



## The PFM Group

Public Financial Management, Inc.  
PFM Asset Management LLC  
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### Q1 FY2013 Financial Results

This report summarizes preliminary results for the period January through March 2013, based on financial data provided by the City. The data labeled “2012 Actual” is as of April 15, 2013 and is subject to change.

#### Overview

The City collected 17.9 percent of its budgeted revenues and spent 16.9 percent of its budgeted expenditures during the first quarter of 2013. The results compared to last year are positive thus far. The City collected \$492,000 more and spent \$95,000 (or 0.7 percent) less than it did through the same period last year, as shown in the table below.

	2013 Q1	2013 Budget	% Spent/ Collected	2012 Q1	2012 Actual <sup>1</sup>	% Spent/ Collected
<b>Revenues</b>	13,782,110	76,932,310	17.9%	13,289,721	72,192,723	18.4%
<b>Expenditures</b>	13,037,949	76,932,310	16.9%	13,133,129	78,577,865	16.7%
<b>Difference</b>	744,161	0	N/A	156,592	-6,385,142	N/A

Both the percentage of revenues collected and percentage of expenditures spent are less than the one-quarter mark of 25 percent. This is mostly due to the seasonality of the City’s revenues and expenditures. On the revenue side, the City collected 17.9 percent of total budgeted revenues because real estate tax revenues, which represent 26.8 percent of the budget, are mostly collected around the due date of April 1. Revenue collections are also understated because state pension aid (\$2.8 million) is not received until the second half of the year.

On the expenditure side, the City spent 16.9 percent of its total budgeted expenditures. Expenditures are understated because the City does not make its pension contribution (12.9 percent of the budget) until late in the year. The City also makes the majority of its debt principal and interest payments after the first quarter according to the established debt repayment schedule.

<sup>1</sup> As the Q4 2012 report explains in detail, these preliminary 2012 results understate the revenues and overstate the expenditures. They exclude revenue associated with debt repayment to the City from the Greater Berks Development Fund and include additional payments toward the unfunded debt loan.



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**I. Revenues**

The City had \$13.8 million in first quarter general fund revenues, 17.9 percent of the annual budgeted total. The table below shows 2012 actuals, 2013 budget and the amount collected during the first quarters in 2012 and 2013.

Category	2013 Q1	2013 Budget	% Collected	2012 Q1	2012 Actual	% Collected
Real Estate Taxes	2,201,776	20,606,517	10.7%	2,402,579	18,401,147	13.1%
Act 511 Taxes	5,041,627	20,986,686	24.0%	4,675,861	21,371,849	21.9%
Licenses, Permits, Fines	1,300,438	6,512,327	20.0%	1,488,432	5,391,300	27.6%
Intergovernmental	950,725	8,629,963	11.0%	1,262,522	8,959,007	14.1%
Charges for Services	997,715	6,192,233	16.1%	704,168	5,326,035	13.2%
Interest and Rent	184,339	1,113,000	16.6%	96,631	497,950	19.4%
Other	1,112,988	4,921,584	22.6%	754,528	4,625,435	16.3%
Transfers in	1,992,500	7,970,000	25.0%	1,905,000	7,620,000	25.0%
<b>Total Revenues</b>	<b>13,782,110</b>	<b>76,932,310</b>	<b>17.9%</b>	<b>13,289,721</b>	<b>72,192,723</b>	<b>18.4%</b>

The City collected 25 percent or less of its budget in all revenue categories through the first quarter of 2013. Of all the major revenue categories (except transfers revenue), Act 511 Taxes had the highest collection rate at 24 percent of the total annual budget.

**I.A. Real Estate Taxes**

Real Estate Tax revenues represent 26.8 percent of Reading’s total revenues. The amount collected during the first quarter was 10.7% of budget, \$200,803 less than last year. The approved 2013 General Fund millage rate was 15.689 mills. The majority of Real Estate Taxes will be collected after the City’s due date of April 1.

2013 Q1	2013 Budget	% Collected	2012 Q1	2012 Actual	% Collected
2,201,776	20,606,517	10.7%	2,402,579	18,401,147	13.1%

The \$2.2 million shown above includes \$351,000 in prior year Real Estate Tax revenue, which was \$311,000 more than the City received through the same period last year. The Berks County Tax Claim Bureau handles delinquent real estate tax collection and anticipates revenues will be higher than last year. The County uses a longer collection cycle than the City’s prior tax collector, which resulted in lower revenues last year when the County began delinquent collections.



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**I.B. Act 511 Taxes**

Act 511 taxes are Reading’s other most important revenue source besides Real Estate Taxes, representing 27.3 percent of budgeted 2013 revenues. Act 511 tax revenues are summarized in the following table. The City collected 24 percent of its budgeted Act 511 Taxes during the first quarter of 2013.

<b>Act 511 Taxes</b>	<b>2013 Q1</b>	<b>2013 Budget</b>	<b>% Collected</b>	<b>2012 Q1</b>	<b>2012 Actual</b>	<b>% Collected</b>
Earned Income Tax	4,071,745	16,271,686	25.0%	3,880,285	16,250,554	23.9%
Business Privilege Tax	335,722	1,550,000	21.7%	146,402	1,864,635	7.9%
Real Estate Transfer Tax	364,901	1,900,000	19.2%	349,285	1,972,840	17.7%
Local Services Tax	265,207	1,200,000	22.1%	297,259	1,215,025	24.5%
Per Capita Tax	4,052	65,000	6.2%	2,630	68,795	3.8%
<b>Total</b>	<b>5,041,627</b>	<b>20,986,686</b>	<b>24.0%</b>	<b>4,675,861</b>	<b>21,371,849</b>	<b>21.9%</b>

The Earned Income Tax is by far the largest of these taxes, making up 80.8 percent of total Act 511 Taxes during the first quarter. Berks EIT, Incorporated handles EIT collections for the City and all other governments in Berks County under the terms of Act 32 of 2010.

Business Privilege Tax (BPT) revenues are also ahead of last year’s pace. Like the Real Estate Tax, the BPT is due during the second quarter with a two percent discount available for early payment and penalties for late payment.

**I.C. Licenses, Permits & Fees**

This category consists of housing and rental permit fees, franchise fees, traffic and court fines and other fee revenues. The City collected 20 percent of budgeted revenues in this category, which was \$188,000 less than it did last year. The reduction in collections is mostly due to the Rental Housing Permits, New Construction Permits and Other Fees categories.

<b>Licenses, Permits and Fees</b>	<b>2013 Q1</b>	<b>2013 Budget</b>	<b>% Collected</b>	<b>2012 Q1</b>	<b>2012 Actual</b>	<b>% Collected</b>
Housing/rental permit	351,590	743,576	47.3%	414,464	891,217	46.5%
District court summary offenses	188,264	825,000	22.8%	159,481	868,031	18.4%
Franchise fees	-	725,000	0.0%	-	720,254	0.0%
New construction permits	30,174	596,000	5.1%	87,315	168,525	51.8%
Traffic fines motor codes	-	325,000	0.0%	-	343,502	0.0%
Business privilege licenses	187,083	350,000	53.5%	166,481	359,096	46.4%
Quality of life fines	108,873	390,000	27.9%	134,255	374,650	35.8%
Other fees	434,455	2,557,751	17.0%	526,436	1,666,025	31.6%
<b>Total</b>	<b>1,300,438</b>	<b>6,512,327</b>	<b>20.0%</b>	<b>1,488,432</b>	<b>5,391,300</b>	<b>27.6%</b>



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**I.D. Intergovernmental Revenues**

The City collected 11 percent of total budgeted intergovernmental revenues during the first quarter. The largest item in this category is the State pension aid, which the City receives in the second half of the year. This category also includes the Reading Parking Authority’s contribution to the General Fund, a portion of the Reading Area Water Authority (RAWA) contribution to the General Fund, and reimbursement for costs at the Reading Public Library.

Intergovernmental Revenues	2013 Q1	2013 Budget	% Collected	2012 Q1	2012 Actual	% Collected
State pension contribution	-	2,800,000	0.0%	-	2,701,960	0.0%
Meter Surcharge	283,333	1,700,000	16.7%	424,998	1,699,992	25.0%
RAWA Act 47	375,000	1,500,000	25.0%	375,000	1,500,000	25.0%
Parking Authority Supplement	135,000	810,000	16.7%	135,000	810,000	16.7%
Grants and Gifts	51,317	222,963	23.0%	40,483	779,261	5.2%
Reading Public Library	-	620,000	0.0%	-	706,041	0.0%
Other	106,075	977,000	10.9%	287,041	761,753	37.7%
<b>Total</b>	<b>950,725</b>	<b>8,629,963</b>	<b>11.0%</b>	<b>1,262,522</b>	<b>8,959,007</b>	<b>14.1%</b>

The City received a \$2.7 million grant from the US Department of Homeland Security under the Staffing for Adequate Fire and Emergency Response (SAFER) program. The City will receive approximately \$900,000 of the grant in 2013, which will increase the grant and gift revenue above the \$222,963 budgeted amount. The City will use the grant to hire additional firefighters and offset higher-than-budgeted personnel costs in that department.

**I.E. Charges for Services**

The City collected 16.1 percent of budgeted charges for services. Out of all the Charges revenue categories, Police Service/Copy Service had the highest first quarter collection rate of 30.8 percent.

Charges for Services	2013 Q1	2013 Budget	% Collected	2012 Q1	2012 Actual	% Collected
EMS User Fees	412,247	2,836,638	14.5%	374,229	2,764,506	13.5%
Housing Inspection	197,098	1,311,643	15.0%	-	515,326	0.0%
Kenhorst Police Contract	104,645	418,581	25.0%	102,593	410,374	25.0%
Admissions Fee/Tax	106,461	510,000	20.9%	3,318	387,648	0.9%
Police Srvc/ Copy Service	52,280	170,000	30.8%	38,787	336,159	11.5%
Police Reimb. - RSD	-	-	0.0%	103,766	280,292	37.0%
Other	322,082	2,257,014	14.3%	81,475	631,730	12.9%
<b>Total</b>	<b>997,715</b>	<b>6,192,233</b>	<b>16.1%</b>	<b>704,168</b>	<b>5,326,035</b>	<b>13.2%</b>



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EMS User Fees is the largest portion of this category, representing 45.8 percent of all charges for services. The City collected \$38,000 (or 10 percent) more in Q1 2013 than it did in Q1 2012. The collection rate for Q1 2013 (14.5 percent of budget) is also comparable to last year (13.5 percent of actual) when the City collected \$374,000. Still, the City needs to monitor this revenue to make sure it stays on target, especially since increased EMS revenue is assumed to fund the planned addition of a fourth ambulance unit.

**I.F. Interest & Rent**

The City collected 16.7 percent of all budgeted interest and rent. Nearly all the revenue in this category comes from the Parking Authority’s payments to lease the meters from the City, which are made monthly (the March payment had not yet been posted to the accounting system when data for this report was downloaded).

<b>I.F. Interest &amp; Rent</b>	<b>2013 Q1</b>	<b>2013 Budget</b>	<b>% Collected</b>	<b>2012 Q1</b>	<b>2012 Actual</b>	<b>% Collected</b>
Rental - Parking Authority	166,666	1,000,000	16.7%	66,666	399,996	16.7%
CD Bond Interest	379	26,000	1.5%	420	-	0.0%
Rent Other Property Bldgs	17,295	65,000	26.6%	18,544	68,747	27.0%
Other	-	22,000	0.0%	11,000	29,207	37.7%
<b>Total</b>	<b>184,339</b>	<b>1,113,000</b>	<b>16.6%</b>	<b>96,631</b>	<b>497,950</b>	<b>19.4%</b>

**I.G. Other Revenues**

In the Other Revenues category, the City collected 22.6 percent of total budget, \$358,000 more than last year. Revenues included in this category include indirect and direct cost reimbursements, delinquent collections, CDBG revenue to fund codes, and employee contribution to medical insurance, among others.

<b>2013 Q1</b>	<b>2013 Budget</b>	<b>% Collected</b>	<b>2012 Q1</b>	<b>2012 Actual</b>	<b>% Collected</b>
1,112,988	4,921,584	22.6%	754,528	4,625,435	16.3%

Employee contributions to medical insurance totaled \$387,000 in the first quarter of this year, compared to \$186,000 in Q1 2012. Employees represented by the Fraternal Order of Police are now making more significant contributions as required in the November 2012 arbitration award and other employees may also be contributing more, depending on the level of coverage selected.



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**II. Expenditures**

The City had \$13.0 million in General Fund expenditures during the first quarter of 2013, which is 16.9 percent of the \$76.9 million budget. The percentage spent during the first quarter is \$95,000 (or 0.7 percent) less than last year.

The table below shows 2013 budget and 2012 actuals, major expenditures, and the percentage spent during the first quarters of 2012 and 2013.

<b>Category</b>	<b>2013 Q1</b>	<b>2013 Budget</b>	<b>% Spent</b>	<b>2012 Q1</b>	<b>2012 Actual</b>	<b>% Spent</b>
Personnel	7,757,260	30,172,984	25.7%	7,992,998	31,916,225	25.0%
Benefits	2,291,576	21,016,487	10.9%	2,306,009	17,617,098	13.1%
Operating Cost	1,650,802	8,770,024	18.8%	1,764,264	9,390,148	18.8%
Other Expenses	204,432	577,137	35.4%	141,544	713,047	19.9%
Debt Service	473,481	12,774,079	3.7%	506,390	17,245,181	2.9%
Transfer Out	658,996	2,635,984	25.0%	421,923	1,687,693	25.0%
Contingencies	1,401	985,615	0.1%	0	8,473	0.0%
<b>Total Expenditures</b>	<b>13,037,949</b>	<b>76,932,310</b>	<b>16.9%</b>	<b>13,133,129</b>	<b>78,577,865</b>	<b>16.7%</b>

**II.A. Personnel**

The majority of the Personnel budget is for the “regular” pay of City employees -- salaries, temporary wages, and holiday pay. These categories make up 91 percent of the 2013 Personnel budget and 88 percent of actual first quarter 2013 Personnel expenditures. Overtime pay represents another 7.2 percent of budget, but a larger share, 9.3 percent, of actual first quarter Personnel expenditures. Components making up the remaining 1.8 percent of the 2013 Personnel budget include Longevity, Settlement, Uniform/ Clothing Allowance, and Partnership Expense. The 2013 budget covers 574 full time employees.



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Wages and Salaries

The table below shows totals by department for Salaries, Temporary Wages, and Holiday Pay.

Personnel	2013 Q1	2013 Budget	% Spent	2012 Q1	2012 Actual	% Spent
Police	3,190,717	12,949,255	24.6%	3,532,386	13,373,569	26.4%
Fire	1,983,857	7,708,755	25.7%	1,899,167	7,673,087	24.8%
Public Works	360,676	1,455,686	24.8%	413,946	1,667,242	24.8%
Administration*	459,374	1,845,694	24.9%	465,882	1,831,240	25.4%
Community Development	501,540	2,082,784	24.1%	413,382	1,878,551	22.0%
Other	337,788	1,444,563	23.4%	379,208	1,356,302	28.0%
<b>Total</b>	<b>6,833,952</b>	<b>27,486,737</b>	<b>24.9%</b>	<b>7,103,971</b>	<b>27,779,991</b>	<b>25.6%</b>

\* This Category includes Finance, the Managing Director, and Human Resources.

Combined, all City departments spent 24.9 percent of the budget for Salaries, Temporary Wages, and Holiday Pay, which was \$270,000 (or 3.8 percent) less than the first quarter of last year. Each department spent close to 25 percent of their budget for Salaries, Temporary Wages, and Holiday Pay in the first quarter. As noted earlier, the Fire Department will exceed its \$7.7 million salary budget because of additional hires funded by the SAFER grant. There will be additional grant revenues to offset the expenditures.

Overtime

The City's overtime expenditures – a major component of the Personnel budget category – are high relative to budget: the Police and Fire Departments both spent about one-third of their total overtime budgets during the first quarter, and Public Works spent 38 percent of its total annual overtime budget. The City spent \$10,000 more this year than during the first quarter last year in its overtime budget. The table below shows overtime expenditures for the three departments with significant overtime costs: Police, Fire, and Public Works.

Overtime	2013 Q1	2013 Budget	% Spent	2012 Q1	2012 Actual	% Spent
Police	479,269	1,479,063	32.4%	392,282	1,899,901	20.6%
Fire	216,537	640,000	33.8%	306,796	1,707,489	18.0%
Public Works	20,840	54,500	38.2%	9,435	42,590	22.2%
Other	2,247	2,000	112.3%	18	2,815	0.7%
<b>Total</b>	<b>718,892</b>	<b>2,175,563</b>	<b>33.0%</b>	<b>708,532</b>	<b>3,652,795</b>	<b>19.4%</b>



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The Police Department spent \$87,000 (or 22 percent) more in Q1 2013 than in Q1 2012. PFM is reviewing police overtime spending and trends more closely since this remains an area of concern.

The Fire Department spent \$90,000 (or 29 percent) less in Q1 2013 than in Q1 2012, but as noted has also spent a third of its overtime allocation at the year’s one-quarter mark.

**II.B. Benefits**

Pension (MMO)

The State requires the City to make a Minimum Municipal Obligation (MMO) payment to each of the City’s three defined benefit plans, and these payments make up a significant portion of the Benefits budget category. The MMO is determined by an annual actuarial valuation by the respective actuary for each plan. The State requires that the MMO calculation be completed by September 30 of each year and incorporated into the following year’s budget. The State also requires that the City make the MMO payment to each plan by December 31 of each year.

Budgeted FY2013 pension contributions are \$3.5 million or 55 percent more than FY2012 contributions. Because the practice of the City is to pay the three MMO payments in December, there are no pension contributions to date.

<b>Pension</b>	<b>2013 Q1</b>	<b>2013 Budget</b>	<b>% Spent</b>	<b>2012 Q1</b>	<b>2012 Actual</b>	<b>% Spent</b>
Police	-	6,057,187	0.0%	-	3,663,428	0.0%
Fire	-	2,286,857	0.0%	-	1,903,873	0.0%
Employees & Officers	-	1,575,682	0.0%	-	824,710	0.0%
<b>Total</b>	-	<b>9,919,726</b>	<b>0.0%</b>	-	<b>6,392,011</b>	<b>0.0%</b>

Fringe Benefits

Fringe Benefits, another component of the Benefits budget category, includes Medicare, medical benefits, dental insurance, prescription insurance, vision insurance, and unemployment compensation expenses.

The City spent approximately the same amount on fringe benefits during Q1 2013 as it did a year ago. The table below summarizes budget and expenditures in the first quarter by department.



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<b>Fringe Benefits</b>	<b>2013 Q1</b>	<b>2013 Budget</b>	<b>% Spent</b>	<b>2012 Q1</b>	<b>2012 Actual</b>	<b>% Spent</b>
Finance	79,677	565,693	14.1%	100,650	446,414	22.5%
Public Works	98,045	688,005	14.3%	168,493	730,397	23.1%
Police	1,167,048	4,709,012	24.8%	1,093,917	5,229,349	20.9%
Fire	521,534	2,706,153	19.3%	468,672	2,621,160	17.9%
Community Development	100,454	764,450	13.1%	113,271	586,276	19.3%
Other	91,323	535,115	17.1%	118,017	504,926	23.4%
<b>Total</b>	<b>2,058,081</b>	<b>9,968,428</b>	<b>20.6%</b>	<b>2,063,019</b>	<b>10,118,522</b>	<b>20.4%</b>

All of the departments, except Police and Fire, spent a lower percentage of their fringe benefits budget during the first quarter of FY2013 than it did last year. The police budget assumes that the City will be able to remove some retired officers from its coverage rolls this year. That issue is currently in arbitration.

**II.C. Debt Service**

The City spent 3.7 percent of its Debt Service budget in the first quarter of FY2013. The 2013 Debt Service Budget does not include the Public Works lease revenue bonds that are included in the Operating Cost category. For most outstanding bonds, loans and notes, the City makes one payment in the second quarter (May or June) and a second payment in the fourth quarter (November or December).

<b>2013 Q1</b>	<b>2013 Budget</b>	<b>% Spent</b>	<b>2012 Q1</b>	<b>2012 Actual</b>	<b>% Spent</b>
473,481	12,774,079	3.7%	506,390	17,245,181	2.9%

**II.D. Operating Costs**

Operating Costs, representing 11.4% of the total budget, is the category for materials and services that are used in regular government operations. It includes utility costs, legal services, equipment, and building maintenance costs. Overall, first-quarter expenditures in this category were below the 25 percent first-quarter mark except Maintenance Agreements. The City spent 29.1 percent in Maintenance Agreements during the first quarter of FY2013.



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<b>Operating Costs</b>	<b>2013 Q1</b>	<b>2013 Budget</b>	<b>% Spent</b>	<b>2012 Q1</b>	<b>2012 Actual</b>	<b>% Spent</b>
Contracted Services	459,267	1,937,376	23.7%	504,903	2,266,740	22.3%
Maintenance Agreements	248,100	853,635	29.1%	218,455	965,979	22.6%
Light & Power	88,647	612,723	14.5%	118,063	777,321	15.2%
Gas	100,915	575,000	17.6%	117,363	777,659	15.1%
Other Operating Cost	753,874	4,791,210	15.7%	805,481	4,602,449	17.5%
<b>Total</b>	<b>1,650,802</b>	<b>8,770,024</b>	<b>18.8%</b>	<b>1,764,264</b>	<b>9,390,148</b>	<b>18.8%</b>

**II.E. Contingencies**

Contingencies represents the City's fund balance. Rather than budgeting revenues higher than expenditures and showing a fund balance, the City budgets expenditures equal to revenues, with the difference appearing in the Contingencies line. The City theoretically should not spend much in these lines, which has been the case so far in FY2013.

	<b>2013 Q1</b>	<b>2013 Budget</b>	<b>% Spent</b>	<b>2012 Q1</b>	<b>2012 Actual</b>	<b>% Spent</b>
Contingencies	1,401	985,615	0.1%	-	8,473	0.0%

**III. Interfund Transfers**

III.A. Transfers In

There are two components to this category, both of which are paid in monthly installments.

<b>From Fund:</b>	<b>Amount</b>	<b>Notes</b>
Sewer Fund	\$3,000,000	Annual transfer, restricted by the Consent Decree of November 2005.
RAWA	\$4,970,000	Annual financing fee payment from the water system.



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The City received 25 percent of both transfers during the first quarter and is expected to receive them per budget for the fiscal year. The \$200,000 Transfer from Solid Waste shown in the table below was a one-time payment in FY2012 and therefore was eliminated in the FY2013 budget.

Transfers	2013 Q1	2013 Budget	% Spent	2012 Q1	2012 Actual	% Spent
From RAWA	1,242,500	4,970,000	25.0%	1,105,000	4,420,000	25.0%
Transfer from Sewer Fund	750,000	3,000,000	25.0%	750,000	3,000,000	25.0%
Transfer from Solid Waste	-	-	0.0%	50,000	200,000	25.0%
<b>Total</b>	<b>1,992,500</b>	<b>7,970,000</b>	<b>25.0%</b>	<b>1,905,000</b>	<b>7,620,000</b>	<b>25.0%</b>

III.B. Transfers Out

The only item in this category is a transfer of \$2,635,984 to reimburse the Self Insurance Fund for the actual cost of property, liability and workers compensation claims and associated administrative costs. The amount budgeted for this transfer in FY2013 is 56 percent higher than actual 2012 expenditures.

Transfers	2013 Q1	2013 Budget	% Spent	2012 Q1	2012 Actual	% Spent
Self-Insurance Fund	658,996	2,635,984	25.0%	421,923	1,687,693	25.0%