENCE OF \$377,161 WAS THE CITY'S NET OBLIGATION. BEGINNING IN 2005, THERE WAS AN ENORMOUS INCREASE IN THE MMO TOTAL AND BALANCES DUE FIGURES. IN 2005, THE TOTAL MMO WAS \$5,314,058. THE STATE AID RECEIVED IN 2005 YEAR WAS \$3,046,770. THE DIFFERENCE OF \$2,267,288 WAS THE CITY'S NET OBLIGATION. FOR 2012 THE CITY'S NET OBLIGATION AGAIN INCREASES DRAMATICALLY. IN 2012, THE TOTAL MMO IS \$7,055,581. THE STATE AID IS \$2,689,235. THE DIFFERENCE OF \$4,366,346 IS THE CITY'S NET OBLIGATION.

**IN 2013, THE MMO INCREASES DRAMATICALLY TO \$11,180,278. THE ESTIMATED STATE AID IS APPROXIMATELY \$2.6 MILLION, WHICH REDUCES THE CITY'S NET OBLIGATION TO AROUND \$8.6 MILLION DOLLARS OR MORE THAN \$4 MILLION MORE THAN LAST YEAR.**

THE VARIOUS CITY FUNDS THAT HAVE EMPLOYEES, ALL CONTRIBUTE THEIR FAIR SHARE TOWARDS THAT NET OBLIGATION. THEREFORE, NOT ONLY DOES THE CITY GENERAL FUND CONTRIBUTE, BUT ALSO THE WATER, SEWER, COMMUNITY DEVELOPMENT AND OTHER FUNDS.

### **THE MAJOR REASONS FOR THE SUBSTANTIAL INCREASES ARE AS FOLLOWS:**

- PRIOR YEARS NEGATIVE INVESTMENT RETURNS IN ALL THREE PLANS
- INCREASES IN BENEFITS (CONTRACTS)
- HIGHER PAYROLL COSTS
- USING THE UPDATED 2011 ACTUARY REPORTS
- ALL THREE PLANS HAVE GONE FROM THE ACTUARIAL STATUS OF FULLY-FUNDED TO UNDER-FUNDED
- UPDATED MORTALITY TABLES
- INTEREST RATE ASSUMPTION CHANGES
- NO CURRENT STATE LEGISLATIVE FUNDING RELIEF ACT(S) PASSED

## 2002 - 2013 MINIMUM MUNICIPAL OBLIGATION (continued)

### THE FOLLOWING TWO (2) CHARTS ILLUSTRATE:

1. THE MMO BY PENSION FUND
2. THE BALANCE DUE AFTER APPLYING STATE AID

<b>MMO</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
POLICE PENSION	1,267,793	1,581,096	2,583,681	2,497,175	3,496,058	3,203,156
FIRE PENSION	318,129	0	0	1,479,698	1,268,949	1,209,423
O&E PENSION	412,516	209,491	1,371,476	1,337,185	1,650,339	1,933,737
<b>TOTAL</b>	<b>1,998,438</b>	<b>1,790,587</b>	<b>3,955,157</b>	<b>5,314,058</b>	<b>6,415,346</b>	<b>6,346,316</b>

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
TOTAL MMO	1,998,438	1,790,587	3,955,157	5,314,058	6,415,346	6,346,316
STATE AID	1,621,277	1,716,415	3,083,125	3,046,770	3,205,886	3,289,757
<b>BALANCE DUE</b>	<b>377,161</b>	<b>74,172</b>	<b>872,032</b>	<b>2,267,288</b>	<b>3,209,460</b>	<b>3,056,559</b>

<b>MMO</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013 EST.</b>
POLICE PENSION	1,705,470	2,428,329	2,607,362	3,932,110	3,663,429	6,057,188
FIRE PENSION	1,289,485	1,346,126	1,380,603	1,976,423	1,903,883	2,286,856
O&E PENSION	598,539	775,359	800,416	1,376,733	1,488,269	2,836,234
<b>TOTAL</b>	<b>3,593,494</b>	<b>4,549,814</b>	<b>4,788,381</b>	<b>7,285,266</b>	<b>7,055,581</b>	<b>11,180,278</b>

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013 EST.</b>
TOTAL MMO	3,593,494	4,549,814	4,788,381	7,285,266	7,055,581	11,180,278
STATE AID	3,307,410	2,843,364	2,972,820	4,487,287	2,689,235	<b>2,600,000</b>
<b>BALANCE DUE</b>	<b>286,084</b>	<b>1,706,450</b>	<b>1,815,561</b>	<b>2,797,979</b>	<b>4,366,346</b>	<b>8,580,278</b>

## **PUBLIC UTILITY REALTY TAX 1997-2012**

ON 10/02/12, WE RECEIVED \$49,067.85 FOR THE STATE PUBLIC UTILITY REALTY TAX FROM THE COMMONWEALTH OF PA. STARTING IN 1999, THERE WAS A CHANGE IN THE FORMULA TO CALCULATE THE AMOUNTS PAYABLE TO MUNICIPALITIES FOR THE STATE PUBLIC UTILITY REALTY TAX. AS THE FOLLOWING CHART REVEALS, WE HAVE EXPERIENCED A MAJOR REDUCTION IN THIS REVENUE SOURCE SINCE 1999. THE ESTIMATED REVENUE FROM THIS SOURCE IN 2013 IS EXPECTED TO BE \$45,000.00.

PUBLIC UTILITY TAX	BUDGET	ACTUAL
1997	291,000	277,867
1998	291,000	267,198
1999	290,000	205,284
2000	170,000	80,921
2001	60,000	41,693
2002	80,000	35,924
2003	42,000	39,294
2004	36,000	29,027
2005	40,000	42,151
2006	40,000	51,455
2007	51,000	48,885
2008	51,000	45,976
2009	46,000	43,342
2010	46,000	40,781
2011	45,000	45,721
2012	45,000	49,068