
Municipalities Financial Recovery Act

Recovery Plan

City of Reading
Berks County, Pennsylvania



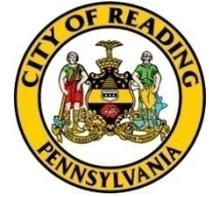
Prepared on behalf of the

Commonwealth of Pennsylvania
Department of Community and Economic Development
Governor's Center for Local Government Services

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Public Financial Management
Two Logan Square, Suite 1600
18th and Arch Streets
Philadelphia, PA 19103-2770
215 567 6100
www.pfm.com

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Executive Summary

Executive Summary

The City of Reading is in a severe financial crisis and it must take immediate action to preserve its fiscal health while continuing to provide basic services to residents, businesses and visitors. Failure to act now will soon lead to catastrophic results. The depth and immediacy of the crisis cannot be overstated.

Reading's most recent audit, covering fiscal year 2008 and dated July 20, 2009, notes that "... the city is facing a cumulative structural deficit that will exceed any remedy or form of corrective action, unless substantial reform is achieved in the near future."

After repeated failures to correct its structural deficit, and a continued downward financial spiral, the Mayor of Reading asked the Commonwealth of Pennsylvania's Secretary of the Department of Community and Economic Development to designate the City as financially distressed under Act 47. In November 2009 the Secretary approved the distress determination, saying the City's "pattern of operating deficits is unsustainable and if left unabated will force the city to significantly reduce or eliminate fundamental services that may adversely affect the health, safety, welfare, and quality of life of the citizens." As a result, in December 2009 the Secretary appointed a Coordinator led by Public Financial Management, Inc. to develop a financial Recovery Plan to bring the city back to fiscal health.

The Coordinator's investigation confirmed the City's critical financial situation. Information provided by the City shows an annual deficit in 2007 that grows each year thereafter. The 2009 annual result is a shortfall of \$11.1 million (or a net negative gap of \$9.0 million after the application of a reported fund balance entering 2009).

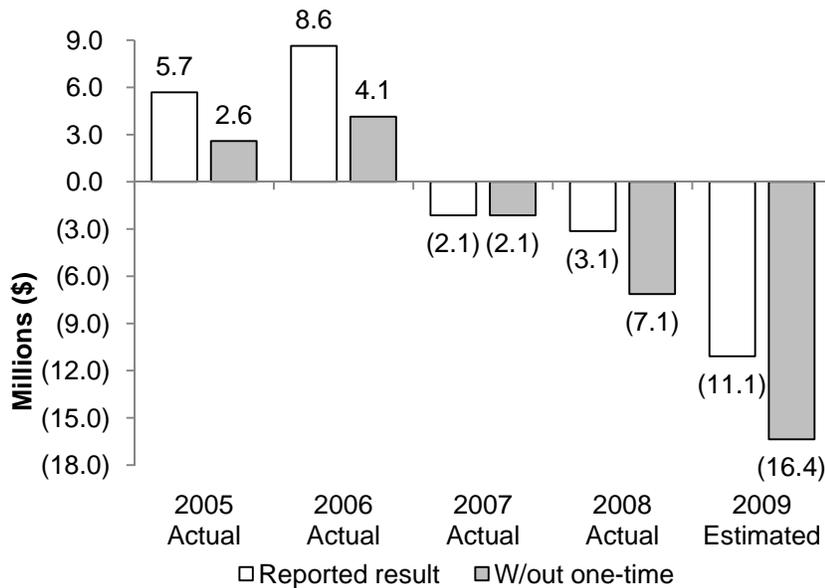
General Fund Results, 2005 - 2009

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimated
Total revenues	61,406,747	71,954,252	61,728,209	77,192,065	73,237,619
Total expenditures	55,721,065	63,317,112	63,857,745	80,324,606	84,324,039
Surplus / (Deficit)	5,685,682	8,637,140	(2,129,536)	(3,132,541)	(11,086,420)

Based on the Coordinator's analysis to date (and that of the Commonwealth previously), actual results are likely worse after one time measures and accounting anomalies are taken into account. Over the past few years the City has relied on short-term debt solutions, asset sales and one-time payments from the Reading Parking Authority to cover what would otherwise have been annual operating deficits. These measures have only provided temporary relief and have not covered the full gap in some years, creating greater obligations in the future. As a result, the City had to use its fund balance to close its operating deficit in 2007 and 2008 and faces recurring shortfalls every year after 2010.



Reported Results with and without One-Time Fixes



Two other factors have obscured the City’s dire financial situation to date.

First, Reading does not have a cash flow report to monitor whether it has sufficient revenues to cover its expenses on an ongoing basis. The City was not able to provide prior year cash data. Instead, the historical figures provided by the City appear to follow an accounting method that credits the City with revenue in one year when it was actually received early in the next year and not available to pay obligations. While this accounting method might be useful in the proper context, it obscures the City’s difficulty in meeting cash obligations as they come due.

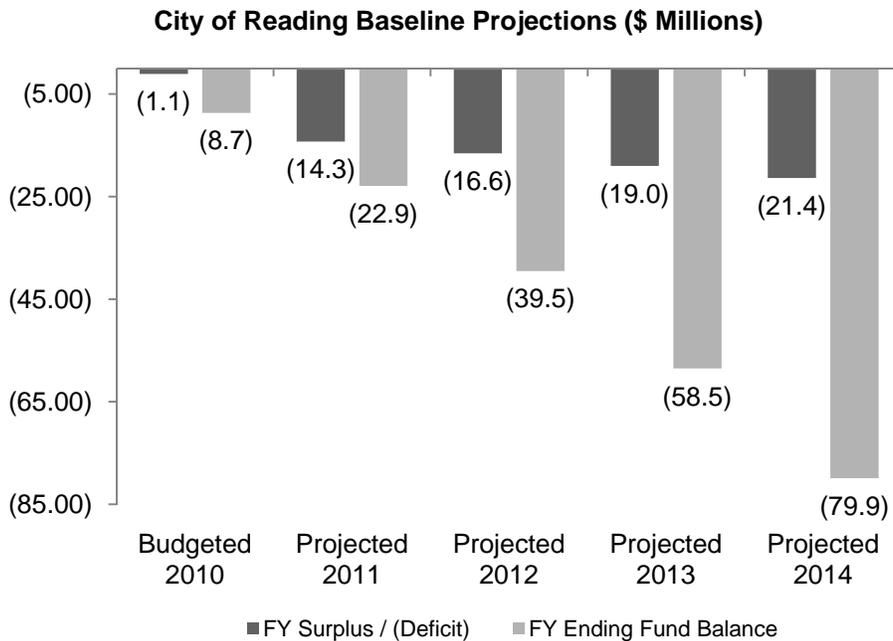
Next, the City has relied on cash transfers from its Sewer Fund throughout the year, and might not be able to pay bills in many months without interfund loans. Last year the City borrowed approximately \$11 million from the Sewer Fund to cover the operating deficit shown above. It is not clear when that transfer will be fully and permanently repaid absent corrective action recommended in this Recovery Plan.

These factors obscure the accurate amount of the City’s ongoing operating deficits and cash flow shortfalls, and they emphasize the ultimate conclusion that Reading is in a severe financial crisis that is getting worse. Without the corrective action recommended in this Plan, Reading’s financial problems will not be resolved, and it will soon be unable to pay its employees and vendors. The City’s bond insurer has already stated its unwillingness to extend further credit to the City without the adoption of a comprehensive financial recovery plan.

As previous studies have found, Reading has high tax rates in most categories, and its residents are among the least wealthy in the region. The City has experienced little structural revenue growth absent tax and service charge increases as property values and resident earnings – Reading’s two largest revenue sources – have been stagnant or declining.

The City has a nominally balanced budget in 2010, but it does not address the deficit with which it began the year. The City has no reserve for contingencies (the fund balance was exhausted in trying to close last year’s deficit). Even assuming the City breaks its string of annual operating deficits in 2010, the projections in future years are increasingly bleak.





Looking forward, expenditures spike in 2011 as debt service and pension payments grow by a combined \$8.6 million. If the City continues this trend, annual deficits will mount and create a cumulative fund deficit that exceeds 90 percent of the City’s operating budget by 2014. The annual deficit will be equivalent to nearly a quarter of the City’s operating budget by 2014.

The repeated one-time actions that have patched annual shortfalls but increased the overall size of the structural deficit have made Reading’s finances unstable, but that is just one of the important issues that must be remedied.

Public confidence in Reading’s ability to conduct its affairs has been shaken by press accounts of poor management at City Hall, tension between the Administration and City Council, and difficult labor-management relations. Reading must act now to restore public confidence; bring short- and long-term revenues into balance; improve the efficiency and effectiveness of its public services; and establish sustainable operating budgets. The Plan provides a difficult but necessary plan of immediate and long-term reform to do so.

Reading’s Recovery Plan

After three public meetings sponsored by the Coordinator, it is clear that City residents, Councilors, the Mayor and many stakeholders share a similar sentiment: they love their city and want it to thrive. Therefore, this Act 47 Recovery Plan is not only focused on the city’s survival, but also on its full recovery, growth and sustainability.

Recovery and growth is possible only if the City first solves the crucial question of how to stabilize its finances. Many have made positive, constructive suggestions for ways to foster economic development and growth in Reading. However, unless the imminent danger of financial collapse is averted, none of these ideas can be implemented. To achieve that end and provide a base from which the City can grow, this Recovery Plan includes the following:

- Change the way services are provided. In tough times, the City cannot keep asking taxpayers to bear an ever-growing burden without also aggressively demonstrating commitment to more efficient, more effective, and less expensive government. Related initiatives include:



- Mandatory reductions in spending on supplies, materials and contracted services
- Restructuring the fire department to provide the same level of fire suppression coverage and improved EMS coverage at a lower cost
- Combining the Parks and Property Maintenance units with the Department of Public Works
- Bring the City into compliance with legal, financial and fiduciary standards:
 - Address the underpayment of the City's 2007 minimum municipal obligation (MMO) to the Police, Fire and Non-Uniformed employee pension plans
 - Repay the City's multi-million dollar obligation to the Sewer Fund
 - Stop providing retirement benefits that exceed those allowed by the Third Class City Code
- Contain the fast-growing employee compensation as applied to non-represented managers and union workers alike:
 - A three year base wage and step freeze
 - Restructure health benefits, including increased employee contributions to monthly premium costs
 - Overtime and premium pay reductions

These recommendations, though difficult, are necessary remedies to bring the City's finances into balance. Without these remedies, recovery is impossible and the City will cease to operate.

Management and Accountability

The Plan establishes a formal performance measurement process applied across all departments that makes it clear what information will be tracked and how. This empowers Council, residents and the Commonwealth by giving them the ability to know if the City is on track for recovery and for holding officials accountable for that progress.

Initiatives include:

- Establishment of City support teams, led by nationally-experienced professionals from the Act 47 Coordinator and including local and regional experts to begin work on key areas including financial management and outreach to the Latino community;
- Regular progress and implementation meetings between the Act 47 Coordinator, representatives of City Council, the Administration and other stakeholders to ensure that this Recovery Plan is implemented and monitor the impact and challenges in doing so;
- Best practices in municipal budgeting, such as enhanced interim reporting, cash flow monitoring and a more fully-developed capital budget and plan; and
- Establishment of regular employee performance reviews.



Improve Housing

Housing is the core of the City's tax base and the daily lives of Reading residents. The City needs to correct the mistakes of the past, do better with current code enforcement responsibilities and have a strategy that guides future work. Initiatives include:

- Clear the City's rental permit inspection and zoning review backlog;
- Expand code enforcement coverage and capacity through schedule changes and improved use of technology;
- Designate a leader within City government in charge of developing, coordinating and implementing a housing strategy; and
- Review the use of federal funding to ensure those resources are supporting a defined strategy.

Rethink City Services

Reading must focus its limited resources on its core municipal services: public safety and public works. In recognition that other areas are too important to just eliminate, the Recovery Plan provides alternatives for providing those services to Reading residents through regional cooperation. It targets areas where the City can stop duplicating the services that others provide and reinvest those resources elsewhere. Initiatives include:

- Transfer tax collection responsibilities to the County and other entities;
- Work with Berks County jointly on information technology needs;
- Build upon existing cooperative efforts in public safety with the Boroughs of Kenhorst and West Reading; and
- Develop regional alternatives to the current model of locally provided – and underfunded – recreation and library services.

Modifications in this Plan

As a result of public comment on the draft Plan, this Act 47 Recovery Plan includes a variety of changes to reflect local preferences, ideas, suggestions and corrections. Changes to the revenue initiatives are discussed in the next subsection. Changes to the expenditure and policy initiatives include:

- Support for increased hiring of Reading residents;
- Restoration of the funding cut for the Reading Public Library;
- Elimination of the requirement to replace an aerial fire apparatus with a quint;
- Pursuing the cooperative purchasing of employee health insurance;
- A more robust process for examining and potentially implementing new policies and structural changes for service delivery (transfer of functions to authorities, shared services, etc.).

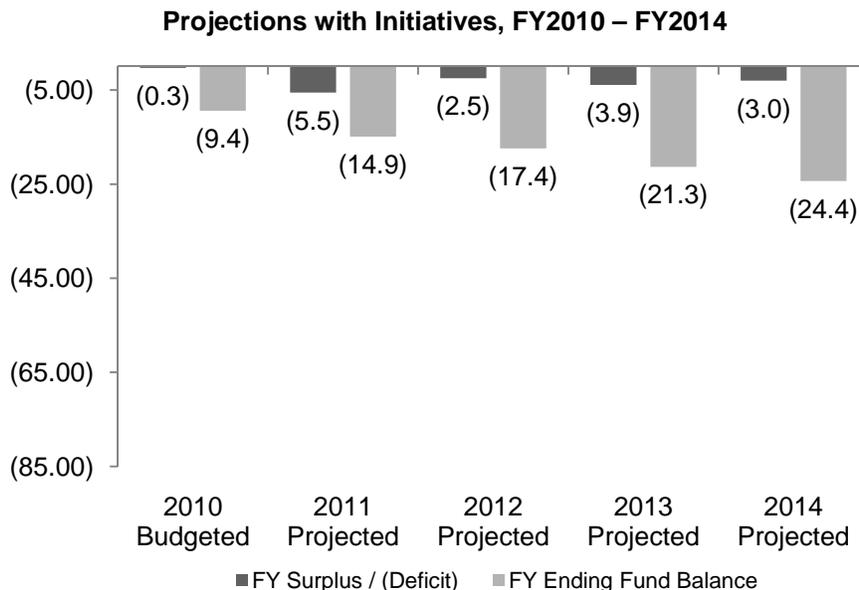


Remaining Gap

Overall, the Act 47 team has identified more than 150 non-tax initiatives, with quantified measures ranging from \$5,000 to over \$3.0 million per year. In the aggregate, these expenditure-focused measures will eliminate much of the City's recurring deficit. The Recovery Plan also requires the implementation of a variety of revenue-raising initiatives that are innovative and long overdue. Initiatives include:

- Improve collection of current and delinquent taxes;
- Recover costs from private entities that receive enhanced public safety coverage;
- Regularly raise service charges to reflect increases in the cost of providing service; and
- Pursue market-based revenues from leasing and advertising.

These steps, combined with the expenditure initiatives of the Recovery Plan, eliminate most of the City's projected baseline deficit. However, due to the need to repay the City's \$9.0 million cash deficit and to eliminate a 2011 shortfall that will occur before all Recovery Plan elements are effective, a gap will still remain, as shown below:



This Act 47 Recovery Plan closes the remaining gap with a package of revenue measures.

Additional Revenues

In order to reach a point from which it can balance its budget, the City needs a short-term infusion of revenue to pay its pension delinquencies and refund borrowing from the Sewer Fund, and also cover the projected 2011-13 shortfalls. Even after the substantial restructuring of City services that form the core of this Recovery Plan, there is not enough left to pay for these existing deficiencies. For example, covering the 2011 combined shortfall of \$14.9 million after the changes already in the Recovery Plan would require the elimination of the entire Fire Department (\$11.1 million plus pension costs) or more than half of the Police Department (\$23.8 million plus pension costs), which is obviously neither practical nor desirable.

Some stakeholders have suggested that the City could pay for these past mistakes by selling assets, including those related to parking, wastewater conveyance and treatment and water distribution. While this could generate a significant short-term gain in revenue, it essentially continues the mistakes of the

past by relying on one-time fixes to address a recurring problem. Given the need to solve the City's structural financial imbalance and not use money from long-term investments to pay for operating deficits, as well as the current uncertain pricing environment for such transactions, the Recovery Plan does not include significant asset sales.

Instead the Recovery Plan proposes to correct most of the short-term legacy delinquencies and the 2011-13 gaps with temporary employment taxes. The tax option is necessary but not desirable, so it is strictly constrained in amount and duration. This is made more certain by the need for the annual approval by the Act 47 Coordinator and Common Pleas Court for non-resident earned income taxes.

In addition to the temporary tax provisions, increased long-term revenues are needed for the City to achieve more permanent fiscal stability. The draft Plan proposed annual property tax increases to meet this need. However, public comments on the draft highlighted strong opposition to this approach. Members of City Council in particular suggested a strong preference for additional recurring revenue from the Reading Parking Authority (RPA) and the Reading Area Water Authority (RAWA) to expand the base and share the burden of financial recovery.

Taking the public comments and additional information provided by City Council and the Administration into account, this Act 47 Recovery Plan therefore includes a revenue package featuring:

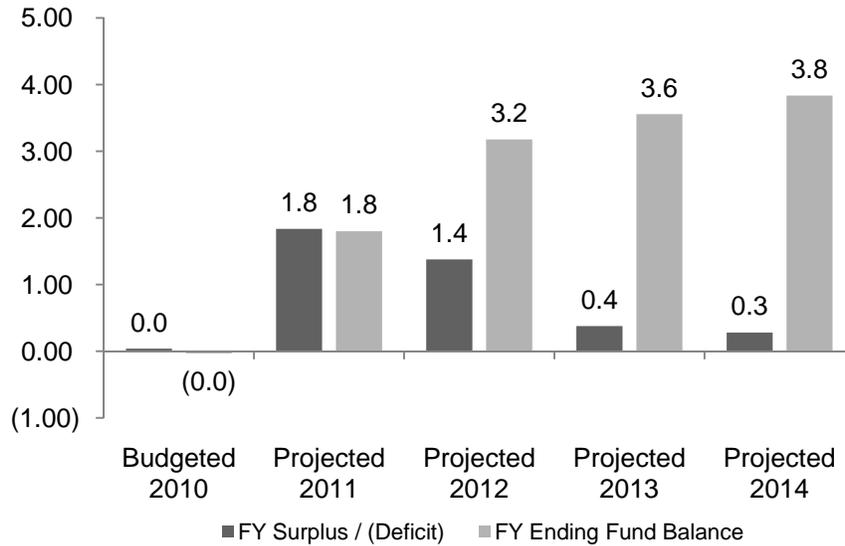
- A temporary increase in the resident earned income tax of 0.4 percent in 2011, 0.2 percent in 2012, and 0.2 percent in 2013;
- A temporary increase in the non-resident income tax of 0.3 percent in 2011, 0.1 percent in 2012, and 0.1 percent in 2013. The non-resident earned income tax is eliminated in 2014.
- A reduction in the current level of resident earned income tax from 1.700 percent to 1.675 percent in 2014.
- Increased contributions to the City from the Reading Parking Authority of \$2.5 million from 2010 through 2014;
- Increased contributions to the City from the Reading Area Water Authority of \$6.95 million from 2010 through 2014;
- A property tax increase of 10 percent in 2014.

If the City is able to exceed projected financial performance, it would have the ability to moderate the 2014 property tax increase or further reduce the resident earned income tax that year. If the City fails to secure additional revenue contributions from the authorities, the Plan includes a failsafe revenue alternative.

Combining this revenue package with the extensive cost-savings measures included in this Recovery Plan, the City is projected to achieve a surplus in each of the next four fiscal years. With careful management, these surpluses will compound and help the City reverse its current negative fund balance and establish a positive fund balance of \$3.8 million by FY2014.



Projected Annual Surpluses and Fund Balance, FY2010 – FY2014

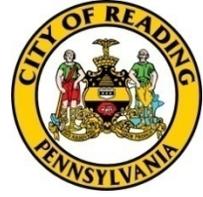


Conclusion

This Recovery Plan includes significant changes to how Reading provides services and how it funds those services. However, without prompt, decisive action, the City of Reading will face far more dire changes. It will soon be unable to pay its employees or creditors, and its access to credit at any reasonable price will be severely curtailed or eliminated.

The City has avoided making the adjustments that will bring true balance to its finances, instead choosing temporary fixes to a structural problem. Those short term measures have not only exacerbated the problem, they are no longer sufficient to address the ongoing deficits. This Plan represents an opportunity to make the hard decisions now so that the City cannot only survive, but also grow tomorrow. It focuses on critical issues – improved accountability, investing resources in housing and changing the way City government operates. It is a Plan focused on Reading’s recovery and its future.





I. General

Introduction

The City of Reading is in a severe financial crisis and it must take immediate action to preserve its fiscal health while continuing to provide basic services to residents, businesses and visitors. Failure to act now will soon lead to catastrophic results. The depth and immediacy of the crisis cannot be overstated.

After repeated failures to correct its structural deficit, and a continued downward financial spiral, the Mayor of Reading asked the Secretary of the Department of Community and Economic Development (DCED) to designate the City as financially distressed under Act 47. In November 2009, the Secretary approved the distress determination with DCED concluding that the City's "pattern of operating deficits is unsustainable and if left unabated will force the city to significantly reduce or eliminate fundamental services that may adversely affect the health, safety, welfare, and quality of life of the citizens." In December 2009 the Secretary appointed a Coordinator led by Public Financial Management, Inc. to develop a financial Recovery Plan to bring the city back to fiscal health.

An overview of Recovery Plan initiatives is included in the preceding Executive Summary. This introductory chapter provides additional background on Reading's financial crisis, a description of some of the contributing factors to the City's distress, and a description of how the Act 47 Recovery Plan process has led to this document.

Reading's Financial Crisis

Before there can be consensus on a Recovery Plan to address the City's severe financial distress, there must be recognition that the distress is real.

During the Coordinator's interviews, some participants expressed skepticism that the City's finances were truly out of balance, precluding the need for dramatic action. This skepticism is understandable given the limitations of the City's historical data and the reliance on one-time measures and transfers to paper over structural problems. The current Administration has sent warning signs that the City's finances are untenable for years. In the audit for 2006, the Management Discussion and Analysis section states:

*"...the City continues to face a very real structural deficit. For the [sic] 2007 the City had to rely on using a transfer from fund balance to balance its budget. For too long the City has depended heavily on one time unsustainable revenue sources to make ends meet. This practice has given us the feeling that things were O.K. while the structural imbalance continued to grow."*¹

This warning was repeated in the most recent City audit:

*"...the city is facing a cumulative structural deficit that will exceed any remedy or form of corrective action, unless substantial reform is achieved in the near future."*²

According to the skeptical line of thinking, the City has had "financial problems" before and alleviated them without making significant structural changes. So why is the current situation any different?

This section seeks to answer that question in some detail to address the skepticism, confusion and frustration that many have expressed when trying to evaluate the City's true financial condition. Providing that detail will highlight problems that otherwise might not be apparent and give a sense of the scale of effort that will be necessary to address those problems. Even so, the ultimate conclusion is more succinct.

Reading's financial problems are real.

¹ City of Reading. Financial and compliance audit report. Year ended December 31, 2006. Page MD&A 3.

² City of Reading, Financial and compliance audit report. Year ended December 31, 2008, Page MD&A2.



Reading's financial problems are severe.

Reading City government will not survive financially unless those problems are addressed now in a way that provides structural balance.

Cash versus Accrual

How much revenue does the City collect on an annual basis? What are the City's expenses on an annual basis? Those are basic questions with a complicated answer that depends on how revenue and expenditures are counted. The table below shows the City's General Fund revenues and expenditures as tracked by the Department of Finance.

General Fund Results, 2005 - 2009

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimated
Revenues	61,406,747	71,954,252	61,728,209	77,192,065	73,237,619
Expenditures	55,721,065	63,317,112	63,857,745	80,324,606	84,324,039
Surplus / (Deficit)	5,685,682	8,637,140	(2,129,536)	(3,132,541)	(11,086,420)

The City's revenues are discussed in more detail in the chapter on that subject. Expenditures are discussed in more detail in most other Plan chapters. The most important trend to note here is that according to this data the City has spent more than it has collected in its General Fund each year since 2007 and that the gap is growing.

While that is a troubling trend, the figures here may understate the severity of the situation since they are reported on an accrual basis. Under this method, expenses are recorded when the liability is incurred, rather than when it is paid. A bill that is received in December 2008 but paid in the January 2009 is charged against (or "accrued to") 2008. Revenues are recorded when the cash is earned regardless of when it is received. This means that if tax revenue is billed in late 2008 but is not received until early 2009, it is "accrued to" 2008.

This accrual presentation is valuable and important in the proper context. Auditors provide this analysis on an annual basis to the Commonwealth, investors, creditors and other financial institutions so they can evaluate the City's financial health. But in an operating context, accruing revenues is problematic since may inaccurately reflect the actual amount of cash available for use at any given time in a year. In the previous example, the tax revenue may be accrued back to 2008 but it was not actually available to pay bills until it was received in 2009. So the figures in the previous chart may overstate the amount of money on hand to meet obligations, resulting in an annual result that appears more positive than actually experienced.

To avoid this problem, accounting and cash flow should be tracked separately, not intermingled in the same database or report. Otherwise it limits the data's usefulness as a tool for evaluating the City's cash flow position and projecting future revenues and expenditures. In the City's historic budget data, certain revenue items are shown as negative because the City has made an accounting adjustment. That indicates accounting and cash reporting are blended together. The City's most recent audit identified several cases of this practice.

Rather than try to back out the unknown number of accrual adjustments made in previous years, the Coordinator notes this limitation in the historical data and provides initiatives in the Finance Department chapter to address it. The City should report its financial performance on an accrual basis (usually through the annual audit) *and* on a cash basis to monitor cash flow.

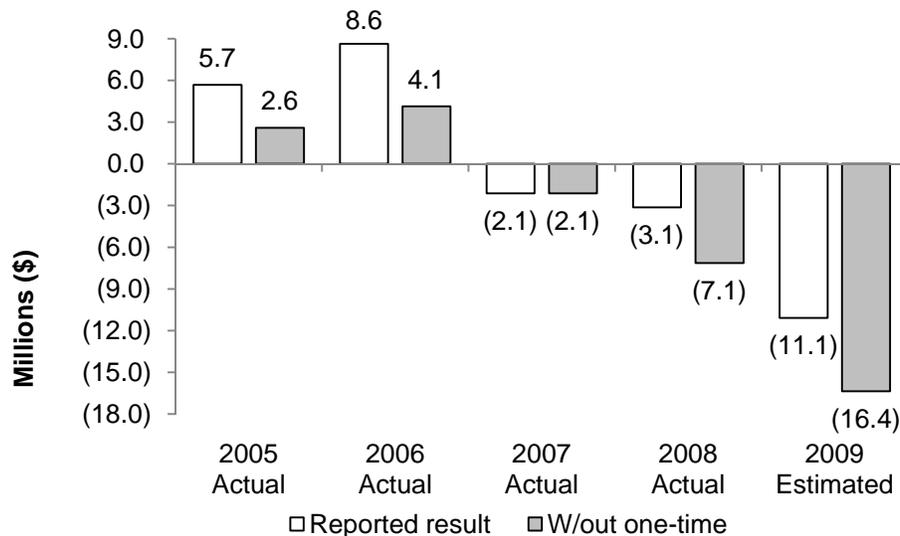


One-time solutions

Setting aside the accrual versus cash reporting issue, the City's recurring revenues have not been sufficient to cover its recurring expenditures on an annual basis. To close this structural deficit, the City has used one-time measures such as the following:

- Interest rate swaps:** Reading issued lower interest rate debt on older, higher interest bonds. The City received one-time upfront payments of \$3.1 million from these swaps in 2005 and \$4.5 million in 2006 to fund its operations. While swaps can be beneficial in managing financial risk, they can also create a large liability if interest rates turn or under other conditions. In 2008 and 2009, when interest rates were very low, the City had to pay more than \$21 million in termination fees to exit the swap arrangements. To pay these fees, the City issued new debt, which it will have to repay with interest.³
- Asset sales:** The City sold Antietam Lake for \$4 million to help close its operating deficit in 2008.
- Prior year meter surcharge revenue:** The City received \$1.3 million in prior year water meter surcharge revenue in 2009. This helped close last year's deficit, but is not a recurring source of revenue.
- Parking Authority Payment:** The City received a \$4.0 million in various one-time payments from the Reading Parking Authority to help close its operating deficit in 2009. While a recurring payment from the Authority to the City is appropriate, these amounts were one-time transfers and payments to eliminate outstanding debt and cannot be budgeted for future years.

General Fund Results without One-Time Revenue



These measures only provided temporary relief and, in later years, have not even provided enough to cover the operating deficit. The City still had to use its fund balance to close its operating deficit in 2007 and 2008. Furthermore, the one-time revenues do not address the City's recurring structural deficit.

³ These transactions are discussed in more detail in the Debt Service chapter.



Transfers

The City historically transferred money from the Sewer Fund to the General Fund early in the year to meet its operating expenses. When the General Fund received enough revenue later in the year, it reimbursed the Sewer Fund for the amount owed minus an amount that could be charged to support General Fund expenses. Under a federal consent decree, the City cannot charge more than \$3.0 million to the Sewer Fund for this purpose. These interfund transfers enabled the City to “borrow” money from itself instead of an external creditor that would require it be repaid with interest.

By 2009 the City had exhausted the General Fund reserves that covered its operating deficit in 2007 and 2008. To cover the remaining operating deficit in 2009 the City borrowed approximately \$11 million from the Sewer Fund, in addition to the regular \$3 million payment.⁴ It is not clear when that transfer will be fully repaid absent corrective action recommended in this Plan.

Failure to Pay

The City has been cited by the state Auditor General for failure to make approximately \$1.5 million in payments to its employee pension funds. The City is required to make these payments retroactively, including the original missed payment and the assumed interest that the deposits would have earned in the pension funds.

As the City noted in its 2006 audit, relying on one-time measures and interfund loans – not to mention failing to pay basic obligations – to support operations is an unsustainable strategy. Eventually the City will exhaust those resources, as it has exhausted its fund balance, while still having the recurring deficit. One-time revenues also provide a false sense of security, making it harder for stakeholders, such as employees, to understand the City’s true financial position and then make the hard decisions necessary to bring its finances into true balance.

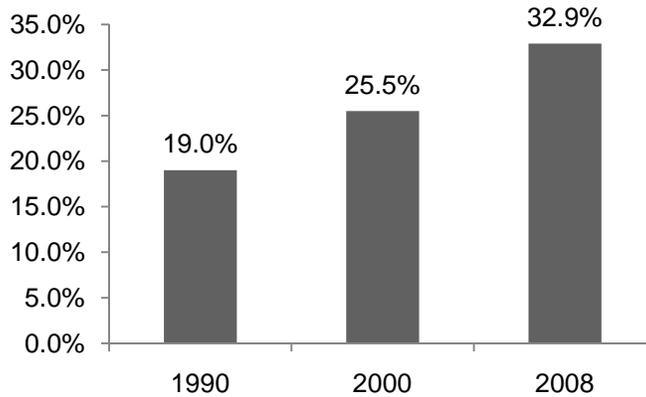
Economic and Demographic Trends in Reading

The financial challenges Reading faces are exacerbated by the high rate of poverty in the City, as well as earnings and home values that are lower than neighboring communities. More residents are employed in the manufacturing industry than any other, but as U.S. business becomes less manufacturing-based, this poses a challenge for the City. In addition to the lost manufacturing jobs, the City has also lost substantial jobs in the finance/insurance/real estate category since 1990. The broader business climate in Reading has also suffered. According to the Economic Census, Reading had 450 fewer business establishments in 2007 than in 2002, mainly in the retail industry. In 2008, unemployment in Reading was 12.3 percent, higher than the national unemployment rate during the peak of the recent recession. High unemployment has contributed to Reading’s poverty level, which climbed steadily over the last twenty years.

⁴ The City indicates it had a fund balance of approximately \$2.0 million entering 2009. Applying that \$2.0 million balance to the negative \$11.1 million operating result gives the \$9.0 million deficit cited in some places.



**Percent of Individuals Living Below the Poverty Level⁵
City of Reading**



Source: U.S. Census Bureau

Poverty is most severe among children in Reading. While nearly one-third of the total population lives in poverty, more than half of children under age five do. When looking at a broader group of children—those under 18 years—the poverty rate improves only slightly to approximately 46 percent.

Income in the Past 12 Months Below the Poverty Level⁶

Group	Percent
All families	28.5
Under 18 years	45.7
Related children under 5 years	51.8

Earnings in Reading have also stagnated over the last twenty years. Between 1990 and 2000, the number of residents with a bachelor’s degree declined by three percent in Reading even though population increased. During that same time, the median household income increased only modestly.

Earnings in Reading, PA

	1990 Census	2000 Census	2008 ACS
Median household income	\$22,112	\$26,698	\$28,776
Per capita income	\$11,041	\$13,086	\$13,517

Since 1990, the per capita income in Reading has increased by less than \$2,500 or 22.4 percent. Over the same time period, the northeast regional Consumer Price Index increased nearly 70 percent. Viewed differently, the typical income in Reading increased by less than \$150 per year, or less than two percent, for nearly 20 years. In Berks County, the per capita income was \$25,890 in 2008. This number includes the significantly lower Reading incomes, which suggests that residents in surrounding suburbs earn at least twice as much on average as their Reading counterparts.

⁵ U.S. Census Bureau Data; 1990 Decennial Census, 2000 Decennial Census, and 2006-2008 American Community Survey.

⁶ 2006-2008 American Community Survey 3-Year Estimates.



In addition to the rising poverty and stagnant income, home values in Reading are also low. In 2008, the median home value was \$61,900. By comparison, the median home value in Pennsylvania was \$155,400. Looking at an even smaller region—Berks County—Reading’s home values fall further behind. Home values are important to a city’s financial stability because real estate taxes are often the largest revenue source for a city.

Median Home Values, 2008

City of Reading	Berks County	Pennsylvania	United States
\$61,900	\$169,700	\$155,400	\$192,400

Poverty, earning, and home values are all important factors in a city’s financial strength. Situations like the one in Reading, particularly the extensive poverty, make financial stability difficult to achieve. With low income and home value levels, the City’s capacity to raise revenues is limited. High unemployment also impacts revenue generation. At the same time, with significant poverty there is a greater demand for the services provided by local government. The result is an increasing divide between the ability to fund services and the need for those services.

Building the Act 47 Recovery Plan for Reading

Since December 2009 the Act 47 Coordinator has met with Reading elected and appointed officials – including the Mayor, City Council, and department heads – as well as other City employees. In addition, the Recovery Plan team met with representatives from the employee collective bargaining units. The Coordinator has spoken with a variety of Berks County officials and with personnel from the City’s water, parking, housing and redevelopment authorities.

The Act 47 Coordinator reviewed and analyzed various documents related to Reading budgetary and operational matters, including but not limited to the following: the City’s Home Rule Charter; collective bargaining agreements for all City employee bargaining units, adopted budgets for the past several fiscal years, actual revenue/expenditure results for the past five years, general government and pension audits, and prior studies of the City’s finances, including an independent comprehensive financial analysis with recommendations prepared under the auspices of the Commonwealth’s Early Intervention Plan program; the report of the Financial Stability Panel appointed last year by the Mayor; and the DCED’s Consultative Evaluation released in November 2009.

To expand its contacts beyond those who work for or with Reading City government every day, the Coordinator met with a wide variety of people active in Reading and the region, including business and non-profit leaders, activists in the Latino community, and others. The Coordinator held two public meetings at the Reading Area Community College (RACC) – on April 8, 2010 and April 26, 2010 – to solicit additional input and participation in advance of proposing its draft Plan. Approximately 200 people attended the two events, and translation services were made available for those whose primary language is not English.

On May 6, 2010, the Coordinator released a draft Act 47 Recovery Plan for public comment. In addition to the delivery of copies of the draft Plan to certain elected and appointed officials designated in Act 47, and to the City’s state legislative delegation, the Coordinator made an electronic version of the draft available on its website. The Commonwealth and Coordinator posted a Spanish translation of the executive summary of the draft Plan as well. The Coordinator also provided electronic copies for the City and local news media to post on their websites. Over 500 downloads of the report were made from the Coordinator’s website alone.

On May 19, 2010, the Coordinator held an additional public meeting to receive public comment on the draft Plan pursuant to the provisions of Act 47. Over 100 people attended the session at the Miller Center at RACC, and translation services were again made available. As provided by the statute, the



Coordinator also received written comments on the draft Plan through May 21, 2010. Finally, the Coordinator has had numerous informal conversations about the draft Plan with Councilors, the Administration, community leaders, union leadership, and individuals. As noted in the Executive Summary of this document, the extensive public input has led to multiple modifications from the draft Plan.

Baseline Budget Projection Methodology

Plan construction began with the development of a multi-year budget projection model to determine the size and nature of the City’s budget gap. The task was particularly difficult for Reading since the combination of accounting practices discussed earlier in this introduction, changes in workforce size, and broader economic trends created many anomalies in the City’s historic data. However, based on recent results, the current year budget, and established future events (such as scheduled wage increases and increasing debt service and pension obligation commitments), it was possible to construct a picture of the City’s projected financial shortfall.

Expenditures

On the expenditure side, budget categories are separated into two groups: personnel costs and operating costs. Personnel costs include employee compensation and education/training. Operating costs include all other expenses, such as spending on utilities, equipment, repairs, contract/consulting services, fees, and miscellaneous items.

To project salaries, the Coordinator used a blended salary rate for all employees. This blended salary rate is based on historical increases and weighted to account for the size of each union and non-represented staff. Based on this method, salaries increased 3.6 percent annually. While the 3.6 mark is higher than recent wage increases for some staff and lower than typical increases for others, weighting the growth rate based on union headcount accounts for these differences. This 3.6 percent growth rate was applied to all categories directly tied to salary, including temporary wages, social security, overtime, and premium pay.

Fringe benefits are another large cost driver. In baseline projections, the Coordinator assigned an annual growth rate of 9.0 percent. Nationally health insurance costs have historically risen steadily, and in the last decade at a faster pace than other inflationary indices. The Agency for Healthcare Research and Quality provides historical data on health care premium increases for Mid-Atlantic local governments with 250 to 999 employees, such as the City of Reading. Over the last 10 years, the premium costs for single coverage have increased by 8.6 percent per year on average and the premium costs for family plans have increased by 9.4 percent per year on average.

**Annual Increase in Health Insurance Premiums
Mid-Atlantic Local Governments with 250 to 999 employees**

Plan	1998	1999	2000	2001	2002	2003	2004	2005	2006	2008
Single	8.5%	4.5%	12.2%	2.7%	4.3%	24.8%	7.0%	2.6%	12.4%	7.3%
Family	3.3%	11.0%	3.4%	13.6%	8.5%	19.0%	13.4%	0.7%	10.7%	10.2%

All other personnel-related costs, such as uniforms and education and training, are projected to grow at 2.5 percent annually.

For operating expenditures, most categories were projected to grow at 2.5 percent. Energy costs, particularly utility costs, are projected to grow at a slightly higher rate of 3.0 percent. The Energy Information Administration (EIA) projects long-term electricity prices to increase by approximately 2.1 percent each year for the Mid-Atlantic region in its 2010 Energy Outlook, an annual report on long-term energy projections. The growth was increased to 3.0 percent to account for increases in other utility



categories, such as oil, which comprise a smaller portion of Reading's utility expenses but are expected to increase at higher rates.

Revenues

Most City revenues are projected to grow slowly over the next several years. The property tax and real estate transfer tax, which are affected by the decline in the housing market, projected to have flat to 1.0 percent growth through the Recovery Plan period. Although some economists project that the decline in the housing market is beginning to slow, Moody's points out that there is generally at least a one year lag between improvements in the housing market and improvements in tax receipts.⁷

Similarly, the Coordinator projected two years of flat growth, followed by one percent annual growth, for other tax revenues such as the Business Privilege and Local Services taxes. The Earned Income Tax (EIT) is projected to begin improving slightly earlier—in 2012—because of the implementation of single county-wide EIT collectors. Reading has historically had slow income growth and business development, as discussed earlier in this chapter. This, combined with the broader economic downturn, indicates revenue generation will be stagnant in the short- and medium-term.

One large revenue source, the state pension contribution, is expected to decline. This contribution is based a combination of the number of active, non-DROP employees and available resources at the state level, which are both expected to be lower in coming years. All other intergovernmental revenues, general fees, and reimbursements are projected to grow at 2.5 percent.

Adjustments

In a few cases, the Coordinator adjusted revenues and expenditures from the levels approved in the City's FY2010 operating budget to more accurately reflect historic levels. The amount of these revenues and expenditures in future years are projected of this adjusted baseline:

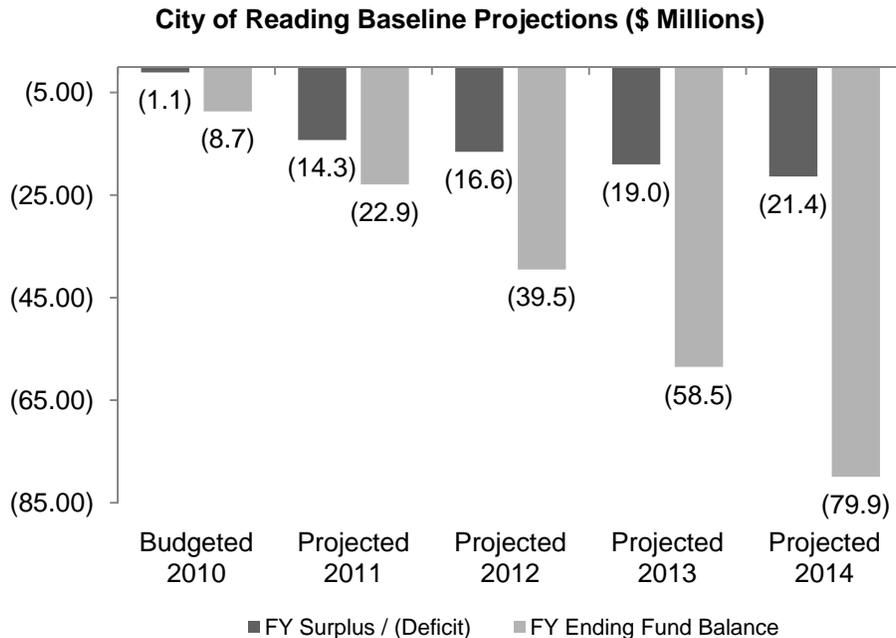
- The City's FY2010 budget assumed that overtime expenditures for major Police and Fire divisions would be reduced by approximately half from FY2009 spending. Through the first three months of FY2010, these divisions were on pace to at least match FY2009 overtime spending. Further, there were no substantive reasons for the budgeted reductions. Therefore, the Coordinator adjusted 2010 overtime spending to reflect an increase over FY2009 levels.
- The Earned Income Tax prior year collections were estimated at \$0 for FY2010, partly because the City overestimated its share of the tax and was required to pay Berks County an additional \$700,000 in FY2009. Historically, the City has averaged nearly \$600,000 in additional revenues from prior year earned income tax collections, so the FY2010 revenue was conservatively increased to \$250,000.
- The City's approved FY2010 budget included \$125,000 for light and power expenses related to the Reading Public Library. The Library has since agreed to cover these costs, so they have been removed from the baseline projection.

The Coordinator consulted with the Finance Department in making these and other baseline adjustments. The net result of these adjustments is an additional \$1.5 million in expenditures in FY2010. That difference increases in the following years as salaries, and therefore overtime rates, continue to grow.

⁷ "Outlook: Annual Sector Outlook for U.S. Local Governments," Moody's Investor Services, February 2010.



As a result of these trends and corrections, the Act 47 Plan projects baseline deficits for every year in the future, as shown below:



Expenditures spike in 2011 as debt service and pension payments grow by a combined \$8.6 million. If the City continues this trend, annual deficits will mount and create a cumulative fund deficit that exceeds \$79 million, or 90 percent of the City's operating budget by 2014. The annual deficit in 2014 alone will be equivalent to nearly a quarter of the City's operating budget.

Conclusion

The balance of this Recovery Plan includes far-reaching significant changes to how Reading provides services and how it funds those services to correct the deficit. However, without prompt, decisive action, the City of Reading will face far more dire changes. It will soon be unable to pay its employees or creditors, and its access to credit at any reasonable price will be severely curtailed or eliminated.

The City has avoided making the changes that will bring true balance to its finances, instead choosing temporary fixes to a structural problem. Those short term measures have not only exacerbated the problem; they are not even sufficient to address the ongoing deficits any longer. This Plan represents an opportunity to make the hard decisions now so that the City cannot only survive, but also grow tomorrow. It focuses on critical issues – improved accountability; investing resources in housing and changing the way City government operates. It is a Plan focused on Reading's recovery.

Readers are urged to carefully consider the many initiatives in this Recovery Plan to get the City back on track, and the implementation strategy to make sure that change happens in Reading.



Plan Implementation

Overview

A critical aspect of this Act 47 Recovery Plan is implementation – taking the roadmap in this document and making the initiatives happen so that the City of Reading can indeed recover from its fiscal crisis. In Reading’s case, implementation also involves a broad change in the way the City does business in order to improve services and restore public confidence in the City’s ability to manage its affairs and plan for the future. This is particularly important given the Plan’s emphasis on cooperation, shared services and joint working between parties in and out of City government that in some cases have had limited communication or interaction.

To provide the context for the initiatives in this chapter and distributed throughout this Recovery Plan, the following narrative highlights recurring thematic concerns that came to the Act 47 Coordinator’s attention during the review period.

Numerous people – including many in City government - described the poor or tense relationships between the Mayor and City Council, between different departments and between management and line staff within individual departments. While differences of opinion and some level of conflict are inherent to government, the Coordinator observed an unusual amount of distrust and poor or non-existent communication within City government itself. The phrases “lack of trust,” “difficult working relationship,” and “failure to consult” were raised repeatedly without prompting by the Coordinator.

One reason for the lack of trust is the difficulty in obtaining reliable information. The City’s financial records are confusing, as discussed in the Introduction and in the Finance Department chapter. The City has instituted limited monthly reporting to City Council, but trails peer municipalities within the Commonwealth in the development and distribution of key documents, like the annual budget, employee head count, and cash flow reports. Performance evaluations at the department and individual level are effectively non-existent. Most departments drafted work plans for 2010, but the degree to which those plans or any others affect how the City uses its resources, including employees’ time, varies considerably by department. There are initiatives in this chapter and throughout the Recovery Plan aimed at addressing this weakness.

This dynamic takes a different form in City government’s relationships with other entities. During the three public meetings held by the Act 47 Coordinator there was a clear plea for City government to reach out to all parts of the Reading community and engage residents in the recovery process. One particular area of concern is the communication between City government and Reading’s large Latino population. The US Census Bureau’s demographic estimates indicate that 52.1 percent of the City’s population is Hispanic or Latino.¹ The Census Bureau also reports that 43.0 percent of Reading’s population over age five speaks Spanish or Spanish Creole at home. City government must engage the Latino population to ensure that it is responsive to its concerns and ideas, just like any other part of the community. This cannot be accomplished just through limited interaction with select leaders since there is a diversity of concerns and ideas within the City’s Latino population. Senior officials have admitted that they have struggled with this challenge and are open to suggestions for addressing this weakness.

In terms of the City’s relationship with other governments, including Berks County, the City often provides services on its own. Common explanations for the absence of regional cooperation include the environmental differences between Reading and the outlying communities (i.e. urban versus suburban concerns) or the desire to retain control over how services are provided. Officials in other governments have indicated that efforts to improve cooperation have been occasionally met with disinterest or antipathy from the City. However, with only 80,000 residents in Reading and 400,000 countywide,

¹ American Community Survey. 2006-2008 Three-Year Estimates



governments and other institutions in the region must work together to become more efficient and lower operating costs if they are to compete effectively nationally and internationally.

Addressing this dynamic of distrust is not only the City government’s responsibility. Community groups and residents cannot expect good communication with the City if they do not offer constructive input in a respectful, organized manner. Other governments need to recognize that the City is an integral part of the entire region’s success, not an urban island whose success or failure has no bearing on its neighbors. But since this is the City of Reading’s Recovery Plan, this Plan focuses on steps the City can – and must – take to improve communications and build trust within itself and among its residents, local businesses, non-profit entities and other stakeholders.

Initiatives

Plan implementation

PI01.	Implementation Committee Meetings	
	Target outcome:	Improved prioritization, direction and results
	Five year financial impact:	Full Recovery Plan financial impact
	Responsible party:	Act 47 Coordinator

The Act 47 Coordinator shall organize and representatives of the Administration and City Council shall participate in regular meetings to plan for and implement Act 47 initiatives and to discuss other matters including but not limited to City finances, operations, human resources, economic development, and intergovernmental cooperation. The Act 47 Coordinator will prepare the agenda in consultation with the other parties and will lead the meetings.

The meetings are intended to be small-group priority-setting and problem-solving sessions, and could result in follow-on assignments and reporting. The Act 47 Coordinator will periodically meet with the full City Council in public session to provide updates.

PI02.	Deploy Implementation Action Teams	
	Target outcome:	Improved plan implementation
	Five year financial impact:	N/A
	Responsible party:	Administration; Council; Act 47 Coordinator

The Act 47 Coordinator shall organize Implementation Action Teams to address critical areas of weakness that prevent the City from functioning efficiently. Team members may include Act 47 Coordinator subject matter experts and staff; experts from regional governments, businesses, non-profits, and community groups; external consultant experts in selected situations if funds are available; and a representative from the Administration and Council. The teams shall be small enough that they can easily convene and confer under the direction of the Act 47 Coordinator.

Each team will be focused on a particular area and will be responsible to build on the analysis and initiatives presented in this Recovery Plan along with previous reports and subsequent evaluations where relevant. The team will be responsible for developing a “diagnosis list” of critical problems in its area of focus and a work plan that includes objectives to be achieved over different intervals (e.g. short term



goals for the next three months, medium range goals over nine months, long term goals over 18 months). The Coordinator will provide the team member findings and work plan to the Administration, City Council and Department of Commonwealth and Economic Development to guide and prioritize Plan implementation.

The immediate area of focus will be accounting and financial reporting because of the need to resolve the accounting and cash flow management issues discussed in the Finance Department. Additional areas for focus may include public safety, codes, parks and recreation, and communication with the Latino community.

Community and stakeholder participation

PI03.	Establish a Citizens Advisory Committee	
	Target outcome:	Improved communication
	Five year financial impact:	N/A
	Responsible party:	Mayor; Council; Act 47 Coordinator

Other jurisdictions have established Community Action Teams or Citizen Advisory Committees to improve its dialog with residents, local businesses, non-profit organizations and other stakeholders. The individuals who participate bring valuable input on City government’s strengths and weaknesses and help brainstorm on ideas to improve services, gain efficiency or achieve other objectives. The municipal government gains the opportunity to communicate and improve residents’ understanding of government’s challenges and efforts to address them. This issue of increasing the voice of residents in City government was raised by participants in the Act 47 Coordinator’s public meetings during Plan development.

One possible model exists in the City of New Castle, Pennsylvania, which established a Citizens Advisory Committee with 12 members – two from each of the City’s five neighborhoods plus two at-large members. The Mayor appoints all members for one-year terms and gives a preference to residents who are not candidates for elected office to avoid providing an unfair advantage to members and to expand the number of residents active in local affairs.

The City of Reading shall establish a Community Advisory Group that will meet on a regular basis to provide input and ideas on City policy matters in a structured, respectful environment that includes a variety of opinions and interests. The Mayor shall consult with the Act 47 Coordinator and City Council to determine the size of the group, how members will be selected and other terms of participation. It is recommended that the Mayor and Councilors from each district have appointments to the group, and that emphasis be placed on overall group diversity and residents who do not hold other City appointments. While participation in group discussions is reserved to Committee members, the meetings shall be open to the public.

PI04.	Create a loaned executive program	
	Target outcome:	Improved Plan implementation
	Five year financial impact:	N/A
	Responsible party:	Mayor; City Council; Act 47 Coordinator

The City has a talented business community with members who have repeatedly offered their time and expertise to Mayoral commissions, authorities and in other capacities to investigate and identify solutions



to major issues facing the City and to facilitate the operation of various bodies. Given the potential benefit from leveraging this expertise for short-term projects, the Mayor and Council shall work with the Act 47 Coordinator and the Implementation Action Teams to identify projects where loaned executives or professionals from regional non-profit organizations could lead or support critical initiatives for the City on a volunteer basis.

Performance measurement

PI05.	Publish a performance measurement report	
	Target outcome:	Improved transparency and accountability
	Five year financial impact:	N/A
	Responsible party:	Managing Director

This Recovery Plan has several initiatives that require the City to develop a performance management system to track and monitor key indicators of activity levels, productivity, cost effectiveness, outcomes and other measures of City government’s performance. The initiatives are included in each major department with an explicit listing of specific indicators to be tracked on a monthly basis. These initiatives are not intended to be overly prescriptive, but rather to provide a shared sense of responsibility and stimulate further thinking about what pieces of information management needs to evaluate the City’s performance and make decisions. Each initiative invites the Administration, department staff and City Council to recommend other measures that should be tracked with a brief explanation of what insight that measure would provide.

The Managing Director and designated staff shall compile the departmental information and publish a quarterly performance management report that includes the monthly indicators and introductory narrative explaining important trends, changes and actions taken by the City in response to those trends and changes. The Managing Director shall provide the written Quarterly Performance Report and the Quarterly Financial Report to the Mayor, City Council, Act 47 Coordinator and Secretary of the Department of Community and Economic Development within 60 days of the end of each quarter.² It will also post the quarterly reports to its website.

It is understood that the City will need time to address technical, formatting and procedural challenges related to tracking and reporting the data points discussed in the Plan’s performance management initiatives. The City shall work to address these issues, making improvements over time beginning with the first report due in August 2010.

Intergovernmental cooperation

PI06.	Increase participation in regional organizations	
	Target outcome:	Improved efficiency; regional cooperation
	Five year financial impact:	N/A
	Responsible party:	Administration

Regional officials and others interviewed by the Act 47 Coordinator during Recovery Plan development described an inconsistent pattern of participation in regional institutions by the City. While the City is

² In the absence of a Managing Director, the Mayor shall designate another staff person to handle this responsibility.



meaningfully involved in some bodies, such as purchasing cooperatives, many others appear to have little or no City involvement. In some cases, there is active antipathy.

Given its fiscal crisis, the current City need for assistance, and the skills it can bring to regional bodies, the City shall seek out and actively participate in efforts at regional cooperation and service. These include but are not limited to the Criminal Justice Advisory Board, the Berks Municipal Partnership, and skills workshops organized by the Center for Community Leadership at Albright College.

There are many other initiatives distributed throughout the Recovery Plan that involve intergovernmental cooperation between the City and other governments. Those initiatives include the following (with chapter locations noted in parentheses):

- Transfer tax collection duties to other entities (Finance Department)
- Monitor and manage utility services (Finance Department)
- Move information technology support for the Police Department to Berks County (Information Technology)
- Pursue shared services for information technology (Information Technology)
- Create apprenticeship and internship opportunities (Human Resources)
- Participate in restructuring the Reading Public Library System
- Remove disincentive for mutual aid use from IAFF labor agreement (Workforce and Collective Bargaining)
- Pursue joint ladder purchase and other intergovernmental cooperation initiatives (Fire Department)
- Engage the County in discussions regarding the transfer of E911/dispatch functions (Police Department)
- Explore regional alternatives to City bomb squad (Police Department)
- Explore opportunities for fleet maintenance contracts with neighboring jurisdictions (Department of Public Works)
- Continue to explore establishing Reading Recreation Commission (Department of Public Works)
- Update comprehensive plan (Community Development)
- Consider adding pre-sale housing inspections (Property Maintenance Inspection)
- Develop a comprehensive housing strategy (Housing)
- Develop a local economic development partnership and comprehensive strategy (Economic Development)

This Plan offers a mix of short and long term initiatives that provide a platform for strengthening intergovernmental cooperation while helping the City address its immediate financial challenges. Other opportunities for effective intergovernmental cooperation exist and are encouraged.

PI07.	Create teams to study authority and joint working options	
	Target outcome:	Improved efficiency; regional cooperation
	Five year financial impact:	N/A
	Responsible party:	Administration

Throughout this Recovery Plan, there are initiatives which discuss the potential for creating new authorities or expanding existing ones. Any action related to authorities or service restructuring requires a careful study of the costs and benefits. Additional considerations include the ease of transitioning functions to new or expanded entities, compliance with any technical or legal requirements and impact on City residents, taxpayers and authority customers.



The Coordinator shall work with the City to appoint and supervise a group to study the City's options for establishing new authorities or expanding existing ones as described throughout this Recovery Plan. The group shall look at the feasibility of various opportunities to implement new authorities or make changes to existing ones. These opportunities may include without limitation:

- Provision of water/wastewater/stormwater services through a joint water/sewer utility, a regional authority, or other structure;
- Expanding the authority of the Reading Parking Authority to include towing and other street-related functions;
- Formation of a local or regional fleet consortium;
- Creation of a local or regional authority for administrative functions such as billing and purchasing;
- Organization of a general streets utility; and
- Participation or expansion of participation in local agility agreements, council of government joint working structures, public safety consortia, and others.

Additional discussion on many of these possible structures may be found in relevant chapters of this Recovery Plan.

Options considered by the group shall not be limited to new authority structures or the transfer of City functions to authorities. The group shall also consider whether regional shared service agreements, inter-municipal agreements, transfer to the Commonwealth or County, and contracted services (with public or private entities) may provide the most efficient, effective service. In some cases, more than one option may be part of a possible solution.

Within approximately ten weeks of the effective date of this Recovery Plan, the Coordinator will release a proposed structure and membership for the group, an approach for addressing the different but overlapping functions listed, a timeline for completing its analysis, and a suggestion for how to develop community consensus around its results and move toward implementation. Although the primary focus of the Coordinator in 2010 will be to stabilize City finances and improve its accounting and financial reporting, the timeline for analysis will take into account how to integrate these structural reviews with the public debate connected to the 2011 election campaign.



Debt

Overview

As of April 30, 2010, Reading had approximately \$144.2 million in General Fund debt outstanding, and projected \$275.7 million in debt service payments over the next 23 years. The City's bond rating (a measure of its creditworthiness) from Moody's Investors Service is Baa1.¹ Additional City debt was issued on behalf of other agencies, principally the water and wastewater utilities, and is paid for by the beneficiary funds.

Like most small- and medium-sized cities in Pennsylvania, Reading does not have a dedicated employee with relevant expertise dedicated to long-term borrowing and debt service administration. Rather, debt issuance and administration is managed by senior appointees and the Finance Department. Most decisions to issue debt or enter into swap agreements require City Council approval.

Recent Budget History

The City's debt service costs have more than doubled since 2005. One major reason for this is the 2006 issue of bonds to improve the funding level in City pension funds. Prior to 2007, there were also debt transactions in this period that provided annual budget relief while increasing costs in later years. By providing immediate cash, those issues helped to obscure the City's operating fund imbalance and created large future obligations. Beginning in 2007, on advice from its financial advisor, the City has not executed any similar transactions.

The City's 2008 and 2009 operating expenditure results include over \$8.0 million in payments on the City's line of credit. The line of credit is used to manage cash flow, functioning as a short-term loan to help the City cover expenses while it is waiting for expected revenues that are not paid evenly throughout the year (such as real estate taxes). The City is required to repay the line of credit bank when it receives revenues and no later than year-end. In the past, the City has also issued Tax and Revenue Anticipation Notes (TRANs) to cover limited cash balances. These issues are not clearly tracked, though, so TRANs are included below in the general Debt Service expenditure category. It is unusual that the City includes principal and interest for cash flow borrowing in its budget reporting; typically, only annual interest costs are budgeted, and are clearly broken out from other debt service budget lines. Measures to improve cash flow planning and budget presentation are discussed in the Finance chapter of this Recovery Plan.

Another unusual reporting method employed by the City is including swap termination fees in the operating budget, even though it does not use operating funds to pay those fees. Instead, the City covers the fee amount in the debt issued for that year and uses the cash (or proceeds) from the debt to pay the termination fee. Essentially, the City finances the termination fees over time through annual debt service payments.

The effect of these atypical budget practices is to skew presentations of the City's historic debt service payments, and also artificially inflate the City's actual operating expenditures in those years. The table below shows the total for debt service (long-term debt and TRANs), line of credit payments, and swap terminations.

¹ Reading was rated Baa3, the lowest investment grade rating, until April 23, 2010. This spring, Moody's is reviewing all municipal credits to align them with the scale they use for other ratings. Although this recalibration resulted in a higher rating for the City of Reading, Moody's noted that the overall "...recalibration does not reflect an improvement in credit quality or a change in our credit opinion for rated municipal debt issuers. Instead, the recalibration will align municipal ratings with their global scale equivalent." *Recalibration of Moody's U.S. Municipal Ratings to its Global Scale*, Moody's Investors Service, March 2010, page 1.



Historical Expenditures – General Fund Debt Service

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Debt Service	4,034,756	6,206,126	6,622,820	6,258,849	8,552,427	112.0%
Line of Credit	0	30,584	146,903	119,422	8,135,039	N/A
Swap Termination Fee	0	0	0	13,211,300	8,091,000	N/A
Total	4,034,756	6,236,710	6,769,723	19,589,571	24,778,465	514.1%

Recent Debt-Related Actions

In order to address budget pressures in recent years, the City of Reading has repeatedly restructured its outstanding debt, and issued some new debt (as a result, about 90 percent of the City's outstanding principal was borrowed in 2005 or later). One typical methodology for these restructurings includes refunding, when an issuer pays off (or "refunds") all existing debt associated with a specific bond. A new bond is issued at a lower interest rate, and the issuer receives a portion of the savings. Another approach is to enter into an interest rate swap, a financial tool which allows an issuer to trade fixed for variable interest rate payments, or vice versa. Depending on the individual structure of a transaction, a City could receive a one-time upfront payment as part of a swap transaction, but may also be obligated to issue bonds at a different interest rate in the future.

In 2008 and 2009, the City significantly restructured its debt through several refundings and swap terminations. The City refunded bonds issued in 2002, 2005 and 2006 because it could re-issue that debt at lower interest rates and save money in the near-term. The goal of these transactions was to reduce the scale of very large, unaffordable increases in debt service in 2009 and 2010. While the City was successful in doing so, it also had to increase its debt service payments from 2017 through 2033.

Reading also recently terminated two swap agreements because the interest rate switch was no longer favorable to the City and changes in the national financial markets exposed the City to potential large future payments. The City was required to pay to terminate existing swaps. While the termination fees were substantial — \$8 million in 2008 and \$13 million in 2009 — the City limited its future exposure to debt service spikes by ending these agreements.

Reading's current financial challenges, combined with its existing debt burden, leave the City exposed to bond rating downgrades. Traditionally, a bond rating downgrade would mostly affect the cost of future borrowings; cities with lower bond ratings pay more to borrow. This is important to Reading because its creditworthiness will drive the cost of the unfunded debt transaction proposed as part of this Recovery Plan. Downgrades can also affect swap-related costs. However, the City's two outstanding swaps have provisions that prevent an automatic termination due to a rating downgrade. One other credit factor is related to the City's ability to procure bond insurance and other products that reduce the cost of borrowing. The City's bond insurer, Assured Guaranty, has stated that its forward insurance commitment on refunded debt is contingent on adoption of the Act 47 Recovery Plan by the City.

Future Debt Service Payments

As shown in the chart below, annual General Fund obligations increase by approximately \$3.2 million to \$11.5 million in 2011, and remain at about that level through 2015. Yearly debt service for the twenty years from 2011 through 2030 is in narrow band, and averages \$11.9 million annually or approximately 13 to 15 percent of General Fund expenditures. These totals exclude debt paid through non-General Fund sources and payments on a Pennvest Loan from the Water Fund.



Projected Baseline Expenditures – General Fund Debt Service

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Debt Service	8,306,280	11,533,996	11,541,261	11,707,422	11,687,366	40.7%
Total	8,306,280	11,533,996	11,541,261	11,707,422	11,687,366	40.7%

These payments are to cover debt services on eleven outstanding issues, with the earliest set to terminate in 2012. More than half of the City’s debt does not terminate until later than 2025. Interest rates on the debt range from 3.00 percent to 6.25 percent.

City of Reading Outstanding General Fund Debt

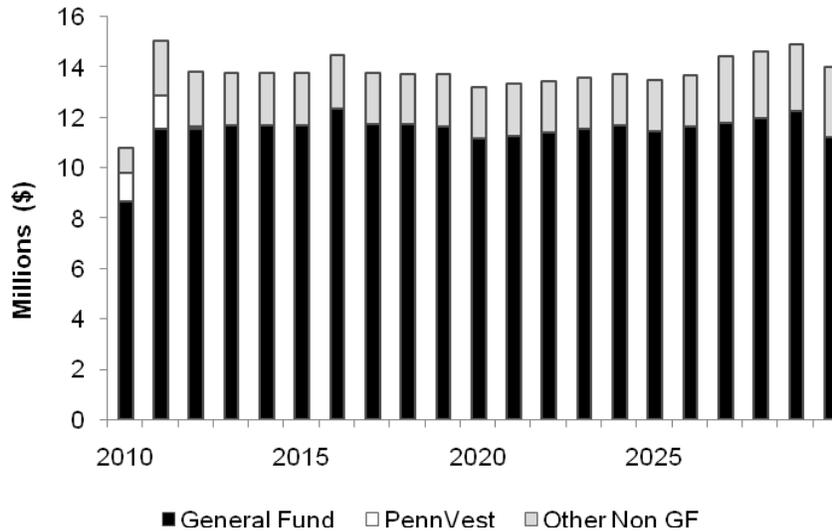
Issue	Termination Year	Outstanding, General Fund	Interest Rate
1992 Pennvest Loan	2012	2,562,121	Variable
2005 Notes	2016	2,702,769	3.50% to 3.75%
2008 A Note	2018	5,913,157	4.46%
2002 Bonds (CABs)	2019	24,690,000	4.55% to 5.75%
Redevelopment Authority 2006 Note (taxable)	2026	9,699,026	6.10%
2009 Bonds	2029	44,387,687	3.00% to 5.00%
2006 Pension Bonds (taxable)	2031	63,124,176	5.30% to 5.53%
2008 E Bonds	2031	20,866,145	Variable
2008 D Notes	2032	42,289,763	4.053% through 2014, then variable
2008 Sewer Bonds (City portion)	2033	23,724,350	3.20% to 6.25%
2008 C Notes (taxable)	2033	38,321,135	4.053% through 2014, then variable

Source: City of Reading Debt Schedule

The graph below shows the total annual debt service payments made by the City of Reading, which includes debt paid from funds outside the General Fund, such as the Sewer Fund, and payments on the 1992 Pennvest loan. Non-general fund payments are approximately \$2.1 million in 2010, and spike to \$3.5 million in 2011, before decreasing to \$2.3 million and \$2.0 million through 2026. Non-general fund debt payments spike again in 2027 to \$2.6 million.



City of Reading Annual Debt Service Payments, FY2010 through FY2030



Source: City of Reading Debt Schedule

These amounts do not include any future debt issued to meet the City’s general capital needs and also do not include additional debt incurred to meet the terms of the City’s wastewater consent decree (wastewater system costs are supported by user fees and accounted for in a separate fund).

Initiatives

Federal law generally permits only one advance refunding for each debt issue, and as noted above Reading has engaged in extensive restructuring of its debt portfolio in recent years to mitigate annual debt service increases that resulted from the City’s previous habit of relying on debt to achieve short-term budget relief. The City also has a high debt burden and a low bond rating. As a result, there are few remaining options to achieve savings. Instead of looking for more short term savings to the detriment of long term sustainability, this chapter focuses on actions the City must take to address past actions and reduce its exposure to future liability.

DS01.	Unfunded debt transaction	
	Target outcome:	Address prior year obligations; meet cash flow needs
	Five year financial impact:	(\$4.3 million)
	Responsible party:	Finance Director

Through the series of short term fixes described earlier in this chapter, the City has already increased its annual debt service payments to levels that are difficult to sustain. However, it has also accumulated multi-million dollar obligations, such as the estimated \$9.0 owed to its Sewer Fund and the \$1.5 in past due Minimum Municipal Obligation (MMO) payments to the employee pension fund. It is not possible to reduce City operations by the amount that would be necessary to meet these obligations and still provide core public services. The accounting issues and lack of a cash flow report also raise concerns about the City’s liquidity.²

² Please see the Finance Department chapter for more information.



To address these obligations and other contingencies, the City shall request the support and approval of the Coordinator and the Commonwealth to appeal to the Berks County Court of Common Pleas for permission to execute an unfunded debt borrowing under the Local Government Unit Debt Act. The projected total cost, including principal and interest, of this loan is \$10,855,100. The loan would mature in 2020 and cost the City approximately \$1.08 million per year in debt service. While increasing long-term debt service is not ideal, the City's immediate situation does not allow for any alternatives.

Financial Impact

2010	2011	2012	2013	2014	Total
0	(1,080,251)	(1,082,784)	(1,086,665)	(1,082,326)	(4,332,026)

DS02.	Terminate the swap agreement on the 2002 CABs	
	Target outcome:	Savings; Risk aversion
	Five year financial impact:	(\$133,000)
	Responsible party:	Finance Director

To eliminate the risk of much higher debt service costs from one of its remaining swaps that will likely be exercised in the near future, the City shall refund its 2002 Capital Appreciation Bonds (CABs) and terminate the swap on those bonds. Under current market conditions, this transaction would result in modest debt service savings in 2010 and 2011, and a slight increase in debt service costs thereafter. However, unwinding the swap would eliminate future exposure to substantially higher debt service payments, remarketing fees and liquidity costs, and other swap related risks when the counterparty can exercise its option in 2012. The City does not have budget capacity to absorb a significant debt service spike during the term of this Recovery Plan, and can enhance future budget stability by exiting the swap now. The City shall secure the approval of the Act 47 Coordinator before setting the final terms of the transaction, in order to ensure that the revised annual debt service payments can be accommodated within the financial parameters of this Recovery Plan.

Assured Guaranty, which has a forward insurance commitment related to the refinancing of the City's CABs, has indicated a willingness to provide insurance on the transaction going forward contingent on the City's adoption of the Act 47 Recovery Plan. In other words, if the City does not pass the Recovery Plan, its bonds will not be insured, the transaction may not be achievable, and the City will be exposed to additional risk. The City shall perform this transaction as soon as possible, but no later than 30 days after the adoption of this plan.

Financial Impact

2010	2011	2012	2013	2014	Total
269,000	148,000	(252,000)	(192,000)	(106,000)	(133,000)



DS03.	Terminate the 2008 Swap Agreement	
	Target outcome:	Savings
	Five year financial impact:	N/A
	Responsible party:	Finance Director

On August 28, 2008, the City entered into a swap agreement with Wachovia Bank. Soon after, interest rates fell sharply and the City has had to pay out a higher rate than it is receiving. With interest rates still low, the City shall work with its financial advisor and the Act 47 Coordinator to evaluate and monitor the potential benefit of terminating the 2008 swap agreement. In order to terminate the swap agreement, the City must pay a termination fee, but depending on market developments may be able to achieve net savings while eliminating its swap exposure. The City currently monitors interest rates for an opportunity to terminate the swap and shall continue to do so at a minimum of every 30 days.

DS04.	Discontinue use of scoop refunding; require Coordinator approval of debt transactions	
	Target outcome:	Long-term debt management
	Five year financial impact:	N/A
	Responsible party:	Finance Director

The City's short-term financial focus has wreaked havoc with its debt portfolio. While it achieved some short-term savings in the past few years, the transactions needed to create those savings have exposed the City to the risks associated with swap contracts, increased the average maturity of the City's debt and raised debt service costs for the period seven to 23 years from now (making future residents pay for today's expenditures), and increased annual debt service payments to levels that are difficult to sustain. While most cities have a debt profile with declining annual debt service payments so as to accommodate future borrowing to fund vital capital projects, Reading will see no drop off in its debt service payments for more than two decades.

As a City in the Act 47 program, the terms of Pennsylvania's Local Government Unit Debt act bar it from entering into future swap agreements, so the City will not be able to use these products in the near future. However, the City shall also make a commitment to generally avoid the use of scoop refunding to reduce current year debt service and other techniques that extend existing debt, except in cases where there are clear ancillary benefits. Accordingly, the City shall not enter into any debt issue, refunding or restructurings without the approval of the Act 47 Coordinator.

DS05.	Continue efforts to find alternative approaches to wastewater capital funding	
	Target outcome:	Debt management
	Five year financial impact:	N/A
	Responsible party:	Finance Director



In light of the City’s heavy debt burden and critical financial condition, the City should carefully evaluate any new debt it issues, including debt related to the wastewater treatment plant. Capital expenditures for the plant should be strictly limited to items required to protect the environment and keep the system in compliance with state and federal law, and items responsive to the federal consent decree. Capital and operating costs for the wastewater system shall remain in the wastewater fund, and the City shall not take on any additional funding requirements for the system in its General Fund. The City shall explore the potential use of wastewater revenue bonds to ensure that future capital costs of the system are supported by wastewater system revenues.

DS06.	Adopt and comply with debt policies	
	Target outcome:	Improved practices; debt management
	Five year financial impact:	N/A
	Responsible party:	Finance Director

Best practice cities develop and implement a variety of policies to ensure that debt service does not become unaffordable and that the government evaluates borrowing decisions in the context of its overall strategy and long-term impact.

Typical standards that Mayors and City Councils use to evaluate the efficacy of debt transactions include debt service expenditures as a percentage of operating revenues; debt per capita; average maturity; total debt as a percentage of assessed value; and (for refunding) the present value savings achieved. The Administration and City Council shall work with the Act 47 Coordinator and the City’s financial advisor to identify specific appropriate debt metrics and goals for Reading in addition to certain ratios currently included in City official statements, and shall report on them when debt transactions are proposed and annually with submission of the operating budget to City Council.

Additional initiatives

The chapters addressing Pension and Other Post-Employment Benefits, the Capital Improvement Plan, and Finance are also pertinent to the Debt Service chapter. Those initiatives include, but are not limited to:

- Direct windfall fiscal benefits to the City’s reserve or debt service (Finance Chapter)



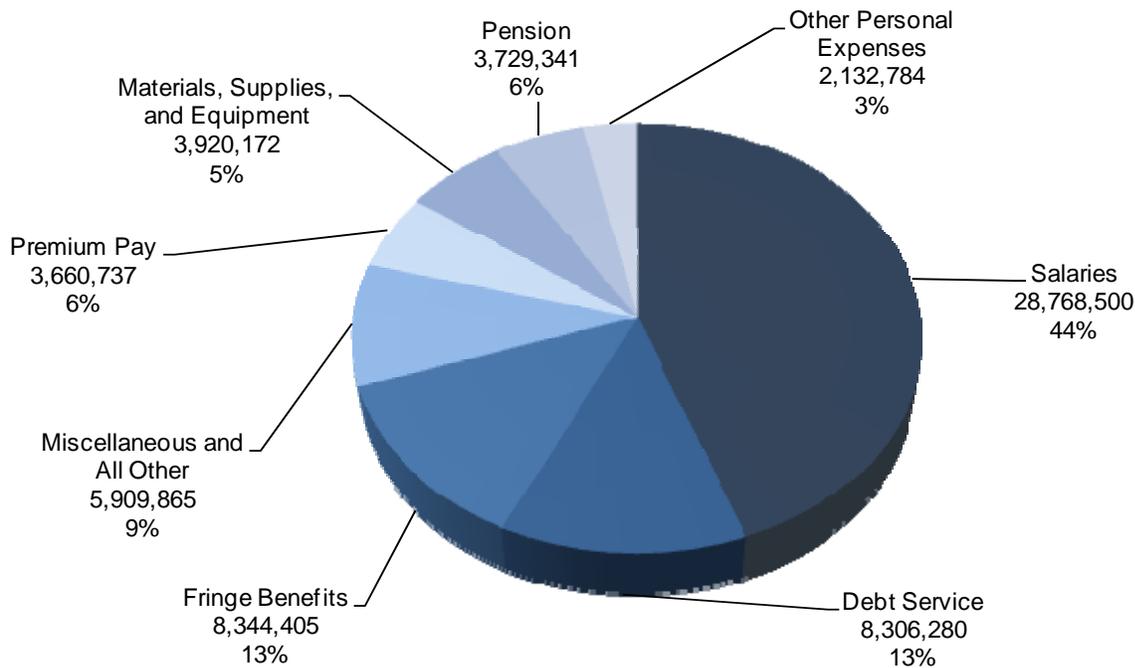


II. Workforce

Workforce and Collective Bargaining

As with most local governments, the services provided by the City of Reading are labor-intensive. The City requires people to maintain safe and clean streets, prevent and investigate crime, respond to fire and medical emergencies, and deliver the other important services of municipal government. As a result, employee wages and benefits account for at least \$46.6 million, or 71.8 percent, of the City's \$64.9 million in General Fund expenditures budgeted for FY2010. If the \$1.8 million in 2010 debt service expenses related to the pension bonds the City issued in 2006 were shown separate from other debt, the share of City expenditures committed to employee compensation would be even higher. The chart below also only shows the personnel related expenditures from the City's General Fund. The City has other employee compensation expenses in its Water, Trash/Recycling and Sewer Funds.

FY2010 Budgeted Expenditures



Workforce expenditures are a function of both:

- The total number of employees on payroll; and
- Costs per employee, as determined by wage and benefit levels and future growth in those items.

Given that workforce expenditures represent the majority of the City's total expenses, it will be impossible to bring the City's finances into balance with available revenues without having a substantial impact on employee numbers and compensation. Unless personnel-related costs are maintained at affordable levels, the City's financial health will further decline to the detriment of all parties, including City employees. This chapter considers both sides of the compensation and benefits equation and then provides initiatives to control personnel-related costs for the long term benefit of all parties.

Headcount

While it is typical for a third class city in Pennsylvania to be able to generate an accurate employee headcount for each payroll during a year, Reading could only provide the Act 47 Coordinator with payroll data that lists all employees who received compensation during 2009 (not the specific number of people



employed at any given point that year). This report identified 718 individuals who worked for the City for at least part of 2009, but the City probably did not have 718 employees at any point during the year given retirements, hiring, and temporary leave. The inability to generate reports that show the actual number of filled positions at any date is addressed in the Human Resources chapter of this Recovery Plan.

The chart below shows the total number of budgeted positions for each fund since 2006. Since these are budgeted and not filled positions, the actual number of employees would vary. Based on this information, however, total budgeted positions have decreased by 69 (or 9.5 percent) from 2006 to 2010; General Fund staffing levels have decreased by 80 (or 13.7 percent) over this period while all other funds have added a total of 11 positions. Budgeted positions for the Water, Sewer, and Self Insurance funds have remained relatively level, while budgeted positions for the Recycling/Trash Fund increased at the greatest overall rate.

Budgeted Headcount – Workforce and Collective Bargaining

	2006	2007	2008	2009	2010	% Change
General Fund	585	595	621	588	505	-13.7%
Water Fund	63	63	63	64	64	1.6%
Sewer Fund	71	70	71	79	75	5.6%
Recycling/Trash Fund	3	6	4	3	10	233.3%
Self Insurance Fund	3	3	1	2	2	-33.3%
Total	725	737	761	736	656	-9.5%

Much of the City of Reading's workforce is represented by one of three public employee labor unions – Fraternal Order of Police, Lodge No. 9 (FOP); International Association of Fire Fighters, Local 1803 (IAFF); and the American Federation of State, County and Municipal Employees (AFSCME), Local 2763 – that have the right to collectively bargain with the City for their compensation as provided under Commonwealth law. A fourth union representing first level supervisors (AFSCME, Local 3799) does not have the same right to collectively bargain employee compensation, though the City has had signed agreements with that unit. The chart below details the number of employees by bargaining unit who received compensation in 2009. As noted above, this is not the specific number of people employed at any given point that year.

City Headcount by Bargaining Unit

Employee Group	Covered Positions	2009 Total Employees	Contract Term
Fraternal Order of Police (FOP), Lodge No. 9	All sworn Police Officers with the exception of the Chief of Police, the Deputy Chief, and Inspectors	202	1/1/07 - 12/31/11
International Association of Fire Fighters (IAFF), Local 1803	All Fire Fighters with the exception of the Fire Chief, First Deputy Chiefs, and the Deputy Chief / EMS	139	1/1/06 - 12/31/10



Employee Group	Covered Positions	2009 Total Employees	Contract Term
American Federation of State, County and Municipal Employees (AFSCME), Local 2763	All full-time professional and nonprofessional employees, excluding confidential employees, seasonal employees, casual employees, supervisors and management level employees and school crossing guards	228	1/1/08 - 12/31/11
American Federation of State, County and Municipal Employees (AFSCME), Local 3799	All full-time first level supervisory employees	43	1/1/06 - 12/31/09 ¹
Non-Represented Employees	Management, professional and elected ²	106	N/A
Total number for all of 2009		718	

Compensation

Reading municipal employees receive a competitive compensation package that includes health, retirement, and paid leave benefits superior to private sector norms and generally equal or superior to public employer standards. The chart below presents the City's historic General Fund personnel expenditures for 2005 through 2009. Again, this does not include pension bond debt service or expenditures for employees compensated outside the General Fund. The category labeled "Fringe Benefits" is comprised of the City's expenditures on employee health insurance coverage.

Historical Expenditures – Workforce and Collective Bargaining

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimated	% Change
Salaries	26,305,374	28,127,950	29,581,650	30,574,810	30,581,536	16.3%
Fringe Benefits	6,732,356	7,454,976	9,063,992	8,567,251	8,402,669	24.8%
Temporary Wages	954,800	987,653	1,074,853	1,151,099	1,283,674	34.4%
Premium Pay ³	1,708,286	1,843,316	1,738,087	1,686,170	1,725,879	1.0%
Overtime	1,872,182	1,715,197	3,295,003	3,511,352	3,643,851	94.6%
Pension	4,752,072	5,784,810	1,785,396	3,372,392	2,411,631	-49.3%
Social Security	850,605	994,586	1,013,687	1,123,097	1,133,721	33.3%
Unemployment Comp	72,140	41,088	74,291	58,968	112,874	56.5%

¹ Because this unit represents first level supervisors, it does not have the same right to collectively bargain employee compensation as the other three unions. The City had a signed agreement with AFSCME, Local 3799 that expired on December 31, 2009.

² This does not include part-time employees, other than City Council members.

³ Premium pay includes longevity pay, holiday pay and court time pay.



Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimated	% Change
Uniforms	142,451	215,839	262,393	228,309	205,749	44.4%
Total	43,390,265	47,165,415	47,889,352	50,273,448	49,501,582	14.1%

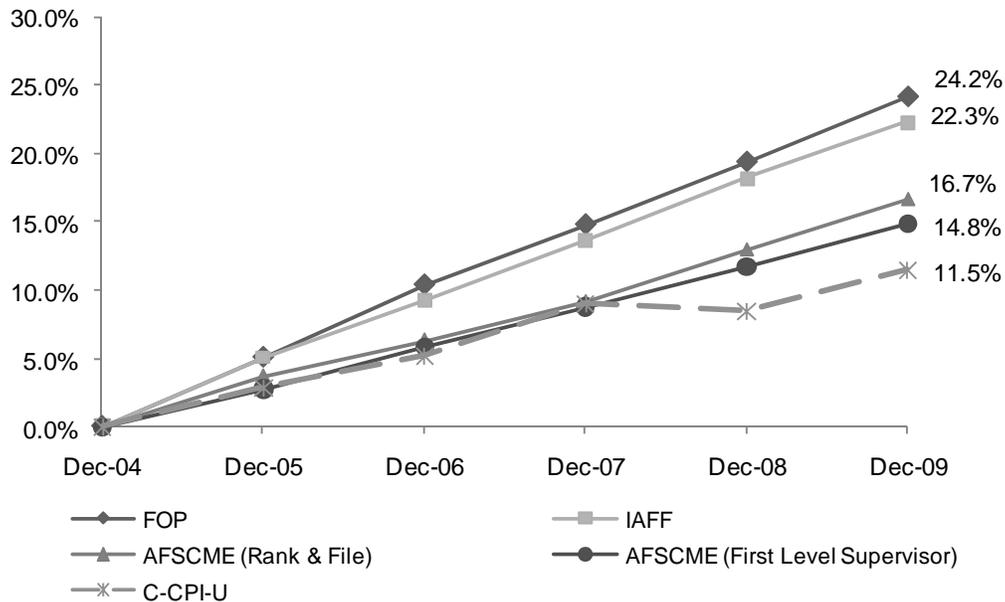
Pension costs are included in the previous table and reflect City expenditures to the Police pension fund made in excess of the applicable benefit limitation provisions outlined in the Third Class City Code. Pension costs and information on amending and restating the documents governing each of the City's three active pension plans are discussed in further detail in the Pension and Other Post-Employment Benefits chapter.

Salaries

The largest component of personnel expenditures is salaries, which account for \$28.8 million (or 44.3 percent) of FY2010 budgeted General Fund expenditures. This includes salaries for seasonal workers, which are classified as "Temporary Wages" in the chart above. With the exception of pension contributions, the City has seen substantial growth in most personnel expenditure categories since 2005.

The chart below shows the base wage increases that employees in the City's four unions have received since December 2004. These increases and their compounded growth over time are compared to growth in the Chained Consumer Price Index (C-CPI-U), considered by the federal government's Bureau of Labor Statistics to be the best approximation for cost-of-living. Wage increases for non-represented non-uniformed employees have been omitted from this analysis since increases are granted on a per employee basis.

Cumulative Wage Increases vs. C-CPI-U



Over the past five years, the cost-of-living as measured by the C-CPI-U grew by 11.5 percent. The C-CPI-U dropped from 2007 to 2008 in concert with the recession before rising again in 2009. Meanwhile, base wages for all union employees grew every year through December 2009. For FOP members, this results in a base wage growth rate that more than doubles the cost-of-living growth rate (24.2 percent to 11.5 percent). The gap is similar for IAFF members (22.3 percent to 11.5 percent). AFSCME wage



increases, which were in line with C-CPI-U growth from December 2004 through December 2007, outstripped that measure in 2008 and 2009.

Moreover, this comparison only accounts for the growth in employees' base wages. Junior employees in all unions are often eligible to receive another annual raise through a "step increase" in addition to the across-the-board base increase shown above. For example, an employee at the Police Officer I rate in January 2009 would advance to Police Officer II after 12 months, receiving both the 4.0 percent across-the-board increase that all FOP members receive and a 2.0 percent step increase for advancement to the Police Officer II position. The total impact of the two raises was 6.1 percent compared to the cost-of-living growth of 2.9 percent over that same year.

In addition to base salaries, the City provides other forms of cash compensation.

- Longevity: For Reading's uniformed employees, continued service is rewarded with longevity pay. After four years of service, police receive 1 percent of base salary with longevity increments increasing 0.25 percent for each additional year of service. Fire employees receive \$85 for each year of service between years five and 19. Once they reach 20 years of service, the payments increase to \$100 for each year.
- Shift differential: Employees in the FOP and AFSCME unions receive additional pay for hours worked on night shifts. FOP employees earn an additional 3 to 4 percent of base salary, while AFSCME employees earn between \$0.25 and \$0.35 per hour worked.
- Holiday pay: Uniformed employees receive 14 holidays annually and non-uniformed employees receive 13 holidays annually. These holidays are generally paid days off, though not for IAFF members who receive an additional 9.23 percent of base salary for all holidays, whether employees work on them or not.
- Uniform pay: Police and fire employees both receive annual uniform allowances for the purpose of purchasing and maintaining their required uniforms. FOP members receive \$175 annually. IAFF members receive \$300 in any year where the City provides a full set of personal protective equipment (PPE) and \$700 in any other year. In practice, the City usually provides \$300 in the first year when it provides the first set of PPE and \$700 in subsequent years when the employees handle cleaning and maintenance.
- Special assignment/premium pay: The City makes additional cash payments to employees who have special assignments or duties including:
 - Higher rank duty pay (FOP)
 - Stand-by pay (FOP, AFSCME)
 - EMS / Paramedic Bonus (IAFF)
 - Departmental bonuses for reductions in crime and health benefits costs (FOP)
 - Bomb squad pay (FOP)
 - Call time and reporting time (AFSCME)
 - Electronic beeper / cell phone time (AFSCME)

Employees in the FOP and AFSCME unions also receive parking at no cost under the terms of their collective bargaining agreement. For employees who work at facilities that have a parking lot, the free parking has no additional value. But for employees who work at sites without such lots, like City Hall, the parking has a value between \$804 and \$1,080.⁴

Overtime

⁴ The exact value would depend on where the employee parks. The cost of a monthly permit ranges from \$67 to \$90, hence the range here ($\$67 \times 12 = \804 ; $\$90 \times 12 = \$1,080$).



Overtime expenditures are a major cost driver for the City of Reading, particularly for public safety functions. Leave usage, staffing levels, collective bargaining restrictions, service needs, public events and emergencies all contribute to the use of overtime. Since 2005, average overtime payments have increased by 40.1 percent for FOP employees and 34.1 percent for IAFF employees. This includes overtime related to court appearances that police officers make outside regularly scheduled work days.

Overtime Growth 2005 – 2009

	Average Overtime / Employee			Max Overtime Paid to an Employee		
	2005	2009	Growth	2005	2009	Growth
FOP, Lodge No. 9	9,494	13,299	40.1%	30,860	58,167	88.5%
IAFF, Local 1803	8,721	11,695	34.1%	27,017	32,177	19.1%
AFSCME, Local 3799 & 2763	3,330	3,843	15.4%	33,206	41,377	24.6%

In addition to base wages and other premium pay, overtime compensation further adds to an employee's cash compensation. As the chart below demonstrates, a majority of public safety employees earned an additional \$10,000 in overtime in 2009. The numbers shown for AFSCME cover employees in Locals 2763 and 3799.

2009 Overtime Payments

	Police	Fire	AFSCME
Total Overtime Paid Out	\$2,686,330	\$1,625,636	\$1,114,599
Number of Employees	202	139	290
Average Overtime / Employee	\$13,299	\$11,695	\$3,843
Employees earning \$5,000+ in overtime	71.3%	77.0%	21.0%
Employees earning \$10,000+ in overtime	51.5%	51.8%	13.4%
Employees earning \$20,000+ in overtime	21.8%	17.3%	5.2%
Employees earning \$30,000+ in overtime	9.9%	1.4%	1.4%

Paid Leave

Paid leave – the ability to take time off for vacation, personal days, sick leave or other reasons while receiving full compensation – is another important element of employee compensation. At a minimum, paid leave indirectly increases government's cost of service. When employees use paid leave, governments must reduce the level of service provided or fill the resulting opening another way, either by hiring more staff on a permanent basis to compensate for the use of leave throughout the year or bringing in existing employees on a short term basis. In the latter case, employees are often paid overtime to fill the open shifts. As a result, government pays for the same service more than twice – once for the regularly scheduled employee who is on leave and again at time-and-one-half for the employee working overtime.

The chart below shows the level of paid leave available to Reading employees, which is generally superior to the leave provided by private and public sector employers. Reading's non-uniformed employees receive more paid holidays than the average for state and local government employees nationally, though the level of vacation leave trails that average until the employee reaches 20 years of



service. Reading's uniformed employees receive more leave across all categories. Challenges related to sick leave usage, in particular, are discussed in further detail in the Police, Fire, and Public Works departmental chapters.

Paid Leave

Employee Group	Holidays	Sick Leave (in hours)	Vacation Leave Time (in hours)			
			1 Year of Service (YOS)	5 YOS	10 YOS	20 YOS
Reading Police Employees	14 days	240	112	168	224	264
Reading Fire Employees	14 days	360	216	216	216	288
Reading Non-Uniformed Employees	13 days	96	40	80	120	240
Private Sector	8 days	48	80	120	120	160
State and Local Governments	11 days	96	96	120	144	176
Commonwealth of PA	11 days	104	80	120	120	160

Workers' Compensation

When workers are injured on the job, they have access to compensation under the City's Workers' Compensation coverage. The City has been a qualified self-insurer for Workers' Compensation benefits since March 1979. In October 2009, the Bureau of Workers' Compensation in the Commonwealth's Department of Labor and Industry approved the City's continued self-insured status. The City "retains" a portion of its risk related to Workers' Compensation in that it self-insures the first \$425,000 of every claim for injuries to non-law enforcement personnel and \$1 million for injuries to law enforcement personnel. Claims with costs over these thresholds are covered by a workers' compensation exceedance insurance policy underwritten by Safety National.

The City also maintains a trust fund with a balance equal to the City's ultimate financial liability in connection with all open workers' compensation claims and those that have been incurred but not reported (IBNR). The amount of this liability is determined annually by the Commonwealth's Department of Labor and Industry based on an actuarial analysis of the City's loss experience. The estimated outstanding liability for claims incurred through loss year ending December 31, 2009 is \$4,568,402.⁵

The City has contracted with PMA Management Group ("PMA") to process its self-insured Workers' Compensation claims. The current contract runs for a three-year term expiring in 2012. The City actively manages its claims working with the adjuster assigned by PMA and a senior claims executive from its broker, Engle-Hambright & Davies, Incorporated (EH&D). All open claims marked for monitoring are formally reviewed annually. Claims in which the initial case reserve is set at \$25,000 or above, or in which a change in reserve is to occur in an amount of \$25,000, are monitored by the City's Risk and Safety Coordinator.

PMA reports that the City's overall closure rates are within or better than the industry's target ranges⁶ and the City's program continues to outperform its peer group in the areas of cost for lost time and medical only claims.

Heart and Lung Act

Just like any other City employee, when police officers and fire fighters are injured while on duty, they are entitled to Workers' Compensation. However, certain injuries may also be covered by and instead paid

⁵ This is based on information in the Commonwealth's correspondence with the City, assuming that the Commonwealth's actuary used actual data as of July 31, 2008 and then trended forward to December 31, 2009.

⁶ Stewardship report to the City. July 29, 2009.



under the Commonwealth of Pennsylvania's Heart and Lung Act. The Act covers temporary injuries suffered by police officers, firefighters and correctional officers injured in the line of duty, not only injuries to the heart and lungs. Fractures, broken bones, burns, and injuries inflicted by suspects or prisoners are among the injuries covered, so long as they are temporary injuries. Injuries resulting in permanent disability are covered by the Workers' Compensation system.

An injured employee covered under the Act is entitled to 100 percent of wages, unlike Workers' Compensation where the weekly benefit is 66.7 percent of the employee's average weekly wages over the preceding 12 months. There is no predetermined benefit period during which employees receive compensation under the Act. Benefits are paid for as long as the employee is found to be temporarily disabled. If the disability is determined to be permanent, benefits under the Act can be terminated in accordance with due process and the employee is covered under Workers' Compensation. Injuries which are not covered by the Heart and Lung Act are paid under Workers' Compensation from the inception of the claim. In 2009, Reading paid out \$336,329 in Heart and Lung benefits and \$791,565 in Workers' Compensation (\$387,980 for indemnity and \$403,585 for medical).

Light Duty Program

One common method used to minimize losses related to employee injuries is a light or modified duty program through which injured employees temporarily fill another job that is within their medical restrictions until they can return to full duty work. Usually the employee's doctor must provide written approval that the employee can work light duty before the work is assigned.

The goal of light duty programs is to return the injured worker to employment in some capacity as soon as possible. It is well established that a claimant who returns to work in a light duty capacity is much more likely to return to full duty because the employee retains the habit of coming to work and remains connected to the employer. Facilitating a quicker return to work reduces the cost of workers' compensation claims and also mitigates lost productivity associated with the employee's injury, even if the employee cannot perform the full functions of their usual position.

While non-uniformed employees have been placed in light duty positions at City Hall, the City reports more resistance to doing so at other locations. The Police Department reports moderate success in using officers in light duty positions.

Health benefits

Depending on an employee's bargaining unit status, Reading employees have access to a Preferred Provider Organization (PPO) or a traditional indemnity plan for primary medical coverage. Employees represented by IAFF only have an indemnity plan, and AFSCME employees are covered under the PPO plan. Employees represented by the FOP and non-represented employees have a choice, with most taking the PPO. All primary health care plans for active employees are provided by Capital Blue Cross. A majority of retirees are covered under one of the current plans for active employees, though some are under plans that are no longer available to active employees. The City is in the second year of a three-year contract with Capital Blue Cross for primary health coverage, and the second year of a three-year contract with Caremark for prescription coverage. Reading currently contracts with the Riverside Consulting Group as its third party benefits administrator.

Between 2005 and 2009, City health care expenditures grew by 24.8 percent. Between 2007 and 2009, expenses dropped by 7.3 percent. Riverside attributes the drop at least in part to the City having fewer large claims, though there is not any structural reason to believe this trend will continue. A new wellness program instituted in 2010 is intended to help identify health issues when they can be treated more easily and at a lower cost. But the pool of insured Reading employees is small enough that the presence or absence of a small number of high cost claims would have a significant impact on overall health expenditures. The City has been fortunate to have relatively few of those claims in the last several years. Because of the potential impact of such factors, Riverside advises that a three to five year period should be examined to provide a meaningful projection of future costs.



Fringe Benefit Expenses⁷

2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimated	Change %
6,732,356	7,454,976	9,063,992	8,567,251	8,402,669	24.8%

Across private and public sector organizations, employees share the cost of their health insurance in two ways. First, they contribute to the monthly premium costs. In Reading, the total monthly premiums range from \$498 to \$666 for single coverage and \$1,408 to \$1,985 for family coverage, depending on the plan chosen and the employee's bargaining unit status. This includes primary care, dental, vision and prescription coverage.

The chart below shows the portion of that monthly premium that is paid by employees by bargaining unit, while also comparing City of Reading employee contribution rates against private sector norms, state and local governments generally, and the Commonwealth of Pennsylvania. For those employee groups with access to both the PPO and the traditional indemnity plan, the chart shows the premium contribution for the PPO since it is the plan with the highest enrollment.

Health Benefits Cost Sharing per Month

	Employee Cost Sharing (\$)		Employee Cost Sharing (%)	
	Individual Coverage	Family Coverage	Individual Coverage	Family Coverage
Reading FOP, Lodge No. 9	\$36.00	\$62.00	6.8%	3.9%
Reading IAFF, Local 1803	\$0.00	\$0.00	0.0%	0.0%
Reading AFSCME, Local 2763 ⁸	2% of salary	2% of salary	5.0%	5.0%
Reading AFSCME, Local 3799	\$36.00	\$61.00	5.5%	3.1%
Reading Non-Represented Employees ⁹	\$17.69	\$46.71	1.7%	1.5%
Private Sector Average ¹⁰	\$65.00	\$293.00	17.0%	27.0%
State and Local Governments ¹¹	\$77.67	\$342.50	10.0%	27.0%

⁷ Fringe benefits include medical, prescription, dental, vision, and life insurance.

⁸ Employees in this unit contribute 2.0 percent of base salary. Since the exact dollar amount will vary with the employee's salary, the City has estimated that the average contribution across all employees in the unit represents 5.0 percent of the monthly total premium cost.

⁹ Non-represented employees, including management, contribute \$8.04 for single coverage and \$21.23 for family coverage every biweekly pay period. Multiplying those rates by 2.2 pay periods per month yields these rates.

¹⁰ Kaiser Family Foundation and Health Research & Educational Trust, Employer Health Benefits: 2009 Annual Survey.

¹¹ U.S. Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States, March 2009."



	Employee Cost Sharing (\$)		Employee Cost Sharing (%)	
	Individual Coverage	Family Coverage	Individual Coverage	Family Coverage
Commonwealth of PA Employees (Largest Unions) ¹²	2% of salary (Rising to 3% 10/1/10)	2% of salary (Rising to 3% 10/1/10)	---	---

Reading employees represented by AFSCME, Local 2763 can reduce their monthly premium contributions by 0.25 percent if they complete a health risk assessment. This is similar to the provision for Commonwealth employees in the Public Employees Benefit Trust Fund (PEBTF) that allows employees to reduce their contribution from 2 percent to 1 percent (before October 1, 2010) or 3 percent to 1.5 percent (as of October 1, 2010) by participating in a wellness program. Reading management employees also have access to the health risk assessment program. However, rather than receiving a reduction in their premium for participation, non-participants are penalized with a rate increase if they elect not to participate in the program.

All groups of Reading employees contribute less to their health care coverage than the private and public sector national averages for both individual and family coverage. Depending upon their employee group, Reading employees contribute between zero and five percent of premium costs for individual coverage and zero and seven percent for family coverage. The National Compensation Survey, published by the U.S. Bureau of Labor Statistics (BLS), shows that state and local government employees on average contribute 10 percent for individual coverage and 27 percent for family coverage. As such, contribution levels in Reading are significantly out of line with national trends and constitute a generous benefit to City employees compared to public and private sector averages.

A second way that employees share the cost of their health benefits is by making payment when they receive service through a copayment, deductible, coinsurance or some other mechanism. The chart below shows prescription drug copayments at the generic, formulary brand, and non-formulary brand levels in that order. Prescription copayments for sworn employees are significantly lower than those of other employees and the private sector average.

Prescription Drug Copayments

	Rx Co-pays (Retail)
Reading FOP, Lodge No. 9	\$5, \$5, \$5
Reading IAFF, Local 1803	\$1, \$1, \$1
Reading AFSCME, Local 2763*	\$10, \$20, \$35
Reading AFSCME, Local 3799	\$10, \$20, \$35
Non-Represented Employees	\$10, \$20, \$35
Private Sector Average ¹³	\$10, \$27, \$46

¹² Benefits listed are applicable for the three Pennsylvania state employees' unions, representing the majority of employees. State Troopers have a separate union, and other public safety groups represented by one of the above unions have negotiated separate benefits.

¹³ Kaiser Family Foundation and Health Research & Educational Trust, Employer Health Benefits: 2009 Annual Survey.



	Rx Co-pays (Retail)
Commonwealth PA Employees (Largest Unions) ¹⁴	\$10, \$18, \$36

Reading employees also have access to dental and vision coverage at no additional premium contribution. According to BLS data, only 54 percent of state and local government employees have access to dental coverage and only 43 percent have access to vision coverage.

Nationally and regionally, governments are moving toward implementing cost sharing for employees who do not have it or making it more significant for those who do:

- In a January 2007 agreement, the largest Pennsylvania state employee unions agreed to incrementally raise member contributions to health care premiums from 1.0 percent of gross pay to 3.0 percent by 2011. Employees participating in health management initiatives may qualify for discounts. Since 2003, the health plans for these employees have been redesigned to control costs by increasing deductibles and co-pays.
 - Prescription drug co-pays increased from two tiers (\$6, \$25) to three tiers (\$10, \$18, \$36).
 - Increases to out-of-network deductibles (from \$250 to \$400), coinsurance (now 30 percent), and out-of-pocket maximums (from \$1,000 to \$1,500/\$3,000).
 - Emergency room co-pays increased from \$25 to \$50
- Wilkes-Barre firefighters agreed to establish health premium contributions in their last contract.
- Bethlehem firefighter premium contributions increased from \$20 in 2007 to \$40 in 2009 while office visit co-pays increased from \$20 to \$25 and prescription drug co-pays increased from \$10/\$15 to \$15/\$25 in 2009.
- As of July 1, 2008, prescription co-pays for Harrisburg firefighters increased from \$3/\$10 to \$7/\$15 for currently employed members, and a three-tiered system was instituted for all new hires with a \$7/\$20/\$25 structure.
- As negotiated in the contract ending June 30, 2009, Baltimore has increased premium cost sharing incrementally from 15 percent to 20 percent of premium for its PPO. Baltimore's emergency room visit co-pays also increased from \$25 to \$50 during the 2009 plan year.
- The Boston Police Patrolman's contract, effective January 1, 2009, increased employee contributions to health premiums for HMOs from 12.5 percent to 15.0 percent of premium, while contributions for Point of Service (POS) coverage rose from 17.5 percent to 20.0 percent of premium.
- Chicago firefighter premium contributions as a percentage of salary increased on July 1, 2006 from approximately 1.0 percent for individual, 1.6 percent for individual plus one, and 2.0 percent for family coverage to 1.3 percent for individual, 2.0 percent for individual plus one, and 2.5 percent for family coverage.

¹⁴ Benefits listed are applicable for the three Pennsylvania state employees' unions, representing the majority of employees. State Troopers have a separate union, and other public safety groups represented by one of the above unions have negotiated separate benefits.

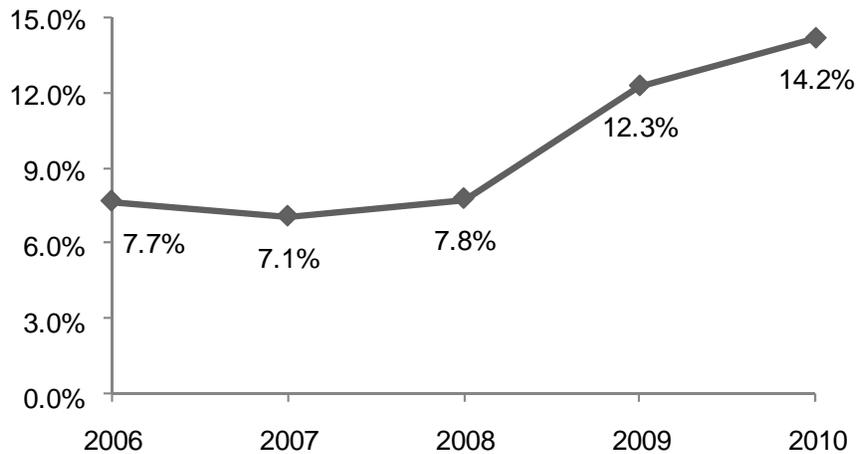


- Active police officers and firefighters in Pittsburgh now contribute to the cost of health care at approximately 15 percent of premium. Prior to 2005, no employee contributions were required.

Additional context

A full view of the compensation provided to City employees requires a broader context. As an employer, the City of Reading competes with other governments and private businesses to hire and retain its employees. While the labor market will vary greatly across individual jobs, the general labor market in Reading has had rising unemployment since 2007, with almost one in seven workers in Reading now unemployed.

**Reading (City) Unemployment Rates, Not Seasonally Adjusted
(January 2006 – January 2010)¹⁵**



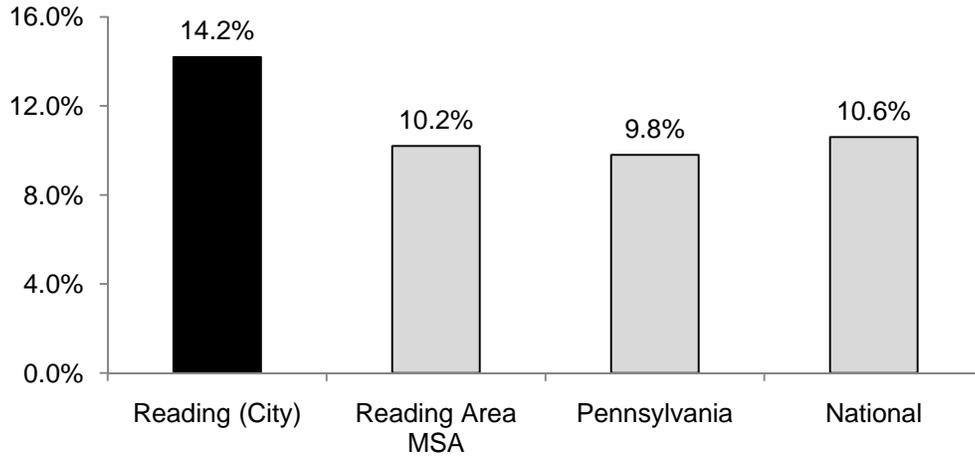
According to the BLS, Reading’s unemployment has outpaced the relatively high levels that the nation and Commonwealth has experienced during the recession. In January 2010, unemployment (not seasonally adjusted) in the Reading region was 10.2 percent¹⁶ compared to the national rate of 10.6 percent and the Commonwealth rate of 9.8 percent. There were approximately 20,900 unemployed residents in the Reading region. Unemployment in the City of Reading was 14.2 percent in January 2010.

¹⁵ United States Bureau of Labor Statistics

¹⁶ The unemployment rate is for the Reading Metropolitan Statistical Area (MSA), which encompasses adjacent communities with a high degree of economic and social integration with the City.



January 2010 Unemployment Rates, Not Seasonally Adjusted



Given the relatively high unemployment rates, near term compensation in the overall labor market is likely to be constrained. According to the Federal Reserve Bank’s Survey of Professional Forecasters for the first quarter of 2010, growth in the national consumer price index is projected to stay below two percent for 2010 and show limited growth going forward.

**Survey of Professional Forecasters
2010 Q1 CPI Projections % Change
(February 12, 2010)**

2010	2011	2012	2010 - 2014	2010 - 2019
1.7	2.1	2.3	2.2	2.4

An even more important piece of the broader context surrounding employee compensation is the City’s ability to pay. Demographically, Reading trails other Commonwealth cities of the third class in key indicators of financial health. The median home value in Reading (\$61,900) is lower than that of all seven regional peer cities shown below. The median household income in Reading (\$28,776) lower than all but one of the cities, and is 13.9 percent below the median value for the group. Similarly, the City has a higher poverty rate (32.9 percent) than all but one of the other cities. Since property values and earned income are the base for the City’s two largest sources of revenue, the Reading’s ability to compensate its employees is even more limited than for similar Commonwealth cities.

Demographics for Reading and Other Third Class Cities¹⁷

	Population	Median Home Value	% Vacant Housing	Median Household Income	% Individuals Below Poverty Level	% of Population w/ High School Diploma
Allentown, PA	111,025	140,900	8.5%	37,955	21.1%	75.7%
Bethlehem, PA	71,608	175,000	5.0%	45,694	15.9%	83.1%
Easton, PA	26,837	136,200	13.2%	38,638	19.2%	76.1%
Harrisburg, PA	44,848	75,200	20.9%	31,521	28.4%	78.5%
Lancaster, PA	56,116	90,100	9.0%	32,854	27.2%	72.0%
Scranton, PA	72,026	103,900	12.9%	33,418	18.8%	83.3%

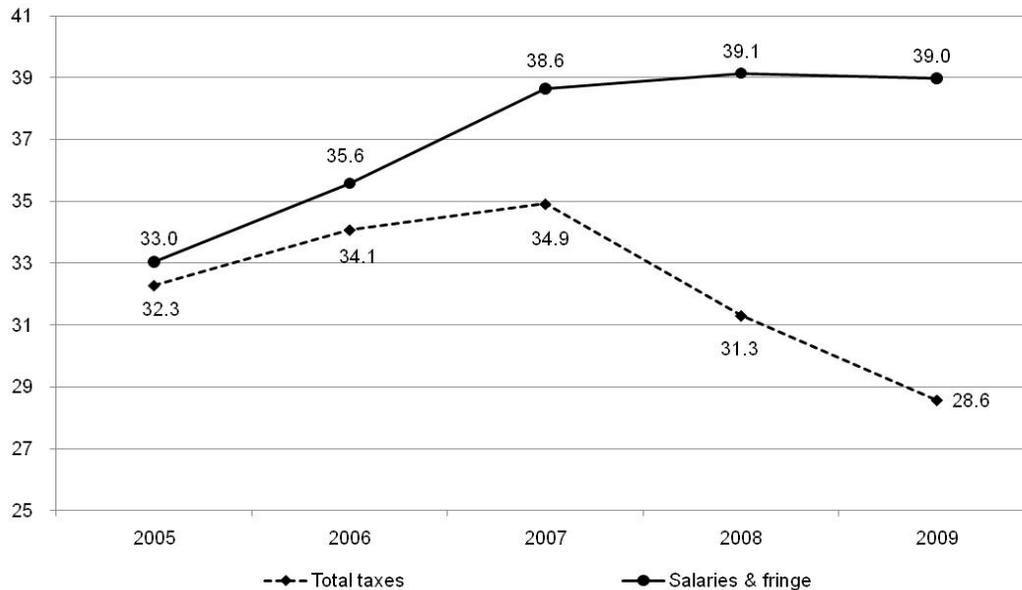
¹⁷ United States Census Bureau, American Community Survey, 2006-2008 3-Year Data



	Population	Median Home Value	% Vacant Housing	Median Household Income	% Individuals Below Poverty Level	% of Population w/ High School Diploma
York, PA	38,809	75,500	13.4%	27,640	35.4%	73.6%
Reading, PA	80,888	61,900	15.5%	28,776	32.9%	64.6%
Median (w/o Reading)	56,116	103,900	12.9%	33,418	21.1%	76.1%
Reading Variance	44.1%	-40.4%	20.1%	-13.9%	55.9%	-15.1%

From a practical perspective, growth in employee compensation must be kept in line with growth in the City's revenues and Reading's revenue performance has not supported recent salary and benefit growth. The City's total compensation costs grew by 13.5 percent from \$42.3 million in 2005 to \$48.0 million in 2009 while total tax revenues *dropped* by 11.5 percent from \$32.3 million in 2005 to \$28.6 million in 2009.¹⁸ In 2005, the City's \$32.3 million in total tax revenue covered 97.7 percent of the costs associated with full-time employee salaries and fringe benefits.¹⁹ Since then the cost of employee salaries and fringe benefits grew by 18.0 percent while total tax revenue dropped by 11.5 percent so that total tax revenue only covered 73.3 percent of the costs associated with full-time employee salaries and fringe benefits in 2009. This trend is a good indicator of the City's growing structural deficit absent its reliance on temporary fixes.

Salaries & Fringe Growth vs. Total Tax Revenue Growth



Critical need for corrective action

While the compensation provided to City employees will vary greatly by individual, the overall view of employee compensation presents a very clear conclusion – the City must control its costs to sustain operations. As with many municipal governments, personnel costs represent the majority of the City's General Fund expenses. Those expenses have risen with annual base salary increases provided to most

¹⁸ Total compensation includes salaries, fringe benefits, temporary wages, premium pay, overtime, pension, social security and unemployment compensation. Total tax revenue includes current and prior year collections for real estate, earned income, real estate transfer, business privilege, local services, per capita and admissions taxes.

¹⁹ Wages for temporary employees are not included in this calculation, nor is premium pay, overtime or other elements of compensation for full-time employees.



employees in most years, even during the recession, and, in the case of police and fire, have risen well in excess of the increase in the cost-of-living. Layered on top of the base salary growth are more opportunities for cash compensation through longevity, premium payments and overtime compensation; a health plan with a higher level of coverage and lower cost to the employee than found in private or some public sector employers; and a guaranteed level of retirement benefits that will cost the City approximately \$5.0 million more in 2011 than in 2010. This level of compensation is offered within the context of the City and region's high unemployment, the City's weak tax base and the stagnant (if not declining) growth in major revenues without tax rate increases.

Absent corrective action, employee compensation will consume a growing portion of the City's limited resources. The chart below shows the projected personnel expenditures for Reading through FY2014. Salaries are projected to grow at 2.5 percent each year for non-represented employees and for represented employees once their collective bargaining agreements expire. FOP employees will receive a 4.0 percent increase and AFSCME 2763 employees will receive a 3.25 percent increase in 2011, which is factored into these projections. Fringe benefits are projected to grow at 10.0 percent to reflect the rising cost of health care that has repeatedly outpaced inflation. Due to the stock market correction, pension expenses will jump from \$3.7 million in 2010 to \$9.1 million in 2011 and then remain at that level. In all, personnel expenses are anticipated to grow by 31.1 percent during the projected timeframe.

Projected Baseline Expenditures – Workforce and Collective Bargaining

	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	27,991,230	28,998,914	30,042,875	31,124,419	32,244,898	15.2%
Fringe Benefits	8,344,405	9,095,401	9,913,988	10,806,246	11,778,809	41.2%
Temporary Wages	777,270	805,252	834,241	864,273	895,387	15.2%
Premium Pay	1,638,571	1,697,560	1,758,672	1,821,984	1,887,575	15.2%
Overtime	3,799,608	3,936,393	4,078,104	4,224,915	4,377,012	15.2%
Pension	3,713,263	9,135,768	9,464,656	9,805,383	10,158,377	172.4%
Social Security	916,946	949,956	984,154	1,019,584	1,056,289	15.2%
Unemployment Comp	755,000	377,500	61,662	63,882	66,182	-91.2%
Uniforms	278,875	285,847	292,993	300,318	307,826	10.4%
Total	48,215,168	55,282,591	57,431,344	60,031,005	62,772,355	30.2%

Workforce cost control is essential to Reading's survival. Without it, the City will eventually have to make dramatic workforce reductions that will limit its ability to provide the most basic municipal services. In the recent past, the City has resorted to layoffs because it cannot affect other components of compensation. While this Recovery Plan identifies further areas where the City can reduce headcount, the City cannot survive without restructuring its compensation package so that employee compensation and workforce cost growth more closely track the achievable level of revenue for the City.

Therefore, the initiatives outlined below are intended to move the City toward a structurally balanced budget so that it can focus its attention on improving City services, instead of merely sustaining them, and pursuing financial recovery and growth, instead of merely surviving as a municipal entity. While such



workforce changes can be difficult in the short-run, long-term spending must become aligned with revenue growth to ensure Reading's survival in the short term and stability in the long term. A financially insolvent city benefits no one, including City employees.

It is the intention of the Act 47 Coordinator that the City negotiate with the bargaining unit representatives of its employees in good faith to incorporate these cost containment provisions and any others throughout this Recovery Plan that may require changes to the collective bargaining agreements into those agreements. However, to the extent that the City is unable to reach agreement with any of its unions, resulting in interest arbitration or other legal proceedings, it is the express intention of the Act 47 Coordinator that the implementation of these cost containment provisions and any others throughout this Recovery Plan is mandatory. All cost containment provisions must be addressed.²⁰

Wherever reference is made to parameters for all bargaining units, employee groups or collective bargaining agreements, such provision shall also apply fully to non-represented personnel unless expressly stated otherwise. Further, wherever reference is made to parameters for provisions in collective bargaining agreements, such provisions shall also fully apply to any side agreements, memoranda of understanding, interest arbitration awards, grievance arbitration awards, settlement agreements, or any other documents. Further, no past practices shall in any manner interfere with any of the initiatives in this Recovery Plan.

It is the specific intent of the Act 47 Coordinator that no provisions of any collective bargaining agreements, memoranda of understanding, side agreements, interest arbitration awards, grievance arbitration awards, settlement agreements, nor any other documents nor past practices may be interpreted or applied, nor may any new provisions be added to any such agreements or documents, which would have the effect of additional costs to the City for the implementation of any of these initiatives, or of any of the initiatives in this Recovery Plan. This includes by way of illustration but not limitation, severance pay, overtime, premium pay and additional hours of work.

Initiatives

General

WF01.	Use professional assistance for labor negotiations	
	Target outcome:	Improved management capacity
	Five year financial impact:	N/A
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	All employee groups except non-represented employees

The City shall retain experienced public employment labor counsel for its labor relations activities beginning with negotiations on a new IAFF contract. The City has previously used Blank Rome, LLP for these purposes, though there are reports that portions of the collective bargaining agreement with the Fraternal Order of Police were negotiated without professional labor counsel. Whether the City continues to use Blank Rome or chooses another labor counsel, it shall use qualified counsel for all contract negotiations. In addition to using the counsel for support in collective bargaining, the City shall also use the counsel to review past practices that unnecessarily increase the cost of operations and are

²⁰In some cases, recommendations may represent reaffirmation or clarification of existing management rights. Although most recommendations would require changes to collective bargaining agreements for union-represented personnel, inclusion of any specific recommendation herein should not automatically be interpreted to imply that the recommendation is currently constrained.



permissive subjects for bargaining. The City shall provide a list of such practices to the Coordinator at the beginning of collective bargaining negotiations with each union.

Since the City is a member of the Pennsylvania League of Cities and Municipalities, it has access to reduced hourly rates provided through the League's Public Employer Labor Relations Advisory Service (PELRAS). With the support of its labor counsel, the City shall make every good faith effort to achieve negotiated labor agreements consistent with this Plan.

WF02.	Establish a labor/management committee for all employee groups	
	Target outcome:	Improved labor-management relations; improved efficiency; potential service improvements
	Five year financial impact:	N/A
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	All employee groups

In 1996, Reading established the Penny Fund with AFSCME Local 2763, a pool of money to be used to advance labor-management cooperation. At that time, there were several working labor-management committees whereby the parties agreed that expenses from these meetings and time spent by employees attending these meetings would be paid through this dedicated fund. The fund received money from employees deferring \$0.01 from each hour of wages with the City matching that contribution. Under the 2000-2002 collective bargaining agreement, both parties increased their contribution to \$0.02 per hour. In the 2003-2007 collective bargaining agreement, the terms of the Penny Fund were continued through the adoption of Exhibit F. This became known as the "Change in the Delivery of Public Services," and in addition to continuing the terms of the Penny Fund (now called the Public Service Improvement Fund), Exhibit F laid out a policy for notifying AFSCME of the City's intent to outsource or opportunities to "in source" (move services from private contractors to City employees) while creating a city/union bid team to evaluate options for keeping or moving such work in-house. Exhibit F requires that the City share a percentage of any financial gain achieved through "improvements in public service delivery" that resulted from this study process. The union received 25 percent of any one-time financial gain and 33.3 percent of any recurring financial gain for three years.

While it is important to establish a means for labor and management to work toward common objectives, the process established in Exhibit F limits management's rights as outlined in the next initiative, particularly as it relates to making outsourcing decisions. The City shall strike the Exhibit F process from its collective bargaining agreement with AFSCME 2763. In its place and for all other collective bargaining units, the City shall establish a labor/management committee that will use the Area Labor Management Committee (ALMC) structure as a resource. The Office of Labor-Management Cooperation in the Pennsylvania Department of Labor and Industry promotes labor-management collaboration by supporting and coordinating with ALMCs. ALMCs are neutral non-profits comprised of representatives from labor and industry, management, and government who work cooperatively to retain jobs and promote economic growth. Services provided by ALMCs include third-party mediation, consulting, training, and educational programming. The City and union may also establish a process through which both parties may continue to set aside a small portion of hourly wages to be used for the study and analysis of issues identified by the ALMC. This will integrate the funding concept behind the Public Service Improvement Fund into the new ALMC structure.



WF03.	Limit new contract enhancements	
	Target outcome:	Cost reduction; improved efficiency
	Five year financial impact:	N/A
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	All employee groups

Unless, and only to the extent that, applicable law requires a change in any of the wages, benefits, terms, provisions or conditions enumerated herein, all new labor agreements between the City and the unions representing its employees (whether resulting from collective bargaining between the parties or interest arbitration pursuant to Act 111 as applicable or otherwise) covering calendar years 2010 through 2014 and subsequent years (or any portion thereof) **must not** contain, require or provide for any of the following:

- a. any new overtime or premium pay benefits or requirements;
- b. any increase in existing overtime or premium pay benefits or requirements, nor the continuation of existing overtime and premium pay benefits and requirements which are modified by this Recovery Plan;
- c. any increase in pay or benefits associated with new duties, changes in duties, cross training or activities required by this Recovery Plan
- d. any new benefits or improvements in existing benefits, nor the continuation of existing benefits which are modified by this Recovery Plan;
- e. any new paid or unpaid leave;
- f. any improvements to existing paid or unpaid leaves, nor the continuation of existing paid and unpaid leaves which are modified by this Recovery Plan;
- g. any additional pay for time not worked;
- h. any improvements in existing pay for time not worked, nor the continuation of existing pay for time not worked which is modified by this Recovery Plan;
- i. any new designations that time not worked counts as time worked for the purpose of computing overtime or premium pay or increases in existing designations of same, nor the continuation of designations that time not worked counts as time worked for the purpose of computing overtime or premium pay which are modified by this Recovery Plan;
- j. any new benefits for retirees or other inactive employees (e.g., those in layoff or disability status);
- k. any improvements in existing benefits for retirees or other inactive employees, nor the continuation of existing benefits that are modified by this Recovery Plan;
- l. any other term or provision which continues any existing restrictions or which adds any new or additional restrictions on the City's Management Rights;²¹
- m. any provision which impairs or restricts the City's ability to engage qualified contractors to perform services for the City, including services currently provided by bargaining unit personnel;

²¹The term "Management Rights," as used herein, includes, without limitation, the rights to: promulgate and enforce work rules, policies and procedures; select, hire, promote, transfer, assign, determine the duties of, evaluate, layoff, recall, reprimand, suspend, discharge and otherwise discipline employees; establish, eliminate and redefine positions in accordance with the City's needs; determine the qualifications and establish performance standards for jobs and assignments; determine the methods, processes and means of performance, where and when work shall be performed, and the equipment to be used; determine the composition of the work force; create, abolish and change jobs and job duties; determine employees' hours and days of work, work schedules, shifts and reporting stations; determine whether to assign overtime and the amount required; require employees to work overtime; determine when a job vacancy exists, and select the best qualified candidate to fill it; take necessary actions in emergency situations; extend, curtail or change City operations and otherwise manage the City, its operations and its employees in its discretion.



- n. any provision which impairs or restricts the City's ability to transfer service provision to another entity, including services currently provided by bargaining unit personnel;
- o. any provision which restricts or impairs the City's ability to effect a layoff or other reduction in its workforce, including those that require all part-time employees be laid off regardless of assignment or duties before any reductions in full-time staff can be made;
- p. any provision which expands any arbitrator's authority to grant relief in any arbitration proceeding;
- q. any provision which obligates the City to promote or assign or to permit bumping of any employee on the basis of seniority, rather than on the basis of qualifications and performance, except to the extent that preference is accorded to the most senior of those employees having relatively equal qualifications and performance histories;
- r. any provision requiring the City to pay bargaining unit employees to attend any trial, hearing or other legal proceeding, except to the extent that such employee attends any such proceeding at the request of the City;²²
- s. any provision which restricts the City's ability to require an employee to work a "light duty" position within that employee's medical restrictions, and in any department or bargaining unit within the City;
- t. any provision obligating the City to provide "light duty" to any employee who is unable to perform the essential functions of his or her job, with or without reasonable accommodation and without posing a direct threat to the health or safety of the employee or others;
- u. any provision which expands the bargaining unit employees' rights to present grievances to the City or to appeal grievances to arbitration;
- v. any provisions which provide any pay or other compensation to any employee for: 1) any exercise by the City of any of the above rights; or 2) the inclusion of any of the above provisions in any collective bargaining agreement; or 3) the implementation of any of the above provisions; or 4) the implementation of any of the initiatives in this Recovery Plan;
- w. any requirement for the City to provide wages, benefits, or other terms of employment to any bargaining unit based on the provision of such wages, benefits, or other terms of employment to another bargaining unit.

WF04.	Eliminate FOP expenditure reduction bonus provision	
	Target outcome:	Cost reduction
	Five year financial impact:	Explained below
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	FOP members

Article XXXIV, Section 4 of the City's collective bargaining agreement with the FOP provides for "the payout of bonuses as a result of cost reductions and incentive opportunities."²³ The apparent intent of the provision was to provide a shared incentive for the City and the FOP to jointly pursue changes that would generate savings. It includes the vague statement that the FOP would "share in the police department expenditure savings from the previous year and actual costs." The savings are to be split 50:50 between the City and the FOP up to a maximum bonus of \$1,000 per FOP member.

²² This provision is not intended to eliminate pay for routine police court appearances pursuant to subpoenas regarding matters handled by an officer while on duty. Rather, this provision shall provide clear management discretion to avoid automatic City pay and/or guaranteed minimum rates for attendance at grievance proceedings and other internal hearings, court appearances regarding personal affairs, etc.

²³ Page 48.



In late 2009 an arbitrator determined that the trigger for this bonus is whether the City spent less in one year on total department expenditures than it did the previous year. This results in the City being liable to pay FOP members a bonus even when the drop in expenditures is unrelated to productivity or efficiency improvements. For example, the City spent less on Department expenses in 2007 than in 2006 because it issued a pension bond in 2006 to put more money in employee pensions. Despite the disconnect between that event and any departmental efficiency improvements, the City is liable to pay FOP members a bonus for that year. Similarly, if the City laid off Department employees to reduce its expenses, it may have to split the “savings” associated with the cuts with the FOP members.

This provision shall be struck from the collective bargaining agreement in its entirety, including the parts related to Workers’ Compensation, health care costs and crime reduction and may not be added back or reinstated in whole or in part. It is likely that, absent this initiative, the existing provision would result in substantial cost to the City during all or some of the period from 2011 to 2014. Since that exact figure cannot be calculated, no specific amounts are included here for application to the projected baseline deficit.

WF05.	Eliminate free employee parking	
	Target outcome:	Full Recovery Plan implementation
	Five year financial impact:	N/A
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	FOP and AFSCME employees

Employees in the FOP and AFSCME unions currently receive parking at no cost under the terms of their collective bargaining agreements. In view of the potential addition of a parking surcharge to help support Reading’s financial recovery, the City shall eliminate this provision from all collective bargaining agreements.²⁴ While the parking surcharge will be an increased cost for City employees, it is unfair to provide a exemption from the sacrifice that all RPA facility users are making to maintain City operations.

WF06.	Ensure future collective bargaining agreements remain compliant with Recovery Plan	
	Target outcome:	Cost reduction
	Five year financial impact:	N/A
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	All employee groups

No person or entity, including (without limitation) the City, any union representing City employees, and any arbitrator appointed pursuant to Act 111 or otherwise, shall continue in effect past the stated expiration date of any current labor agreement the wages, benefits or other terms and conditions of the existing labor agreement if such wages, benefits or other terms or conditions are inconsistent with the initiatives made herein.

²⁴ Please see the Revenue chapter for details on this surcharge. This workforce initiative will not impact employees who work at facilities with their own parking lots on site.



All collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind issued or entered into after the adoption of the Recovery Plan must be effective as of the current expiration date of the current collective bargaining agreements and interest arbitration awards. This shall apply even if the agreement is entered into or the arbitration award is executed subsequent to the effective dates, thus requiring that the agreements or awards be retroactive. No collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind issued or entered into after the adoption of the Recovery Plan may extend the current expiration dates of the existing agreements and awards. Specifically, these dates are as follows:

Union Agreement/Award	Current Expiration Date	Effective Date of Subsequent Agreement or Award
Fraternal Order of Police, Lodge No. 9	December 31, 2011	January 1, 2012
International Association of Firefighters, Local 1803	December 31, 2010	January 1, 2011
American Federation of State, County and Municipal Employees, Local 2763	December 31, 2011	January 1, 2012
American Federation of State, County and Municipal Employees, Local 3799	December 31, 2009	January 1, 2010

The City shall take all steps to promptly bargain new collective bargaining agreements and shall follow all time limits for interest arbitration so that any interest award shall be issued prior to the expiration of the collective bargaining agreement.

If this Plan is extended to cover any period of time subsequent to its initial term, then, unless and until the initiatives made in this section of this Chapter of this Plan are revised, any labor agreement between the City and any union representing City employees (whether resulting from collective bargaining, interest arbitration pursuant to Act 111 or otherwise) covering such subsequent period shall comply with the Initiatives made herein without regard to the period of agreement specified in any such Initiative.

Cash compensation

WF07.	Three year wage and step freeze	
	Target outcome:	Cost reduction
	Five year financial impact:	\$7.6 million
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group	FOP; IAFF; AFSCME 2763

There shall be a base wage and step freeze for the first three years of each new collective bargaining agreement negotiated or arbitration award received after the approval of this Recovery Plan. Base wage increases in subsequent years shall be no more than 2.0 percent. When step increases resume in the fourth year of the contract or award, they shall do so from the frozen level, except where explicitly stated



otherwise,²⁵ rather than being accelerated to “catch up” to the step that would have been reached without the freeze.

The projected General Fund savings associated with the base wage increase pattern described are \$1.4 million in 2012 once the new agreements with the FOP and AFSCME 2763 are in effect. Through 2014, there are \$7.6 million in projected General Fund savings with additional savings in other funds from which salaries are paid.

Financial Impact

2010	2011	2012	2013	2014	Total
0	339,000	1,383,000	2,465,000	3,371,000	7,558,000

WF08.	Three year wage and step freeze for first level supervisors (AFSCME 3799)	
	Target outcome:	Cost reduction
	Five year financial impact:	See WF07
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group	AFSCME 3799

As noted above, the Agreement between the City and AFSCME 3799 expired on December 31, 2009 and a new agreement was not reached as of April 15, 2010. AFSCME 3799 does not have the same right to collective bargaining as the unions addressed in the prior initiative, though the City has had signed agreements with AFSCME 3799 in the past.

Since the City is only obligated to “meet and discuss” compensation with employees represented by this union, the City can unilaterally freeze employee wages for 2010 and, at the time of publication, has indicated it will do so. If the employees in this unit receive a base wage freeze for all of 2010, then they shall receive an additional two year base wage freeze for 2011 and 2012. Base wage increases in subsequent years shall be no more than 2.0 percent. There shall be no step increases in 2010, 2011 or 2012 except for the \$500 increase given to newly hired employees after six months of employment. If step increases resume in 2013, they shall do so from the frozen level rather than being accelerated to “catch up” to the step that would have been reached without the freeze. This gives AFSCME 3799 the same pattern provided to other bargaining units addressed in WF06.

If any wage increase is provided to any employees represented by this unit in 2010 before the approval of this Recovery Plan, then the wage pattern described in WF07 shall be applied to those employees (i.e. a three-year base wage and step freeze followed by base wage increases of no more than two percent the next two years). The financial impact of these savings are included in the financial impact for WF07.

²⁵ Please see initiatives WF09 and WF10.



WF09.	Reduce management salaries by 2.5 percent in 2011				
	Target outcome:	Cost reduction			
	Five year financial impact:	\$283,000			
	Responsible party:	Finance Director			
	Impacted employees group:	Non-represented management and full-time elected employees			

The City's management employees received a base salary reduction of 2.5 percent in 2010. The City shall reduce base salaries for non-represented or confidential employees whose annual base salary is more than \$50,000, including full-time elected employees, by another 2.5 percent in 2011. This shall be followed by a base wage freeze in 2012 and base wage increases of no more than 2.0 percent in 2013 and 2014. The savings associated with this initiative are shown below

Non-represented or confidential employees who are not considered management shall be subject to the three year wage freeze described in initiative WF06. The pattern described in WF06 shall also apply to employees in part-time, temporary and seasonal positions.

Financial Impact

2010	2011	2012	2013	2014	Total
0	70,000	70,000	71,000	72,000	283,000

When taken together, initiatives WF07 through WF09 provide the following pattern for base wage increases. The staggered start dates reflect the existing collective bargaining agreements. "Other non-represented or confidential employees" include those in part-time, seasonal or temporary positions.

	2010	2011	2012	2013	2014
Non-represented over \$50,000 ²⁶	-2.5%	-2.5%	0.0%	2.0%	2.0%
AFSCME 3799	0.0% ²⁷	0.0%	0.0%	2.0%	2.0%
Other non-represented or confidential	0.0%	0.0%	0.0%	2.0%	2.0%
	2011	2012	2013	2014	2015
IAFF	0.0%	0.0%	0.0%	2.0%	2.0%
	2012	2013	2014	2015	2016
AFSCME 2763	0.0%	0.0%	0.0%	2.0%	2.0%
FOP	0.0%	0.0%	0.0%	2.0%	2.0%

²⁶ There may be some non-represented or confidential employees whom the City classified as management who make less than \$50,000. As management, they may have received the 2.5 percent reduction in 2010 but will not under initiative WF09 in 2011. Similarly, there may be some non-represented or confidential employees who make more than \$50,000 but are not classified as management. They may not have received the 2.5 percent reduction in 2010 but they shall under initiative WF09 in 2011.

²⁷ If any base wage increase is provided to any employees represented by this unit in 2010 before the approval of this Recovery Plan, then the wage pattern associated with the IAFF in this chart shall be applied to those employees.



WF10.	New pay scale for new police officers	
	Target outcome:	Cost reduction
	Five year financial impact:	\$578,000
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	FOP

The current pay scale for FOP employees begins with the relatively high starting salary of \$55,457 for a Police Officer Trainee. This is quite different from what other urban police officers in the region are paid. The chart below compares the starting salary for a Reading police officer with the starting salary for police officers in five other Pennsylvania cities of the third class as of January 1, 2010. The Reading FOP pay scale is also compressed in that Police Officer Trainees earn 90 percent of the top step (\$61,460) and Police Officer Is earn 96 percent of the top step (\$58,780).

Minimum Salary	
Reading	55,457
Harrisburg	52,441
Bethlehem	45,308
Allentown	43,321
York	40,452
Lancaster	39,862

The City shall adjust the police officer pay scale so it has a six step progression with a trainee step and five non-probationary steps for all employees hired after December 31, 2011. Entry level rates will be adjusted to 70 percent of top step and each step will increase by three to eight percentage points per year resulting in the base wage scale shown below. The previously described three year base wage freeze for 2012 through 2014 shall also apply to officers hired on this pay scale. However, police officers hired after December 31, 2011 shall be eligible for the step increase in all years.

FOP Pay Scale: Employees hired after December 31, 2011

	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
Police Officer V	63,918	63,918	63,918	65,197	66,501
Police Officer IV	60,722	60,722	60,722	61,937	63,176
Police Officer III	58,805	58,805	58,805	59,981	61,181
Police Officer II	54,331	54,331	54,331	55,417	56,526
Police Officer I	49,856	49,856	49,856	50,853	51,871
Police Officer Trainee	44,743	44,743	44,743	45,638	46,550



For comparison, the table below shows the new base wage scale for police officers hired before January 1, 2012. While police officers hired after December 31, 2011 (i.e. those on the new pay scale) will receive step increases in 2013 and 2014 and police officers hired before January 1, 2012 (i.e. those on the current pay scale) will not, the scales have been calibrated so that no employee on the new pay scale has a higher base wage than an employee on the current pay scale.

FOP Pay Scale: Employees hired before January 1, 2012

	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
Police Officer III	63,918	63,918	63,918	65,197	66,501
Police Officer II	62,347	62,347	62,347	63,594	64,865
Police Officer I	61,131	61,131	61,131	62,354	N/A
Police Officer Trainee	57,675	57,675	57,675	N/A	N/A

The exact savings achieved under this new pay scale will depend on how many employees are hired and when. For each employee hired on this new scale, the City would save \$12,932 in the first year (\$57,675 - \$44,743 = \$12,932). The calculation below assumes a conservative replacement rate of 10 officers per year.²⁸

Financial Impact

2010	2011	2012	2013	2014	Total
0	0	129,000	208,000	241,000	578,000

WF11.	New pay scale for new firefighters	
	Target outcome:	Cost reduction
	Five year financial impact:	\$631,000
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	IAFF

The current pay scale for IAFF employees begins with a relatively high starting salary of \$53,625 at Firefighter I; there is no trainee rate for Reading firefighters. The chart below compares the starting salary for a Reading firefighter with the starting salary for firefighters in five other Pennsylvania cities of the third class as of January 1, 2010. As with the Reading FOP pay scale, the IAFF pay scale is compressed in that Firefighter Is earn 94 percent of the top step (\$57,114) and Firefighter IIs earn 96 percent of the top step (\$54,576).

²⁸ This is based on the size of recent Police Academy classes. Police Department management and staff expressed concerns that several police officers may retire in the coming years, which is addressed further in the Police Department chapter. From the perspective of this initiative, having more officers retire and be replaced at the lower salary would increase the City's savings.



Minimum Salary	
Reading	53,625
Harrisburg	47,558
York	39,971
Bethlehem	39,726
Allentown	39,721
Lancaster	39,295

The City shall adjust the IAFF pay scale so it has a six step progression beginning with a new trainee step (a probationary step lasting 12 months) and five non-probationary steps for all employees hired after December 31, 2010. Entry level rates will be adjusted to 70 percent of top step and each step will increase by three to eight percentage points per year resulting in the base wage scale shown below. The previously described three year base wage freeze for 2011 through 2013 shall also apply to firefighters hired on this pay scale. However, firefighters hired after December 31, 2010 shall be eligible for the step increase in all years.

IAFF Pay Scale: Employees hired after December 31, 2010

	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015
Firefighter V	57,114	57,114	57,114	58,257	59,422
Firefighter IV	54,259	54,259	54,259	55,344	56,451
Firefighter III	52,545	52,545	52,545	53,596	54,668
Firefighter II	48,547	48,547	48,547	49,518	50,508
Firefighter I	44,549	44,549	44,549	45,440	46,349
Firefighter Trainee	39,980	39,980	39,980	40,780	41,595

For comparison, the table below shows the new base wage scale for firefighters hired before January 1, 2011. While firefighters hired after December 31, 2010 (i.e. those on the new pay scale) will receive step increases in 2012 and 2013 and firefighters hired before January 1, 2011 (i.e. those on the current pay scale) will not, the scales have been calibrated so that no employee on the new pay scale has a higher base wage than an employee on the current pay scale.

IAFF Pay Scale: Employees hired before January 1, 2011

	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015
Firefighter IV	57,114	57,114	57,114	58,257	59,422
Firefighter III	55,740	55,740	55,740	56,854	57,991
Firefighter II	54,576	54,576	54,576	55,668	56,781
Firefighter I	53,625	53,625	53,625	54,697	55,791



If the City or IAFF wants to retain the current distinction that entry level firefighters have a higher base salary than paramedics,²⁹ they shall negotiate a new salary for paramedics that is lower than the new Firefighter Trainee rate established above. Paramedics who are hired after December 31, 2010 shall move to the Firefighter I rate in place for firefighters hired after December 31, 2010 after completing the five year progression. Otherwise paramedics shall be subject to the same wage freeze and pattern specified in WF07.

The exact savings achieved under this new pay scale will depend on how many employees are hired and when. For each employee hired on this new scale, the City would save approximately \$14,000 in the first year (\$53,625 - \$39,980 = \$13,645). The calculation below assumes a replacement rate of ten firefighters in 2011 and five per year thereafter.

Financial Impact

2010	2011	2012	2013	2014	Total
0	136,000	159,000	164,000	172,000	631,000

WF12.	Freeze longevity pay and eligibility	
	Target outcome:	Cost reduction
	Five year financial impact:	\$165,000
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	All employee groups

Employees who are currently eligible and receiving such pay shall have their longevity payment frozen at the current rate for the duration of this Plan. Longevity pay shall not be provided to employees hired after the date of adoption of this Plan or to current employees who do not reach eligibility for the payment before the expiration of their collective bargaining agreement. The savings projected below reflect the application of this initiative to the uniform employees who receive longevity payments, though some non-uniform employees also receive this payment.

Financial Impact

2010	2011	2012	2013	2014	Total
0	7,000	29,000	52,000	77,000	165,000

²⁹ The base salary for paramedics is \$41,000 in 2010.



WF13.	Reduce holidays from 14 to 10	
	Target outcome:	Cost reduction; increased productivity
	Five year financial impact:	\$1.0 million
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	All employee groups

All current and future employees shall be limited to ten holidays annually. IAFF members and another employees who receive a lump sum payment for holidays shall have that payment reduced to reflect this holiday reduction.

Financial Impact

2010	2011	2012	2013	2014	Total
0	128,000	299,000	299,000	302,000	1,028,000

WF14.	Retain the right to use furlough days	
	Target outcome:	Cost reduction
	Financial impact:	\$7,000 per day in 2011 \$44,000 per day in 2012
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	All employee groups

Furlough days are mandatory, unpaid days offs. Many employers have used them to generate short term savings. Unlike layoffs, the savings achieved from furlough days are non-recurring since they only reduce spending for the year in which they are taken. However, furlough days also spread the cut's direct impact across more employees than a layoff which impacts a small number of employees. Furlough days generally are not used for public safety functions with 24-hour shift coverage since the absence of one employee may cause the need to call in another on overtime.

The City shall have the unilateral right to implement furlough days. One furlough day is equivalent to a 0.4 percent reduction in base pay (1/260 working days = 0.4). Management shall also have the unilateral right to schedule the furlough days across its workforce in a manner that minimizes the impact on service delivery to residents and potential incurrence of overtime.

The only groups of employees for whom the City can implement furlough days in 2011 are first level supervisors (i.e. employees represented by AFSCME 3799) and management and other non-represented employees. In light of management's base wage reduction in initiative WF06, the Coordinator does not require or recommend implementing furlough days for those employees. In 2012, the City could implement furlough days for employees represented by AFSCME 2763 and management and other non-represented employees. The chart below shows the projected savings associated with each furlough day for AFSCME employees in each year.



Financial Impact

	2010	2011	2012	2013	2014
Potential savings	0	7,192	43,705	43,705	43,849
Impacted units	-	AFSCME 3799	AFSCME 3799 AFSCME 2763	AFSCME 3799 AFSCME 2763	AFSCME 3799 AFSCME 2763

Overtime

Because overtime usage is driven by several factors, this Plan includes several initiatives to help the City control the growth in this form of compensation. The initiatives in this Chapter focus on collective bargaining agreement provisions that drive overtime costs. Initiatives in other chapters, particularly those covering the police and fire departments, recommend operational changes to reduce the City's overtime costs. When taken together, they will enable the City to control overtime costs. Initiatives that apply to multiple groups of employees are presented first, followed by those specific to individual bargaining units.

WF15.	Adjust overtime eligibility thresholds to reflect hours actually worked	
	Target outcome:	Cost reduction
	Five year financial impact:	See below
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	All employee groups

The City's collective bargaining agreements have very lenient definitions of the time that can be counted toward an employee's eligibility for overtime. For example, if an employee represented by the FOP misses a scheduled work day on sick leave, those hours are counted toward the 40 necessary to qualify for overtime. The collective bargaining agreement with the FOP also provides that overtime shall be "calculated to the next highest quarter hour."³⁰ So if an employee works five minutes past the end of the shift, the employee is compensated for the full quarter hour. The City shall change the calculation of overtime eligibility such that only hours actually worked, paid vacation leave, paid holidays, paid personal days, paid bereavement leave, and paid jury duty leave shall be counted toward the computation of overtime. Paid sick leave, paid compensatory time, and other paid leaves shall not count toward the computation of overtime. Overtime shall be rounded to the nearest tenth of an hour instead of to the highest quarter hour.

³⁰ Article IX, Page 18.



WF16.	Reduce vacation leave	
	Target outcome:	Cost reduction; enhanced staffing
	Five year financial impact:	See below
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	All employee groups

Employees shall earn annual vacation leave according to the following schedule:

Years of Service Completed	Non-Uniform	Police	Fire³¹
After one (1) year of continuous full-time employment	40 hours	80 hours	2 vacation periods (144 hours) or 14 days if required by statute
After five (5) years of continuous full-time employment	80 hours	120 hours	3 vacation periods (216 hours)
After ten (10) years of continuous full-time employment	120 hours	120 hours	3 vacation periods (216 hours)
After fifteen (15) years of continuous full-time employment	160 hours	160 hours	4 vacation periods (288 hours)

For positions with mandatory shift coverage, such as police patrol, this will reduce the number of vacancies that must be filled using other employees on overtime. For other positions, this will reduce the pressure to use overtime to address a backlog of work that can be partially created by employee vacations. In either case, reducing the amount of overtime will increase the number of hours worked by each employee, which builds the City's staffing levels without incurring the costs associated with hiring and training more employees. For example, 91 police officers who currently receive 33 days of vacation (264 hours) because they have at least 15 years of service will now receive 20 days vacation (160 hours). That will provide 9,464 more hours of coverage,³² which is the equivalent of 4.6 additional officers.

The Third Class City Code requires that firefighters have an annual vacation of not less than 14 working days. Depending on the shift schedule used, this may translate to more than 144 hours of vacation. In that situation, the firefighters shall receive 14 days of vacation.

Management shall also have the right to determine the maximum number of employees from each platoon, shift, department or other organizational unit who can take vacation simultaneously and to set different thresholds throughout the year. This will help the City reduce overtime associated with several employees taking vacation at the same time.

³¹ Under the current shift schedule, each vacation period is three 10-hour day shifts (30 hours) plus three 14-hour night shifts (42 hours), or 72 hours total. The shift schedule change addressed in the Fire Department chapter may require a different way of allocating vacation. However the allocation is done, the total amount of vacation shall not exceed the number of hours shown here.

³² 91 officers x 13 fewer days of vacation x 8 hours per day = 9,464



WF17.	Reduce sick leave allotments	
	Target outcome:	Cost reduction; enhanced staffing
	Five year financial impact:	See below
	Responsible party:	Managing Director; Human Resources Director
	Impacted employee group:	All employee groups

Like any kind of paid leave, sick leave can drive overtime expenses higher by creating vacancies that must be filled or work backlogs that must be reduced by employees working overtime. That potential is especially high with sick leave since the employee absences are unplanned and management has less time to adjust staff schedules to compensate for the absence. As described earlier in this chapter, the City's sick leave allotments (particularly for police and fire at 30 days) are far beyond the levels seen in many private businesses or state and local governments. The City shall reduce its annual sick leave allocation for all employees to 12 days per year. Sick leave allocated to firefighters shall be reduced to the minimum required by state statute or 12 days if no minimum applies. Employees shall continue to accrue sick leave at current levels.

WF18.	Amend sick leave incentive program	
	Target outcome:	Enhanced staffing
	Five year financial impact:	See below
	Responsible party:	Managing Director; Human Resources Director
	Impacted employee group:	All employee groups

The City's agreements with the FOP, IAFF and both AFSCME units include a sick leave incentive program where employees can receive cash compensation or paid leave for not using sick leave. Employees receive the benefit by not using sick leave for two months (FOP and IAFF) or six months (AFSCME). Under this structure, it is possible for a uniformed employee to not use any sick leave for 10 months, receive \$250 as an incentive for doing so and then use 30 days of sick leave during the other two months in the same year. Non-uniformed employees could use up to 12 days of sick leave in one half of the year and none in the second to receive the incentive. These standards limit the benefit that the City is supposed to get from the program – reduced sick leave usage – by allowing employees to receive the incentive and use their full sick leave during the same year.

The City shall amend its sick leave incentive program so that incentives are only awarded for the achievement of a full year without sick leave usage. The City shall negotiate with each bargaining unit on the program's new structure, but the estimated annual cost shall not be more than the recent annual expenditures for the incentive (this should allow an increase in the amount of the incentive). The City shall provide the projected cost of any changes to the Coordinator for review and verification that the program is cost neutral before the program may be implemented.



WF19.	Improve sick leave monitoring	
	Target outcome:	Reduction of overtime; enhanced staffing
	Five year financial impact:	See below
	Responsible party:	Managing Director; Human Resources Director; Department Directors
	Impacted employee group:	All employee groups

Sick leave is a valuable and important tool for maintaining the health and morale of employees. As such, the abuse of sick leave hurts all parties by eroding the trust that underlies that benefit. It also costs the City money when absent employees' shifts must be covered.

The City shall establish a sick leave policy that gives management the discretion to impose sanctions when certain thresholds are met. In addition to the imposition of strong disciplinary measures when sick leave abuse is shown (i.e., member feigning illness or out of residence while on sick report) or suspected, members who meet established criteria shall be subject to discipline where appropriate. Possible criteria for sanctions include, but are not limited to:

- Use of more than a maximum number of days/shifts of sick leave in a one year period;
- More than a specified number of incidents of sick leave usage in a one year period;
- Use of sick leave at a rate more than 20 percent of the average used by the entire Department during the previous calendar year;

Possible sanctions include, but are not limited to:

- Restriction from special duty/paid details for a fixed period;
- Restriction from performing overtime for a fixed period;
- Limiting duty trades;
- Member shall be required to produce medical documentation upon return from any sick absence.
- Discipline, up to and including suspension and termination of employment.

Exceptions to the application of sanctions may be made at the discretion of the Department in exigent circumstances where an employee is absent for a prolonged period during one incident of sick leave usage.³³ Nothing in this initiative shall imply that the City punish an employee if their absence is attributable to FMLA.

WF20.	Court-related overtime reduction strategy	
	Target outcome:	Cost reduction; improved regional cooperation
	Five year financial impact:	\$411,000
	Responsible party:	Managing Director, Human Resources Director, Police Department
	Impacted employee group:	FOP (potential minimal impact on other employee groups)

³³ For example, management shall have the discretion to not restrict an employee who missed several weeks due to surgery from working special duty or overtime shifts.



The Police Department makes approximately 7,500 arrests per year. Since officers work steady shifts, all personnel assigned to the midnight shift, the 7:00 p.m. to 3:00 a.m. shift and, in many cases, the early evening shift attend court hearings and trials associated with those arrests outside their regular shift and are paid overtime to do so. The collective bargaining agreement provides that an officer will receive a minimum of three hours for any court appearance that is not within an hour of the start or end of a regularly scheduled shift.

In 2009 the City paid \$914,774 in court-related overtime to 202 employees represented by the Fraternal Order of Police, an average of \$4,529 per member. One employee received \$27,382 in court-related overtime pay. In 2008 the City paid \$991,835 to 208 employees, or \$4,769 per member. One employee received \$30,728 in court-related overtime pay.

The City shall engage other participants in the court process to determine what changes can be made that will still provide officers for testimony but do so at a lower cost to the City. The City’s review shall include department management and representatives from the Fraternal Order of Police, Lodge No. 9. Some municipalities have established coordinating councils that bring together members of local law enforcement departments, courts and the District Attorney to address court-related overtime and other concerns of joint interest. Possible areas for discussion include how many officers are called to testify, when they are called to do so and identifying cases that can be resolved more quickly with fewer officer appearances. In 2005, Nassau County, New York established an Early Case Assessment Bureau (ECAB) between its County Police Department and the District Attorney to identify which cases should be pursued more vigorously and which weak cases could be dropped to reduce court overtime.

The target for savings related to court overtime is 15 percent of the 2009 spending level or \$137,000 (15% x \$914,774).

Financial Impact

2010	2011	2012	2013	2014	Total
0	0	137,000	137,000	137,000	411,000

WF21.	Amend IAFF overtime calculation to reflect Fire Department shift change	
	Target outcome:	Cost reduction
	Five year financial impact:	\$1.3 million
	Responsible party:	Managing Director; Human Resources Director; Fire Department management
	Impacted employee group:	IAFF

As part of a broader restructuring of the Fire Department, this Recovery Plan requires that the City move from a 42-hour per week to a 53-hour per week shift structure to reduce the number of positions needed to provide full coverage.³⁴

Changing the shift structure will also reduce the Department’s overtime expenses even if the level of overtime usage remains the same.³⁵ Most of the Department’s firefighters make \$57,114 as Firefighter

³⁴ Please see the Fire Department chapter for more information.

³⁵ Please see the Workforce Chapter for initiatives targeted to reduce overtime usage.



IVs, which translates to \$26.15 per hour (\$57,114/2,184 hours).³⁶ The shift change addressed in initiative FD01 will increase the number of hours worked per year to 2,756 (53 per week x 52 weeks) which, in turn, changes the hourly rate to \$20.72 (\$57,114/2,756 hours).³⁷ Since overtime is paid at one-and-one-half times the hourly rate and the hourly rate will be lower, the overtime payment shall also be lower. The City shall amend its overtime calculation so that it reflects the lower hourly rate resulting from the shift change required in FD01.

Using the example above, an hour of overtime for a Firefighter IV currently costs the City \$39.23 (\$26.15 x 1.5). With this change, it will cost the City \$31.08 instead (\$20.72 x 1.5), or approximately 20 percent less. If the City kept the same level of overtime usage but paid it at a rate that was 20 percent lower, it would save another \$331,000 per year (\$1.65 million x 20 percent).

Financial Impact

2010	2011	2012	2013	2014	Total
0	331,000	331,000	331,000	337,000	1,329,000

WF22.	Adjust IAFF minimum overtime provision	
	Target outcome:	Cost reduction
	Five year financial impact:	See below
	Responsible party:	Managing Director; Human Resources Director
	Impacted employee group:	IAFF

Article XII, Section 2 of the collective bargaining agreement between the City and the IAFF provides that “[An] employee called to work at a time other than his scheduled work shift shall be paid at a minimum of four (4) hours at his overtime rate...” This provision shall be changed so that the employee is paid a minimum of four hours at straight time (i.e. the normal hourly rate), and this provision shall not apply to schedule and shift changes, nor to time worked immediately before or after the employee’s shift.

WF23.	Remove disincentive for mutual aid use from IAFF labor agreement	
	Target outcome:	Cost reduction; improved regional cooperation
	Five year financial impact:	See below
	Responsible party:	Managing Director, Human Resources Director, Fire Department
	Impacted employee group:	IAFF

Under the current collective bargaining agreement, the Department is required to call-back an equal number of off-duty firefighters if mutual aid companies are utilized. Reading's adjacent communities are willing and able to provide support during multiple alarm incidents, but they are seldom used for actual

³⁶ The City uses 2,184 in this calculation, which is the product of 52 weeks x 42 hours. The actual number of hours worked is 2,190 since each year has 52.14 weeks (365/7 days), not 52.

³⁷ The employee's total earnings for the year will remain the same since there will be more hours worked.



response due to this restriction. While the Fire Department should not rely solely on mutual aid to staff significant incident response, this is a tool that should be available to management. Any provision in the collective bargaining agreement between the City and IAFF that limits or restricts management's ability to use mutual aid shall be removed. Any provision in the collective bargaining agreement between the City and the IAFF that results in increased wages, compensation or costs to the City for the use of mutual aid shall be removed, including the payment of overtime and any requirement to recall members of the City force. The City shall seek to conduct joint training (at least annually) with its mutual aid partners to improve communication, understanding, and increase operational confidence. The Fire Chief and the Managing Director shall meet with their counterparts in nearby jurisdictions prior to the end of 2010 to describe this and other provisions of the Act 47 Recovery Plan and to seek their cooperation.

Projected impact of all overtime initiatives

These initiatives shall be part of a broader overtime cost reduction strategy that includes other, more operational initiatives in this Plan and other proposals suggested by the City and its employees. With the help of its labor counsel, the City shall also identify any other changes in past practices, collective bargaining agreement provisions or City ordinances that would enable the City to reduce its overtime expenses.

The target savings from this overtime reduction strategy are shown below inclusive of the financial impact amounts specifically projected above. Changing the pattern of base wage increases will reduce the amount of overtime paid (i.e. the cost per hour), but not the amount of overtime used. Most other changes target overtime usage. The additional target impact of the non quantified initiatives discussed above, which cover a variety of overtime drivers, is 15 percent for police and other departments and 10 percent for fire.³⁸

Financial Impact – Police Department Overtime

	2010	2011	2012	2013	2014	Total
Police overtime baseline expenditures	2,042,352	2,115,876	2,192,048	2,270,961	2,352,716	10,973,953
New baseline with base wage changes (WF07)	2,042,352	2,115,876	2,115,876	2,115,876	2,115,876	10,505,857
Court overtime savings (WF20)	0	0	137,000	137,000	137,000	411,000
Additional 15 percent savings (multiple initiatives)	0	0	296,831	296,831	296,831	890,494
Overtime target	2,042,352	2,115,876	1,682,045	1,682,045	1,682,045	9,204,362
Net change	0	0	510,003	588,917	670,671	1,769,591

³⁸ The lower target for fire reflects the implementation of other operational changes that will also reduce overtime. Please see the Fire Department chapter for more information.



Financial Impact – Fire Department Overtime

	2010	2011	2012	2013	2014	Total
Fire overtime baseline expenditures	1,653,456	1,712,980	1,774,648	1,838,535	1,904,722	8,884,341
New baseline with base wage changes (WF07)	1,653,456	1,653,456	1,653,456	1,653,456	1,686,525	8,300,349
Amend overtime calculation (WF21)	0	331,000	331,000	331,000	337,000	1,330,000
Restructure EMS Basic Life Support	0	158,000	158,000	158,000	162,000	636,000
Establish part-time EMS positions	0	17,000	17,000	17,000	17,000	68,000
Additional 10 percent savings (multiple initiatives)	0	114,746	114,746	114,746	117,053	461,289
Overtime target	1,653,456	1,032,710	1,207,710	1,207,710	1,232,473	6,334,060
Net change	0	680,270	566,937	630,825	672,250	2,550,282

Financial Impact – All Other Departments Overtime

2010	2011	2012	2013	2014	Total
0	17,000	17,000	17,000	17,000	68,000

Health care

WF24.	Redesign employee health care	
	Target outcome:	Cost reduction
	Five year financial impact:	\$8.3 million
	Responsible party:	Finance Director, Human Resources Director
	Impacted employee group:	All employee groups

As in other cities, containing the growth in the cost of employee health insurance costs is critical to Reading's financial recovery. The City currently makes a monthly premium contribution toward the cost of each employee's medical, prescription drug, dental and vision coverage that ranges from \$445 to \$619 for single coverage and \$1,335 to \$1,892 for family coverage. The exact amount varies depending on the employee's bargaining unit and the plan selected. Meanwhile employees contribute a fixed dollar amount toward the cost of their health care, leaving the City liable to cover all increases in the cost of insurance.³⁹

³⁹ AFSCME 2763 members are an exception in that they contribute a percentage of base salary toward their health insurance premiums. While their contributions rise in conjunction with base salary, the growth in health insurance premium costs usually outpaces annual wage increases.



Effective after Plan approval, the City shall make the following maximum monthly premium contributions to employee health care coverage for each active employee enrolled in City-provided health insurance. The City's maximum monthly premium contribution includes medical, prescription drug, vision and dental coverage. It also includes all payments toward health insurance premiums and benefit costs, as well as any taxes, surcharges, penalties, assessments, and other charges and costs which the City is required to pay under the new federal health care legislation, and any amendments, regulations, or other such state or federal statutes and regulations. The maximum costs to be paid by the City toward health insurance costs shall be fixed at the following monthly rates:

Maximum City Monthly Contributions – IAFF, AFSCME 3799, Non-represented Employees

	2011	2012	2013	2014	2015
Employee Only	450	473	497	521	548
Employee + Spouse	914	960	1,008	1,058	1,111
Employee + Child(ren)	914	960	1,008	1,058	1,111
Family	1,341	1,408	1,479	1,553	1,631

Maximum City Monthly Contributions - FOP and AFSCME 2763

	2012	2013	2014	2015	2016
Employee Only	473	497	521	548	575
Employee + Spouse	960	1,008	1,058	1,111	1,167
Employee + Child(ren)	960	1,008	1,058	1,111	1,167
Family	1,408	1,479	1,553	1,631	1,712

Employees shall be responsible for covering any additional monthly premium costs associated with employee health insurance (including medical, prescription drug, vision and dental coverage).

The City's maximum monthly premium contributions in 2011 are based on the projected cost for providing a level of benefits similar to what Commonwealth employees receive through the Public Employees Benefit Trust Fund (PEBTF). That Commonwealth plan has a different benefit structure than what many Reading employees currently receive. The Commonwealth Plan includes higher and tiered copayments for doctor's visits and prescription drugs and other elements that reduce the total plan cost. The City's third party administrator helped project the total cost of providing this level of coverage to City employees. The Coordinator then discounted the total costs by 15 percent to reflect an employee premium contribution of that amount. After 2011, City contributions grow by five percent each year. Any monthly premium cost increase in excess of that shall be paid by the employees. The City's contributions are the same across all employee bargaining units.

The impact of this initiative on individual employees will vary depending on their bargaining unit status (i.e. how much they contribute now) and the kind of coverage they currently receive (i.e. PPO or traditional indemnity). Employees may choose to keep the level of benefits they currently receive and pay any differences between the total premium cost and the City's maximum monthly premium contribution. Alternatively, employees may choose to reduce their monthly premium contributions through plan redesign, including increased office visit and prescription drug copayments, coinsurance or other cost sharing mechanisms, or changing the kind of coverage (i.e. switching from a traditional indemnity plan to a PPO). The employee's monthly contributions will also depend on the year-to-year growth in total premium costs.

One bargaining unit expressed interest in making the employee contribution amount contingent on base salary. In this structure employees in that bargaining unit with a lower base salary would pay less for coverage than employees in the same bargaining unit with a higher base salary. Employee groups may



structure their contributions to the cost of health care coverage such that the individuals' contributions vary relative to base salary **or other factors** so long as the City's total contribution to coverage for all employees in that bargaining group does not exceed the limits established above as determined by the Act 47 Coordinator. As noted above, the City's maximum monthly premium contribution includes medical, prescription drug, vision and dental coverage. It also includes all payments toward health insurance premiums and benefit costs, as well as any taxes, surcharges, penalties, assessments, and other charges and costs which the City is required to pay under the new federal health care legislation, and any amendments, regulations, or other such state or federal statutes and regulations.

The City shall conduct a full cost analysis of the proposed employee contribution structure to determine and assure the City's total contributions for employees in that bargaining unit do not exceed the limits established above for each year of the proposed collective bargaining agreement (or annually for non-represented employees). The City shall provide the full cost analysis information to the Act 47 Coordinator in form and content acceptable to the Coordinator as soon as possible for the Coordinator's review and approval. If the Act 47 Coordinator determines that the proposal results in City contributions that exceed the limits established above, the proposal shall be returned to the bargaining unit or employees and City for modification. The Act 47 Coordinator will not approve any cost analysis if the Coordinator determines that inadequate information is provided to verify the cost analysis or if the analysis is not provided in a timely manner. The intent of this provision is that the Act 47 Coordinator is the final decision maker as to the cost of any proposed employee contribution structure, whether that proposed structure is raised during labor agreement negotiations or during arbitration of any such agreement or at any other time.

The projected impact of this initiative for the City is \$596,000 in savings in 2011 rising to \$2.1 million in 2012 once it takes effect for all bargaining units. The total savings over five years are \$8.3 million.

Financial Impact

2010	2011	2012	2013	2014	Total
0	596,000	2,051,000	2,559,000	3,128,000	8,334,000

WF25.	Contain post-retirement healthcare costs	
	Target outcome:	Cost Reduction
	Five year financial impact:	Long-term savings
	Responsible party:	Finance Director, Human Resources Director

Retiree healthcare coverage is available to all City retirees and their spouses until the retiree reaches age 65 or qualifies for Medicare/Medicaid coverage or unless the retiree is eligible for similar coverage at no greater premium. Retirees have access to medical and prescription coverage at the same level of care as current active City employees.⁴⁰ Cost of coverage is fixed at the rate paid by the retiree on the day of their retirement. As such, though healthcare costs will certainly increase for the City over the course of the retiree's coverage, the cost to the retiree and their spouse remains static, which places the full burden of upward climbing healthcare premiums on the City. To contain costs associated with these benefits, the following modifications shall be made:

- The City shall no longer provide retiree healthcare to employees hired following the date of adoption of this Recovery Plan or following the expiration of the existing collective bargaining agreements.

⁴⁰ AFSCME 3799 retirees are not eligible for prescription coverage.



- For all employees retiring after the date of adoption of this Plan (or following the expiration of the existing collective bargaining agreements), increases in healthcare premiums after the date of retirement (including prescription coverage) shall be paid by the retiree. Vision coverage shall continue to be paid for by the retiree.
- The City shall maintain the level of benefits provided to existing retirees but shall retain the right to change the provider. The healthcare, pension or other benefits currently provided to existing retirees and vested employees shall not be increased.

The primary impact of this initiative will be to improve the City’s long-term fiscal position, particularly in view of the City’s current \$26.7 million liability for other post-employment benefits like retiree health care coverage.⁴¹

WF26.	Other health care cost containment measures	
	Target outcome:	Cost Reduction
	Five year financial impact:	N/A
	Responsible party:	Finance Director, Human Resources Director
	Impacted employee group:	All employee groups

During review of the draft Recovery Plan, the Coordinator received two suggestions for cost control efforts that the City shall pursue.

- **Eligibility audit:** The City shall conduct an eligibility audit to ensure that only eligible employees, spouses and dependents are covered under employee health insurance plans, including prescription drug, dental and vision coverage. This will help identify any cases where the City may be providing insurance to ineligible people (e.g. retired employees who work elsewhere, former spouses of employees). The City shall approach its third party administrator about conducting such an audit no later than 90 days after the approval of this Plan.
- **Joint purchasing:** The City shall pursue opportunities for the joint purchase of employee health insurance. The City is proceeding with a joint consulting engagement involving the other four cities previously studied by the Pennsylvania Economy League (i.e. Easton, Bethlehem, Lancaster and York). One bargaining unit also raised the possibility of jointly purchasing health insurance with Commonwealth employees or other regional governments (Berks County, Reading School District).

⁴¹ Please see the Pensions and Other Post-Employment Benefits chapter for more discussion and additional initiatives related to retiree health care coverage.



Workers' Compensation

WF27.	Enhance light duty program	
	Target outcome:	Cost reduction; enhanced staffing
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director and department heads
	Impacted employee group:	All employee groups

The City shall establish a light duty program that is administered consistently across all injured employees, regardless of bargaining unit status. The program shall give City management flexibility to assign employees to light duty positions anywhere within City government, provided that the position is temporary and within the medical limitations as set forth by the employee's treating physician. The injured worker shall keep the benefits and emollients of his or her original bargaining unit, regardless of the temporary assignment.

As noted above, light duty programs reduce the costs associated with worker injuries and increase the likelihood that an employee will return to work. They also give the City a structured opportunity to use the skills of its injured workers to improve service delivery.

WF28.	Retain flexibility to fill vacant positions after six months	
	Target outcome:	Cost reduction; enhanced staffing
	Five year financial impact:	N/A
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	All employee groups

The City reportedly cannot fill an employee's position as long as they are receiving Worker's Compensation. Instead the City must reduce its level of service or use another employee to fill the vacancy, potentially on overtime, while still compensating the original injured employee. It is appropriate and fair to compensate an employee during recovery, but that should not limit the City's ability to provide critical services or force the City to pay additional costs for an extended period. Therefore, the City shall have the right to fill an injured employee's position and if necessary, terminate employment after 12 months of continued leave of absence.

Management rights

As noted earlier in this chapter, it is critical that City officials have the proper tools to direct employees to perform critical public safety and public service functions to protect the health and welfare of those living, working and visiting Reading. This is particularly true given the extraordinary operational and administrative challenges facing managers resulting from the City's financial crisis.



WF29.	Improve flexibility to assign qualified firefighters to duties as needed	
	Target outcome:	Improved efficiency
	Responsible party:	Managing Director, Human Resources Director; Fire Chief
	Impacted employee group:	IAFF

Under the current labor agreement, EMS employees who are qualified as firefighters but hired as paramedics are not permitted to transfer (i.e., bid) to open positions in Fire Suppression. Similarly, employees promoted to Lieutenant Fire Inspector or Training Officer are not permitted to transfer to an open lieutenant position in Suppression, even though they were certified and promoted through the same civil service testing process as Lieutenants in Fire Suppression. These restrictions limit management's ability to shift qualified employees into open slots and address workload needs and discourage employees from broadening their professional skill sets, which would ultimately improve their effectiveness in understanding and furthering the Department's mission. Thus, any such limitation on transfers in the collective bargaining agreement or related documents (i.e. Memorandums of Understanding, side letters) shall be eliminated.

Additionally, management shall have the right to unilaterally assign fire suppression employees to supplement ambulance staffing when fire operations staffing levels are above minimum. Management shall have the right to unilaterally assign qualified EMS employees, firefighters working as fire inspectors and firefighters working as trainers to Fire Suppression when fire operations staffing levels are below minimum or to supplement staff as needed. This will give the Department flexibility to utilize its cross-trained firefighter-paramedics (including those currently assigned to the EMS division) as part of a single staffing pool as needed on a daily basis.

WF30.	Review and restructure fire academy training	
	Target outcome:	Increased efficiency; enhanced staffing
	Responsible party:	Managing Director, Human Resources Director; Fire Chief
	Impacted employee group:	IAFF

There is a history of labor grievances and past practices that restricts Department management's ability to effectively, efficiently and creatively address changing service needs, especially through training. For example, the Department occasionally hires a group of new employees with varying levels of experience; some with significant firefighting experience and certification and others with none. The current collective bargaining agreement requires all new hires, regardless of prior experience and certification, to undergo the full six month training program with the goal that training is uniform across all department employees. However, this means highly-qualified, certified new employees, who could otherwise be immediately assigned to a platoon, must complete six months of oftentimes redundant training. Similarly, there is hesitation among some chief officers to conduct drills and training on their assigned shift. The current collective bargaining agreement mandates that unless all four shifts complete the same training, it is contrary to the agreement's uniform training provisions.

The City shall remove such barriers to training in the collective bargaining agreement. That agreement shall be modified to allow tailored training of new employees based on their current certification levels. The Department's Second Deputy Chiefs shall conduct individual and multi-company drills, evaluate and



document skill competence and confidence, and in conjunction with the First Deputy Chiefs, conduct annual performance evaluations for firefighters on their shift.

With the support of the Human Resources Department, the Fire Department shall also analyze whether the City should outsource fire recruit training to an external entity, such as a community college. Any collective bargaining agreement provision prohibiting the Department from making this change, including those in related documents (e.g. Memorandums of Understanding, side letters), shall be eliminated, though the City management may decide in its own discretion not to pursue outsourcing.

WF31.	Change first step of grievance process	
	Target outcome:	Cost reduction
	Responsible party:	Managing Director, Human Resources Director
	Impacted employee group:	IAFF

Article XIX, Section 2 of the City’s collective bargaining agreement with the IAFF establishes a process for resolving grievances related to the agreement. The first step in the process requires the Fire Chief or his designee to respond to each grievance in writing with his reasons for the response within 12 days. If the response is not provided in this time frame, it is “viewed as being sustained.” While the 12 day threshold is an understandable effort to prevent stalling, this process shall be changed so that the grievance proceeds to the next step in the process if the Chief does not respond in that period. This will balance the need to expedite the process with the possibility that some grievances may be too complicated or numerous for an adequate response within 12 days.

Other initiatives

As described above, there are initiatives located in other chapters of this Recovery Plan that may require changes to the City’s collective bargaining agreements. Although those initiatives are discussed elsewhere, it is the express intention of the Act 47 Coordinator and the City that the implementation of these initiatives is mandatory and that all necessary amendments be made to the labor agreements between the City and any of its bargaining units entered into after the adoption date of this Recovery Plan.⁴² Those initiatives include, but are not limited to the following:

- Engage the County in discussions regarding the transfer of E911/dispatch functions (Police chapter)
- Reduce headcount in 2012 (Police chapter)
- Establish an auxiliary police officer position (Police chapter)
- Change current shift schedule (Fire chapter)
- Eliminate one of the three aerial fire apparatus and replace a second with a quint apparatus (Fire chapter)
- Restructure EMS Basic Life Support unit staffing plan (Fire chapter)

⁴²In some cases, recommendations may represent reaffirmation or clarification of existing management rights. Although most recommendations would require changes to collective bargaining agreements for union-represented personnel, inclusion of any specific recommendation herein should not automatically be interpreted to imply that the practice is currently constrained.



- Establish part-time EMS positions to address vacancies and planned stand-by events (Fire chapter)
- Implement an engine company inspection program (Fire chapter)
- Evaluate potential further consolidation of fire stations (Fire chapter)
- Complete a job study and update job descriptions (Human Resources chapter)
- Do not provide benefits which exceed those allowed by the Third Class City Code (Pensions and OPEB chapter)

It is also the specific intent of the Act 47 Coordinator that no provisions of any collective bargaining agreements, memoranda of understanding, side agreements, interest arbitration awards, grievance arbitration awards, settlement agreements, nor any other documents nor past practices may be interpreted or applied, nor may any new provisions be added to any such agreements or documents, which would have the effect of additional costs to the City for the implementation of any of these initiatives, or of any of the initiatives in this Recovery Plan. This includes by way of illustration but not limitation, severance pay, overtime, premium pay and additional hours of work.

If any provision(s) or initiative(s) of this Recovery Plan is (are) found to be unlawful, then the City shall compute the costs of not implementing such provisions and initiatives and shall negotiate with the appropriate union, if applicable, to reduce the wages or other compensation of the affected employees to offset such costs in each year of the Recovery Plan and subsequent years until an amended Plan is proposed and adopted. If no agreement is reached, then the wages of the affected employees shall be reduced to offset such costs. If any provision(s) of a current collective bargaining agreement is (are) found to extend past the current term of that agreement and would prevent the implementation of any provision(s) or initiative(s) in this Recovery Plan, then the City shall compute the costs of not implementing such provision(s) and initiative(s) and shall negotiate with the appropriate union to reduce the wages or other compensation of the affected employees to offset such costs; if no agreement is reached, then the wages of the employees shall be reduced to offset such costs.



Pensions and Other Post-Employment Benefits

Overview

The City of Reading provides defined benefit pensions and other post-employment benefits (OPEB) to employees, including retiree health insurance. The specific level of benefits varies depending on an employee's bargaining unit, but all employees receive a defined benefit pension based on average salary calculations and retiree health insurance provided at the same rate offered to active employees. The current structure of Reading's pension benefits and OPEB places the burden of funding mostly on the City, rather than the employee or other contributor.

City of Reading Retirement Benefits Summary

	Police Officers	Fire Fighters	Officers & EEs (non-uniformed employees hired after 1988)
Retirement Eligibility	20 Years of Service (YOS)	20 YOS	Age 65 with 10 YOS
Benefit Formula	60% of average annual salary, increasing to 70% with 25 YOS	50% of average annual salary	2% of average monthly comp times YOS (capped at 25 YOS)
Service Increases	2.5% of pension benefit for each YOS over 20 (max of \$500/month)	2.5% of pension benefit for each YOS over 20 (max of \$500/month)	1.25% of average monthly comp for each YOS over 25
Components of Final Average Salary	Base salary + Longevity + Holiday pay	Base salary + Overtime + Longevity + Holiday pay	Base salary + Longevity
Full Vesting	12 YOS	12 YOS	10 YOS
Contributions	6.5% of base salary plus \$1/month	5% plus \$5/month	3% of gross monthly compensation
Purchasing Years	Up to 5 YOS	None	None
Deferred Retiree Option Program (DROP)	Eligible after 20 YOS and can participate up to 5 Years	Eligible after 20 YOS and can participate up to 5 Years	None

Finances

To fund pension benefits, Pennsylvania municipalities are required to make annual contributions to pension funds to ensure that sufficient money will be available when current and future beneficiaries retire. The annual contributions required under Commonwealth law are referred to as the minimum municipal obligation (MMO). The MMO is determined based on actuarial calculations and results in an annual contribution by the City after state pension aid, investment earnings, and employee contributions have been taken into account.

In recent years, the City's pension payments have varied widely, as shown in the following table. As described later in this chapter, City pension payments have not always aligned with the MMO and there is some dispute as to whether the City has made all required pension contributions in certain years. The



Act 47 Coordinator, building on work performed by the Commonwealth's Act 47 Consultative Evaluation, has begun to identify these discrepancies, but additional work is needed to verify prior contributions, identify any shortfalls, and ensure that retiree benefits are safeguarded.

Historical Expenditures – Pension & Other Post-Employment Benefits

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	Growth %
Pension payments	4,752,072	5,784,810	1,785,396	3,372,392	2,411,631	-49.3%

Source: City of Reading Budget Data

In 2009, the General Assembly enacted legislation which significantly impacts the MMO for local government, referred to as Act 44. The Act provided municipalities flexibility in various actuarial calculations to mitigate the impact of stock market declines in 2008 and 2009 that would otherwise have required short-term spikes in MMO payments. Act 44 also creates three distress levels for municipal pension plans, based on how well-funded a retirement plan is (the "funding ratio"), and includes voluntary and/or mandatory remedies at each level of distress.

A major source of pension funding in addition to the MMO is state aid. Historical contributions from the Commonwealth have been significant and are an important part of the City of Reading's pension funding strategy. Total state aid mainly comes from a tax on out-of-state insurers, and the amount of aid provided to municipalities is based on the number of active municipal employees with more than 6 months of service, with Police and Fire employees counting double. Act 44 requires that deferred retirement option program (DROP) participants be excluded from active, eligible employee totals. The aid formula does not have a component related to a City's pension distress level or the municipality's financial situation.

Historical State Pension Aid (in Millions)



Source City of Reading Budget

State aid declines

Commonwealth pension aid to Reading grew modestly between 2005 and 2008, however, it dropped in 2009. There are two main factors which affected the change in state aid last year: decreases in the tax revenue which funds the aid and eligible employee reductions in Reading due to DROP enrollments, retirements, and position reductions. Based on these criteria, it is expected that Commonwealth aid for



Reading will continue to decline. Declines in state aid have and will increase the amount the City must pay to make up for increases in annual contribution requirements.

Impact of pension bonds

Another part of the City's funding strategy was to issue pension bonds in 2006. The City issued \$48.7 million in pension bonds and infused the proceeds into all three pension plans to improve funding levels immediately. After this infusion, unfunded liabilities were small and the aggregate funding ratio was above 90 percent. That is, using typical actuarial assumptions, the City's pension fund assets were greater than 90 percent of its liability, or the amount needed to pay benefits to all currently active and retired employees. While this did improve pension funding, it did not eliminate the liability. Instead, this approach replaced one liability with another because it raised the City's overall debt obligations and debt service requirements.

The strong funding ratio was short-lived, however. The economic downturn and stock market declines in 2008 and 2009 had a substantial negative impact on all three City of Reading pension plans. Aggregate funding levels were 77.9 percent as of January 1, 2009. At current levels, Reading's pension system qualifies for Level I Distress, allowing the City to take advantage of Act 44 provisions to mitigate the impacts of stock market losses in 2008 and 2009.

Status of Reading Pension Plans, as of January 1, 2009

Plan	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Actuarial Accrued Liability	% Funded
Fire	49,852,024	6,439,256	56,291,280	88.6%
Employees & Officers	53,650,657	7,149,927	60,800,584	88.2%
Police	78,139,191	38,074,261	116,213,452	67.2%
Aggregate	181,641,872	51,663,444	233,305,316	77.9%

Source: Plan Actuarial Valuation Reports

State audits reveal underfunding

Each municipality receiving state pension aid is required to make annual reports to the Commonwealth's Auditor General (AG). In addition, the AG conducts regular audits of all municipal pension plans. The most recent AG report for Reading, issued to the City in 2008, included several key findings. Among them was a finding that the City misreported data on the number of eligible employees for state aid determinations, which resulted in the state overpaying the City. Another was that the City underpaid its MMO by approximately \$1.5 million in 2007. Highlights of the AG report include:

Police Pension Plan

- Effective January 1, 2007, the City provides benefits to police retirees that are in excess of the Third Class City Code. Further, the benefits were changed without adequate cost estimates to gauge the true impact of the changes. The City has not changed those benefits to align with the Third Class City Code.
- The City understated its Police payroll by more than \$3.0 million in 2007, resulting in a miscalculation – and \$1.0 million underpayment – of the MMO in 2007. The City was instructed to make that payment, with interest, although it has not yet done so.



Fire Pension Plan

- The City did not make its full MMO payment to the Fire plan in 2007 because it believed that pension bond proceeds deposited in 2006 covered the requirement. The Commonwealth disagrees, and states that the City fell \$500,000 short of its required payment in 2007. The City was expected to contribute that amount, with interest, although it had not done so by the time of the AG report. It does not appear that the payment has been made subsequently.

Officers and Employees (Non-Uniformed)

- The City of Reading failed, during the period reviewed by the AG, to pay fully the plan's 2005 MMO by approximately \$9,000. This occurred because the City received an overpayment in state aid during a previous year. The City repaid that amount to the Commonwealth but did not make a concurrent payment into the pension fund. Reading officials agreed with the finding, but it is not clear that this payment was ever made.

The City satisfied the Commonwealth's concerns on the issues related to payroll data, however, the concerns over Police benefits and MMO payments appear to be unresolved. These two issues are addressed in the Initiatives section of this chapter. In general, during the period covered by this Act 47 Recovery Plan, the City faces rapidly increasing pension payments to cover underpayments in prior years, investment losses in recent years, and changes in the number and composition of its workforce. While future pension payment requirements can change somewhat depending on investment returns and subsequent biennial pension MMO calculations, much higher pension contributions requirements are likely and are a major reason why the City will have difficulty reaching budget balance from 2010 to 2014. Projected baseline pension contributions for this period are shown in the table below.

Projected Baseline Expenditures – Pension & Other Post-Employment Benefits

Category	2010 Budget	2011 Estimate	2012 Estimate	2013 Estimate	2014 Estimate	% Change
Pension payments	3,729,341	9,135,768	9,135,768	9,805,383	10,158,377	172.4%

It is critical that the City make up prior deficient payments and make timely future payments to avoid costly and unaffordable penalties to ensure that resources will be available to meet the City's commitment to its former, current and future employees.

Other post-employment benefits

In funding retirement benefits, the City has focused largely on pensions. The City also provides retirees with medical and life insurance benefits, though, for which no reserves have been established. Instead, these benefits have been funded on a pay-as-you-go basis. This approach is easier in the short term, but exposes the City to substantial, unaffordable increases in retiree health costs particularly in future years.

In 2004, the Government Standards Accounting Board (GASB) issued Statement 45 (GASB 45) requiring local governments to begin treating OPEB costs as liabilities in financial reporting by the end of 2008. In other words, governments are expected to treat OPEB in the same manner as pensions and eventually should pre-fund these benefits through VEBAs or other trust accounts. According to a January 1, 2009 valuation, Reading's current OPEB liability is \$26.7 million. As health insurance costs increase and more employees with health insurance coverage retire, the City can expect this number to increase. With Reading's current financial status, immediate OPEB funding is impossible, however it should be part of the City's long-term financial strategy.



Conclusion

The City of Reading's pension system poses one of the greatest threats to the City's future financial stability and survival. The City has granted pension and other post-retirement benefits it cannot afford on its weak tax base and has failed to fully fund those benefits. Transition to a more affordable retirement package for City employees and enforcement of funding requirements for that package are critical.

Initiatives

The initiatives below help the City take advantage of Act 44 provisions, address the Commonwealth's concerns, comply with regulations, and institute better fund management practices.

PN01.	Take advantage of Act 44 remedies	
	Target outcome:	Budgetary relief
	Five year financial impact:	\$4.6 million
	Responsible party:	Finance Director

As discussed in the chapter, Act 44 included several remedies for municipalities to mitigate market losses from 2008 and 2009, with additional options for those in Level I Distress. The City has already elected to use the actuarial asset smoothing provision which values assets at 130 percent of market value on the January 1, 2009 valuation date, resulting in a reduced MMO. A second, voluntary remedy available to Reading as a Level I Distressed City allows the City to make a reduced MMO payment for two years.

The City shall use the provision in Act 44 which allows it to defer 25 percent of its MMO for two years. Therefore, the City shall make 75 percent of its MMO payment in FY2011 and FY2012. The reduced payment will provide the City with much-needed budget relief as it phases in implementation of various other initiatives in this Act 47 Recovery Plan. Once the City receives an official distress determination, the chief administrative officer of each plan must submit a proposed MMO calculation to City Council by September 30, 2010 and implement remedies in the 2011 budget that must be finalized by December 31, 2010.

The balance of these reduced payments will be included in the City's outstanding liability beginning with its January 1, 2011 pension valuations. The outstanding payments may be amortized over several years. Further, there has been significant market growth since the City's last valuation on January 1, 2009. These two factors should help to diffuse the impact of deferring the full MMO payments.

It is important to note that this one-time deferral is included in the Recovery Plan only because of the City's dire financial condition and the extraordinary historic losses suffered by pension plans nationwide in 2008. The City must make all other required pension payments in 2010, 2011, and 2012, and this Recovery Plan requires a return to full annual MMO payments beginning in 2013.

In order to ensure compliance with this initiative and others in this chapter, the City shall forward to the Act 47 Coordinator and City Council within one week of receipt or filing all actuarial studies and estimates of pension MMOs, pension funding and OPEB liability; copies of state aid filings and notices of amounts of state aid; communications from the AG regarding pension audits, funding and compliance; and the amount and timing of deposits to each pension fund.



Financial Impact

2010	2011	2012	2013	2014	Total
0	2,280,000	2,280,000	0	0	4,560,000

PN02.	Deposit 2007 unpaid MMO balances	
	Target outcome:	Compliance
	Five year financial impact:	(\$1.5 million)
	Responsible party:	Finance Department

The City shall work with the Commonwealth and the Act 47 Coordinator to develop a payment plan to satisfy the amount of all MMOs which have not been fully paid as soon as possible. Failure to do so may result in loss of Commonwealth aid which would further deteriorate the plans' funding status. A payment plan must be arranged with the Commonwealth within 90 days after the approval of this Act 47 Recovery Plan.

PN03.	Do not provide benefits which exceed those allowed by the Third Class City Code	
	Target outcome:	Compliance
	Five year financial impact:	N/A
	Responsible party:	Finance Department; Managing Director; City Solicitor

The documents governing each of the City's three active pension plans shall be amended and restated to comply with the applicable provisions of the Code (for federal income tax purposes) and all applicable statutes of the Commonwealth. Specifically, the City shall amend the Police Pension Plan to conform to the applicable benefit limitation provisions of the Third Class City Code. The City shall pursue all avenues to (i) immediately amend the plan to limit benefits prospectively for the retired participants receiving excess benefit amounts and (ii) pursue immediately amending the plan to cease benefit accruals in excess of applicable limits to active participants. Due to the federal and state compliance issues and the risks it poses to the City and the affected employees, the City should not wait until the next collective bargaining round to pursue these changes.

As discussed earlier in this chapter, the City has been cited by the Auditor General for providing benefits in excess of the Third Class City Code. According to the Police plan's 2009 valuation, the enhanced benefits provided to Police bargaining unit members in 2007 increased the City's unfunded liability by \$8 million and increased the MMO by \$1.2 million. The 2005 provision which increased the maximum benefit for service longer than 20 years increased the City's liability by \$3.5 million and the MMO by \$500,000. The City's actuary calculates that these two provisions cost the City \$1.7 million annually.

As long as the enhanced benefits remain in place, the Commonwealth may decline to provide aid for the excess benefits, which will result in a reduction in the percentage of plan benefits funded with state aid. As long as the excess benefits are in place, the City is exposed to the risk of the Commonwealth reducing or eliminating its annual pension contribution.



PN04.	Comply with the Internal Revenue Code	
	Target outcome:	Compliance
	Five year financial impact:	N/A
	Responsible party:	Pension Administrator

The ordinances creating the three retirement plans for the City of Reading do not meet the requirements of the federal Internal Revenue Code that are applicable to governmental pension plans. It does not appear that the City has sought a determination from the IRS that any of the plans are qualified under the applicable provisions of the Code. This process involves bringing the current plans into compliance from a federal tax-qualification perspective, which will minimize the potential for significant penalties during the determination letter process and preserve the plans' tax-exempt status.

With respect to federal income tax compliance, use of the Internal Revenue Service's Employee Plan Compliance Resolution System for Governmental Plans should be considered and the plans shall promptly seek an IRS determination letter in time to meet the January 31, 2011 IRS deadline.

PN05.	Eliminate overtime from the firefighter pension benefit calculation for new hires	
	Target outcome:	Long-term Savings
	Five year financial impact:	N/A
	Responsible party:	Finance Department; Managing Director

Of the three pension plans available to City of Reading employees, only the Firefighters Plan includes overtime in final salary for the purposes of pension benefit calculations. As discussed in the Workforce chapter, overtime is a significant driver of City expenses and the average firefighter earns more than \$10,000 per year in overtime. This is a costly benefit for the City. The City shall eliminate overtime from the pension calculation for IAFF-represented employees hired after the expiration of the current agreement. This change will still provide plan members with solid retirement income, pursuant to a formula consistent with other City employees, while moderating long-term pension liabilities and improving the health of the firefighters' pension fund.

PN06.	Eliminate the DROP program	
	Target outcome:	Cost Savings; Maintain state pension aid levels
	Five year financial impact:	(\$2 million)
	Responsible party:	Finance Department; Managing Director

The City shall eliminate the deferred retirement option plan ("DROP") provisions contained in the police and firefighter's plans as soon as possible. The DROP provisions have significant cost implications for the Recovery Plan and have the effect of reducing state aid under the applicable provisions of the DROP law. Elimination of the program shall be part of the collective bargaining process discussed in the Workforce chapter.



For each active full-time employee, the City receives approximately \$3,000 in state pension aid. Public safety officers (fire and police) count as two units, so the City receives approximately \$6,000 for each, but Act 44 requires that DROP participants be excluded from any state pension aid calculations. In Reading, police and fire employees are eligible to enter the DROP program at 20 years of service; the number of fire employees entering DROP is capped at 10 annually. According to the City's December 31, 2009 payroll records, 54 police and 40 fire employees are eligible to enter the DROP program during 2010. By the end of this plan (December 31, 2014), 160 employees will be eligible to either retire or enter DROP. When employees enter DROP rather than retire, the City cannot replace them and therefore completely loses out on the state pension aid. If the maximum allowable fire employees (10) and half of the eligible police employees enter DROP each year, the City will lose \$2 million in state pension aid over five years.

Financial Impact

2010	2011	2012	2013	2014	Total
(222,000)	(336,000)	(414,000)	(489,500)	(573,500)	(2,034,000)

PN07.	Explore creation of a new, less expensive defined benefit plan for new employees	
	Target outcome:	Long-term Savings
	Five year financial impact:	N/A
	Responsible party:	Finance Department; Managing Director

By December 31, 2010 the City shall commission an actuarial and policy study of options for creating new pension tiers for future hires to reduce pension liabilities through approaches such as increasing the minimum retirement age, increasing vesting requirements, and/or moderating payout formulas. The City may also investigate options for the creation of a supplemental defined contribution plan for future hires integrated with the new defined benefit plan, and building on its work developing a defined contribution plan option for non-represented employees.

PN08.	Make a portion of the annual City pension contribution earlier in the year	
	Target outcome:	Investment gain
	Five year financial impact:	N/A
	Responsible party:	Finance Department

Once cash management plans are developed (discussed in the Finance Chapter), the City shall make at least ten percent of its annual pension contribution in the first half of the fiscal year, and shall seek to increase that figure to thirty percent as it achieves financial recovery. In recent years, the City has made its pension payments on October 31. Making pension contributions earlier in the year consistently over a long period of time allows additional time for pension asset growth both through interest and market gains and ultimately reduces the City's required MMO. Recognizing that in the short run the City must balance tight cash flows with the need to generate investment return, this initiative requires that the City make an effort to make at least some contribution to the funds throughout the year, rather than at year's end.



PN09.	Explore a defined contribution plan for retiree medical costs	
	Target outcome:	Long-term Savings
	Five year financial impact:	N/A
	Responsible party:	Finance Department; Managing Director

The City shall explore options for a defined contribution (DC) plan for post-employment health benefits for employees hired under new contracts who are ineligible for City retiree medical coverage. For example, design options might include individually managed or collectively managed DC alternatives. Under both approaches, employees would make an irrevocable election to participate in the plan and make contributions. Under an individually managed approach, employees could have separate, pre-tax retiree accounts that might be supplemented by such resources as conversion of unused sick leave. Under a collective DC plan, trustees would be responsible for allocating benefits based on available resources. In both cases, such DC approaches could potentially be tied to access to participate in the City health insurance plan, with such retirees paying the full, true cost (splitting retirees and actives into separate plans to avoid an implicit rate subsidy), drawing on the new DC accounts to help offset such premium contribution requirements.

PN10.	Eliminate City contribution to retiree life insurance for new hires	
	Target outcome:	Cost Savings
	Five year financial impact:	N/A
	Responsible party:	Finance Department; Managing Director

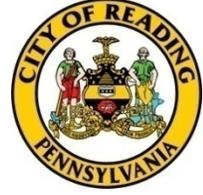
The City of Reading currently pays the full retiree life insurance premiums for Fire union members. This represents a portion of the City's current OPEB liability. Members of the Fire union receive \$50,000 of coverage until age 70 at the City's expense. The City shall require that employees hired after expiration of the existing collective bargaining agreements pay 100 percent of premium costs if they opt for such coverage.

Other Initiatives

Along with the initiatives outlined above, the following initiatives impacting pension issues are detailed in other sections of this Recovery Plan:

- Moratorium on further improvements to pension benefits, as well as various labor-management changes to reduce growth in the base payroll would be expected to have a favorable effect on actuarial calculations (Workforce Chapter)
- Multiple labor-management changes (Workforce Chapter)





III. Elected and Executive Officials

Office of the Mayor

Overview

The Mayor is the chief executive officer and is responsible for enforcing the laws of the Commonwealth of Pennsylvania and the ordinances of the City of Reading. The Mayor has the power to appoint all department directors, with the confirmation of City Council. The Mayor's Office works in conjunction with the Office of the Managing Director in the administration of government affairs. The Mayor's Office also interacts with other departments as is needed. The Mayor is aided in carrying out his responsibilities to the citizens and City Council by an administrative aide and executive assistant (Chief of Staff).

Budgeted Headcount – Office of the Mayor

2006	2007	2008	2009	2010
3	3	3	3	4

Finances

The Mayor's Office added a position in FY2009, the Mayors Against Illegal Guns (MAIG) Coordinator, which affected salary, fringe benefits and other personnel expenditures. This position is funded through grants to the City.

Historical Expenditures – Office of the Mayor

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	142,304	150,501	155,121	154,506	208,345	46.4%
Fringe Benefits ¹	12,615	14,424	28,792	37,551	51,274	306.4%
Temporary Wages	0	280	3,744	873	630	0.0%
Pension	13,851	13,875	0	4,775	6,777	-51.1%
Social Security	10,886	11,535	12,153	11,886	15,884	45.9%
Training & Education	140	2,499	1,756	635	2,682	1814.8%
Equipment	177	0	0	0	0	-100.0%
Supplies & Postage	800	4,953	11,694	7,312	5,122	539.9%
Contract & Consulting Services	3,573	36	8,607	4,634	2,662	-25.5%
Programs & Events	4,731	9,324	10,222	3,358	7,172	51.6%
Miscellaneous	4,055	8,572	9,206	5,841	4,701	16.0%
Total	193,132	215,998	241,296	231,372	305,250	58.1%

¹ The "fringe benefits" category is the cost of employee health care insurance.



Salaries, fringe benefits and other personnel expenditures include costs related to the recently added MAIG coordinator. For FY2010, this position is funded by a grant. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.

Projected Baseline Expenditures – Office of the Mayor

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	211,225	218,829	226,707	234,868	243,324	15.2%
Fringe Benefits	56,632	61,729	67,284	73,340	79,941	41.2%
Pension	6,029	0	0	0	0	-100.0%
Social Security	16,264	16,850	17,456	18,085	18,736	15.2%
Training & Education	2,000	2,050	2,101	2,154	2,208	10.4%
Supplies & Postage	5,000	5,125	5,253	5,384	5,519	10.4%
Contract & Consulting Services	2,500	2,563	2,627	2,692	2,760	10.4%
Programs & Events	3,500	3,588	3,677	3,769	3,863	10.4%
Miscellaneous	8,250	8,456	8,668	8,884	9,106	10.4%
Total	311,400	319,189	333,773	349,177	365,456	17.4%

Initiatives

OM01.	Work with City Council to modify and revise City ordinances as necessary to implement the Recovery Plan	
	Target outcome:	Plan implementation
	Five year financial impact:	N/A
	Responsible party:	Mayor's Office; City Council; City Clerk

This Recovery Plan contains initiatives that require new ordinances, resolutions and regulations as well as other official actions. The Mayor shall work with the City Council and other stakeholders to enact any such legislation and regulations and shall take all other actions required to accomplish the initiatives set forth throughout this Recovery Plan in a timely manner.



City Council and City Clerk

Overview

The City of Reading has six District Council Members who are elected by each of the City's six districts, with a Council President elected by the entire City. The body of Council is charged with the responsibility of developing legislative initiatives and budget priorities to promote public welfare. This body oversees the performance of the government management to improve service delivery and outcomes while also monitoring spending to ensure compliance with the approved budgets and financial plans.

City Council is empowered to call for investigations and audits, and they retain an independent auditor to provide an annual independent audit. The voting public depends on City Council to keep watch over the administrative running of the government and to enact laws that will help ensure a good quality of life for all Reading residents and businesses.

The City Clerk is the director of the legislative branch and is responsible for managing the operations of City Council by providing leadership and administrative support, implementing Council policies and providing quality services to the people of Reading.

The City Clerk maintains accurate legislative records and performs other services to the body of Council such as public relations, drafting and reviewing ordinances, legal research, and acting as a liaison with the City Administration and other entities. The City Clerk also assists Council in areas such as setting agendas, developing a Council Action Plan and coordinating appointments for the City's Boards, Authorities and Commissions.

City Council and City Clerk – Budgeted Department Headcount

2006	2007	2008	2009	2010
10	10	10	10	10

Finances

The nature of City Council and City Clerk functions are such that departmental expenditures are mostly personnel related. Miscellaneous items include costs for City-wide advertising and codification of ordinances.

Historical Expenditures – City Council and City Clerk

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	128,450	128,936	141,059	127,301	125,743	-2.1%
Fringe Benefits ¹	19,076	27,572	52,104	31,773	30,920	62.1%
Temporary Wages	0	32,473	23,770	37,251	38,457	0.0%
Pension	13,242	13,875	0	4,775	6,777	-48.8%
Social Security	6,379	12,348	12,609	12,588	12,561	96.9%
Training & Education	519	3,501	2,939	2,298	686	32.2%

¹ The "fringe benefits" category is the cost of employee health care insurance.



Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Supplies & Postage	1,176	3,884	4,408	1,140	1,534	30.4%
Programs & Events	7,334	3,048	8,116	7,000	4,208	-42.6%
Miscellaneous	35,949	28,291	29,183	26,565	27,130	-24.5%
Total	212,125	253,929	274,188	250,692	248,016	16.9%

Projected Baseline Expenditures – City Council and City Clerk

The City projected a slight increase in legal expenses for FY2010, which is included in the Miscellaneous category. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	166,871	172,878	179,102	185,550	192,229	15.2%
Fringe Benefits	28,316	30,864	33,642	36,670	39,970	41.2%
Pension	6,029	0	0	0	0	-100.0%
Social Security	13,721	14,215	14,727	15,257	15,806	15.2%
Training & Education	3,153	3,232	3,313	3,395	3,480	10.4%
Supplies & Postage	5,000	5,125	5,253	5,384	5,519	10.4%
Programs & Events	5,000	5,125	5,253	5,384	5,519	10.4%
Miscellaneous	34,300	35,158	36,036	36,937	37,861	10.4%
Total	262,390	266,597	277,326	288,578	300,385	14.5%

Initiatives

CC01.	Modify and revise City ordinances as necessary to implement the Recovery Plan	
	Target outcome:	Plan implementation
	Five year financial impact:	N/A
	Responsible party:	Council President and Members; City Clerk

This Recovery Plan contains initiatives that require new ordinances, resolutions and regulations as well as other official actions. City Council shall enact any such legislation and regulations and shall take all other actions required to accomplish the initiatives set forth throughout this Recovery Plan in a timely manner.



CC02.	Hold annual town hall meeting on City's progress	
	Target outcome:	Community engagement; transparency
	Five year financial impact:	N/A
	Responsible party:	Council President and Members; Mayor

The City Council, working with the Mayor, shall hold an annual town-hall style meeting to update City residents on the Act 47 process, the City's progress towards implementing the Recovery Plan and any other relevant issues. The Council shall provide public notice of the meeting at least ten days in advance of the scheduled date.



City Auditor

Overview

Article V of the City's Home Rule Charter establishes a City Auditor position which is filled by municipal election every four years. By charter the Auditor's responsibilities include:

- Independent financial oversight and review of all expenditures made by the Administration, City Council and City boards, agencies and commissions. This includes review of invoices and paychecks for clerical or accounting related mistakes.
- Prepare the annual departmental budget for the City Auditor's Office.
- Review the City's annual budget and provide non-binding recommendations to City Council.
- Perform internal audits as determined by City Council or the Auditor's own discretion.
- Assist the independent auditor in its review of City finances and monitor implementation of any findings or recommendations.
- Direct internal financial security and loss investigation activities.
- Review proposed capital projects and, once projects are complete, audit them to determine if the actual cost varied from the project budget.

Beyond these charter-specific responsibilities, the Auditor monitors and analyzes the receipts of major revenue items (e.g. real estate, earned income tax, deed transfer tax) and reviews trends related to the tax exempt property in the City. The Auditor may conduct performance audits of City operations to determine if they are functioning efficiently and effectively. Practically, the office's small size – the only staff are the Auditor and one support position - precludes this kind of analysis. The Auditor sits on the boards that administer employee pension funds.

Budgeted Headcount – City Auditor

2006	2007	2008	2009	2010
2	2	2	2	2

As noted above, the Auditor has one support staff person who helps review invoices and payroll for accuracy and ensures charges are applied to the correct account. That person is also able to provide general administrative support through her Spanish language skills.

Finances

The table below shows personnel related expenditures for the City Auditor's Office. Because of the Office's small scale of operations, non-personnel costs (i.e. supplies and materials) are integrated into the Finance Department's budget.



Historical Expenditures – City Auditor

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	88,464	90,889	93,350	96,312	98,144	10.9%
Fringe Benefits ¹	8,698	10,417	21,762	21,182	29,492	239.1%
Pension	8,841	9,250	0	3,183	4,518	-48.9%
Social Security	6,767	6,953	7,141	7,368	7,508	10.9%
Total	112,770	117,509	122,254	128,045	139,662	23.8%

Assessment

The charter gives the Auditor the broad responsibility of “financial oversight of City finances.” Given the City’s range of financial activities and the critical need to identify as many opportunities to increase revenue or reduce expenses as possible, the potential workload associated with this oversight responsibility far outweighs the Office’s limited auditing capacity of one person. The current Auditor accepts this limitation and the unlikelihood that the City can afford more auditing staff in the short term.

Given these resource limitations, the Auditor monitors the collection of specific revenues, such as real estate, earned income and deed transfer taxes, and prepares an annual report on the tax exempt properties. On the other side of the ledger, the Auditor reviews expenditures to ensure they are charged to correct lines, reviews biweekly or monthly pay checks for significant errors and generally watches for compliance with the City’s charter. The Auditor also supports the external auditing firm that works with the Finance Department in preparing the City’s annual financial reports.

Projections

The table below shows the Auditor’s budgeted expenses for 2010 and projected expenses through 2014. The projections are based on the growth rates explained in the Plan Introduction. Because the City’s projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.

Projected Baseline Expenditures – City Auditor

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	97,812	101,333	104,981	108,761	112,676	15.2%
Fringe Benefits	28,316	30,864	33,642	36,670	39,970	41.2%
Pension	4,019	0	0	0	0	-100.0%
Social Security	7,483	7,752	8,031	8,321	8,620	15.2%
Total	137,630	139,950	146,655	153,751	161,266	17.2%

¹ The “fringe benefits” category is the cost of employee health care insurance.



Initiatives

Despite the office’s limited resources, the Auditor has an important role in monitoring the City’s finances. Several initiatives throughout the Plan require better monitoring, management and communication of financial performance. While the primary responsibility for implementing those initiatives is often assigned to Finance or other departments, the Auditor can contribute to that effort and the City’s financial recovery.

CA01.	Support Recovery Plan implementation and the external audit process	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A
	Responsible party:	City Auditor

The City Auditor shall support the implementation of the initiatives throughout this Recovery Plan where they align with the charter responsibilities listed at the beginning of this chapter. The Auditor may be particularly helpful in reviewing the Quarterly Financial Reports, providing input on improvements to the annual budget document and strengthening procurement controls.²

CA02.	Establish process for coordinating and responding to external audits	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A
	Responsible party:	Finance Director and designated staff; Auditor

High-performing cities develop written responses to the comments and recommendations that external auditors provide in their annual reviews. The responses include whether the Administration agrees (and why), the plan for addressing the issue and the time frame for doing so. Currently the City Auditor and the Finance Department’s Accounting and Treasury Division share responsibility for interacting with the external auditor with the Finance Department taking the lead. The Finance Director and City Auditor shall discuss how to handle supporting the external auditor, responding to the external auditor’s requests for information and providing a written response to recommendations. The Finance Director and City Auditor shall also discuss how the City Auditor can assist in implementing other initiatives in the Finance Department Chapter and elsewhere as appropriate. For example, the City Auditor may be able to support the Information Technology Division in conducting staff training on the USL financial system. The Finance Department chapter has a parallel initiative to emphasize dual responsibility for this initiative.

² Please see the Finance Department chapter for more information on these initiatives.



CA03.	Complete post project completion audits for capital work	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A
	Responsible party:	City Auditor

While the Reading Home Rule Charter calls for the City Auditor to complete post capital project completion audits, the audits were not a common occurrence until earlier this year. The Charter states, “The purpose of the post audit is to confirm the estimates of costs and explain any deviation between actual and estimated costs.” Regular reporting on capital projects is one of the most basic ways to gather information that will inform decision makers on how well the capital program is working and highlight opportunities for improvement.

Like many other governments, the City faces obstacles that have compromised its ability to deliver capital projects on time and on budget. The ongoing completion of post project audits will help identify project or program obstacles. While not as applicable on straightforward capital equipment purchases, the Auditor shall provide post completion audits for other projects such as construction or rehabilitation. Those audits shall contain the following:

- Explain variances in the actual budget and completion time table relative to the initial proposal. For example, if multiple change orders are processed for a single project, the audit shall explain the respective causes of each change order. Tracking whether change orders result from an inaccurate original project estimate, rising construction costs, unanticipated project changes or other issues will provide the City with better data to evaluate and improve its capital project planning, budgeting and execution.
- Evaluate the City’s performance based on factors discussed in the Capital Improvement Plan chapter and others as the City Auditor, Administration, City Council, Act 47 Coordinator or Commonwealth Department of Community and Economic Development deem relevant.

Over time, the post project audits will likely identify recurring issues (e.g. inaccurate cost estimates for construction projects) that would be a clear signal where corrective action is necessary. The end result would be an improved capital delivery system to contribute to the City’s overall recovery.

Additional initiatives

As noted above, the chapters for the Department of Finance and Capital Improvement Plan are relevant to the City Auditor, as are the chapters on Debt Service and Revenue.



Managing Director's Office

Overview

The Managing Director serves as the City of Reading's Chief Administrative Officer. The Managing Director is appointed by the Mayor, with City Council approval, and reports directly to the Mayor on all City affairs. Responsibilities of the Office primarily include working with all departments to establish specific administrative objectives that address the needs of the community and are responsive to the City Council. The Managing Director's Office is also responsible for enforcing the provisions of the City Charter and all ordinances, resolutions and motions of City Council. The Managing Director's Office works closely with the Finance Department to determine the City's financial resources, and in turn, which services it can provide and at what level.

Budgeted Headcount – Managing Director's Office

2006	2007	2008	2009	2010
2	2	2	2	3

The Managing Director's Office has been through several transitions in the last five years, resulting in a dramatically shifting headcount. At various times between 2006 and 2008, the Managing Director's Office has included Information Technology, Property Maintenance Inspections, Zoning, Trades Inspections, the Call Center, and the Office of Neighborhood Development. While these divisions have transferred in and out, the core headcount has remained steady. A third position was added in 2010 and funded through a Commonwealth grant.

The Managing Director's Office has also implemented a High Performing Organization (HPO) plan, which sets annual goals and tracks progress towards these goals. The aim of the HPO plan is to provide strategic direction for City departments and employees. Part of this plan is employee training, including Lean Six Sigma certification. By early 2010, the City had made substantive progress on all but one of its 2009 goals, and outlined several more goals for 2010.

Finances

In FYs 2008 and 2009, the Managing Director's Office housed the City's newly created Call Center, which caused an increase in personnel costs for those years. The Call Center was shifted to the Finance Department for FY 2010. Miscellaneous expenditures in FYs 2005 through 2007 are attributable to advertising spending. In those years, the City budgeted all advertising through the Managing Director's Office.

Historical Expenditures – Managing Director's Office

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	142,691	174,440	126,349	269,110	295,768	107.3%
Fringe Benefits ¹	17,396	18,381	77,306	68,699	81,915	370.9%
Temporary Wages	0	0	0	8,064	0	N/A
Overtime	0	0	0	125	0	N/A

¹ The "fringe benefits" category is the cost of employee health care insurance.



Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Pension	11,668	17,995	15,000	14,718	13,554	16.2%
Social Security	10,916	13,345	11,806	21,213	17,002	55.8%
Penny Fund	0	9	0	274	51	N/A
Utilities	0	0	0	934	1,538	N/A
Training & Education	1,737	2,639	1,851	682	0	-
Equipment	0	244	0	0	0	N/A
Supplies & Postage	899	3,245	0	4,127	3,502	289.4%
Miscellaneous	15,210	11,892	16,409	3,106	125	-99.2%
Total	200,517	242,190	248,721	391,053	413,456	108.0%

Assessment

The Managing Director's Office is involved in most aspects of City management, and therefore is involved with many of the large-scale challenges facing the City. In addition to the HPO plan, the Office has successfully implemented a work plan process where City departments are expected to devise and follow an annual set of goals.

As with many City departments, there have been frequent leadership changes in the Managing Director's office. These leadership changes can be difficult for departments to navigate, as each Managing Director has his/her own unique style and set of expectations. Establishing annual work plans and performance reports as discussed in the Plan Implementation chapter will help to temper some of these transitions.

As in previous years, most of the Managing Director's Office expenditures in the future are personnel-related expenses. Pension costs are discussed for all departments in the Workforce Chapter.

Projected Baseline Expenditures – Managing Director's Office

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	209,500	217,042	224,856	232,950	241,337	15.2%
Fringe Benefits	28,316	30,864	33,642	36,670	39,970	41.2%
Pension	19,519	0	0	0	0	-100.0%
Social Security	16,027	16,604	17,202	17,821	18,463	15.2%
Miscellaneous	1,500	1,538	1,576	1,615	1,656	10.4%
Total	274,862	266,048	277,275	289,057	301,425	9.7%

There are no specific initiatives for the Managing Director's Office, however, the Office is clearly integral to the successful implementation of most Plan initiatives.





IV. Financial Management

Finance Department

Overview

The Department of Finance handles many functions that are traditional for a government's finance unit – budgeting, accounting, purchasing – and some that are not, such as the Call Center and Information Technology. The specific units within the Department are:

- The **Director's Office** oversees the administrative aspects of the Department. The Director supervises the managers of the other units and reports to the Managing Director. This unit also includes a Grants Coordinator who is responsible for identifying, drafting and submitting grant proposals and filing all mandatory reports once a grant is awarded.
- The **Accounting and Treasury** divisions are combined under one supervisor with employees responsible for recording the City's financial transactions, maintaining the general ledger, paying obligations due¹ and processing City receipts. In 2008 the City moved pension administration from the Human Resources Department under Accounting and Treasury.
- The **Tax Administration and Budget Management Division** administers and collects the City's major taxes, including property, earned income, business privilege, local services and per capita. This unit processes property tax bills for Reading residents. Berks County handles that function for all other municipalities. The manager who oversees tax administration and collection also supports the Finance Director in preparing the annual budget.
- The **Purchasing Division** has one employee, the Procurement Coordinator, who handles purchasing for all City departments. She is authorized to secure quotes for purchases between \$500 and \$10,000. Purchases of goods over \$10,000 are done through a formal bidding process. Procurement of professional services over \$10,000 are done through a Request for Proposal (RFP) process. City Council must approve any purchases over \$50,000.
- The **Call Center** receives requests and complaints from residents and tracks the City's response, much like the 311 system used in other cities.² There are two intake employees who answer phones from 8 am to 5 pm, Monday through Friday. Residents also have the option of submitting requests or complaints online. Once the call is received, the Center is primarily responsible for tracking the status of the call through a Hansen database and ensuring that it is appropriately resolved. The Center was part of the Managing Director's Office in 2008 and 2009.

The Department also oversees the Information Technology Division, which is discussed in a separate chapter. The City moved Information Technology under the Managing Director from 2006 through 2008 before returning it to the Finance Department.

Staffing

Setting aside the changes related to Information Technology and the Call Center, the Department has reduced its budgeted headcount from 29 employees in 2006 to 26 in 2010. The Tax Administration unit previously used temporary employees, but stopped doing so in 2009. In May 2010, Reading voters elected to combine the Human Resources Department director and the Finance Department director positions into a single Director of Administrative Services position.

¹ The Human Resources Department is responsible for payroll.

² The Call Center is not responsible for sewer-related complaints.



Budgeted Headcount – Finance Department

	2006	2007	2008	2009	2010
Director's Office	5	5	5	4	3
Accounting & Treasury	9	9.25	8	9	9
Purchasing	1	1	1	1	1
Tax Administration	14	14.5	14	14	13
Information Technology	N/A	N/A	N/A	8	9
Call Center	N/A	N/A	N/A	N/A	3
Total	29	29.75	28	36	38
Total w/out IT & Call Center	29	29.75	28	28	26

Other resources

The Department is the primary user of USL, the software package for budgeting, accounting and purchasing. The financial data managed through the system is available to all departmental directors. The City contracts with two firms for delinquent tax collection. Delinquent real estate tax accounts are collected by Portnoff Law Associates, while the Per Capita tax delinquencies are collected by Linebarger Tax Collection. The City also contracts with Wachovia which provides a “lockbox” that receives payments from City residents for utility bills and other payments.

Finances

The table below shows the Finance Department’s expenditures across all its units excluding Information Technology for the period from 2005 through 2009. That Division is addressed separately in its own chapter. The unusual trend in pension spending is explained in the chapter on that subject.

Historical Expenditures – Finance Department (excluding IT)

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	924,827	1,012,538	1,106,788	1,089,954	1,073,162	16.0%
Fringe Benefits ³	281,094	295,124	382,511	333,379	351,276	25.0%
Temporary Wages	19,281	35,957	27,190	34,227	29,425	52.6%
Premium Pay	2,625	1,260	420	2,030	1,120	-57.3%
Overtime	1,733	4	7,180	1,273	212	-87.8%
Pension	104,725	138,750	0	46,165	60,911	-41.8%
Social Security	68,528	103,095	87,334	86,252	90,205	31.6%
Penny Fund	646	616	672	540	277	-57.2%

³ The “fringe benefits” category is the cost of employee health care insurance.



Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Training & Education	10,192	7,796	6,866	4,114	1,755	-82.8%
Equipment	12,696	12,535	2,540	6,367	2,648	-79.1%
Supplies & Postage	149,537	181,607	173,194	135,747	79,596	-46.8%
Rentals	29,757	25,345	0	26,676	28,031	-5.8%
Contract & Consulting Services	250,566	221,204	200,618	239,920	250,173	-0.2%
Miscellaneous	40,321	4,414	1,943	15,545	15,595	-61.3%
Total	1,896,529	2,040,244	1,997,257	2,022,189	1,984,387	4.6%

Assessment

The Finance Department has been at the center of the financial storm that has precipitated the City's entry into distressed status. It has had some of the same challenges as other departments related to changes in leadership, structure and technology and limited flexibility to add staff, even when sorely needed, given the City's financial condition. However, the Department has also had important successes.

The Tax Administration eliminated a large backlog of tax collections that accumulated starting in 2004 after staff reductions and the City's changeover to new management software. In 2007 that Division successfully implemented the change in earned income tax rate associated with Act 1 as voters elected to raise the earned income tax rate and reduce the property taxes, resulting in a two earned income tax rates in one year. The Accounting and Treasury Divisions have worked out initial challenges with the lockbox system discussed in a 2006 study of department operations, and the process now runs effectively. The City established a call center to improve customer service, and service level agreements developed there have helped improve the timeliness of the City's responses to resident concerns. The current Finance Director has made progress in drafting policies that will govern the budget process and budget versus actual tracking. The Director has begun issuing regular reports on the City's spending and revenue collection relative to its budget, giving Council and other directors a better understanding of the City's financial standing. It is worth noting that these accomplishments have come against a backdrop of ongoing structural deficits that impact all City departments, but perhaps none more directly and daily than Finance.

Nevertheless, like the structural deficit, more challenges remain and impact each of the Department's units.

As discussed in the introduction, the Department's financial records appear to be primarily based on the modified accrual form of accounting. Under this method, expenses are recorded when the liability is incurred, rather than when it is paid. A bill that is received in December 2008 but not paid until January 2009 is charged against (or "accrued to") 2008. In Reading, revenues are recorded when they become available and measurable through the first 60 days of the following fiscal year. If tax revenue is collected in January 2009 for service delivered in 2008, it is "accrued to" 2008. If that revenue is collected in March or later, it is applied to the current fiscal year.

This accrual presentation is valuable and important in the proper context. Auditors provide this analysis on an annual basis to the Commonwealth, investors, creditors and other financial institutions so they can evaluate the City's financial health. But in a budgetary context, accruing revenues back to the previous year is problematic since it overstates the amount of money that is actually available for use in that year. In the previous example, the tax revenue may be accrued back to 2008 but it was not actually available to



pay bills until it was received in 2009. Therefore, annual figures may overstate the amount of revenue available to meet obligations, resulting in an annual result that appears more positive than actually experienced.

The Coordinator has requested the City's historical expenditures on a cash basis to determine the extent of a cash flow deficit – the inability to pay General Fund obligations using General Fund revenue as they come due. Finance staff believe such a deficit exists, but have not been able to provide historical numbers to quantify it. The City does not have a cash flow report and was unable to provide comprehensive, accurate records of all the accrual adjustments that would be necessary to recreate these historic reports. Staff also noted that certain liabilities (such as the City's \$1.5 million obligation to employee pension funds for 2007) are eliminated from the City's interfund payables list under the hope that they will be paid later, and then returned to the list if not paid.

The City's collection rate for per capita and local services taxes (LST) are low relative to other demographic information and other cities' performance. Census data shows 56,928 residents over the age of 18 who should each be paying \$5 to the City and \$10 to the School District. The total City collections in 2008 were \$73,695, or enough to cover only a quarter of the estimated tax base.⁴ The City's receipts from the local service tax dipped from \$1.7 million in 2007 to \$1.2 million in 2008, assumedly in concert with Commonwealth mandated changes in the way the tax is withheld by employers and remitted to the City. While municipalities across the Commonwealth experienced this same drop off in 2008, most saw revenues rebound to some extent in 2009. Reading reported less LST revenue in 2009 (\$1,975,567) than in 2008, indicating that other issues may hinder collection. The City's delinquent tax collector pursues delinquent earned income tax (EIT) revenue but comprehensive collection requires more resources. Most of his time is spent administering payment plans for delinquents the City has contacted, not pursuing those it has not.

In purchasing, the one-person staff level has made it difficult for the City to do more than execute the process in place. There is little time to pursue strategic initiatives that could save money, such as exploring new opportunities for joint purchasing,⁵ online bidding or ensuring that multiple departments are not buying the same thing separately and losing the leverage that comes from volume purchasing. There is also little time for outreach to Minority and Women Business Enterprises (MWBE) who might be eligible to respond to City bids but uncertain how to do so. The low staffing level is such that the Purchasing Coordinator indicated she may be the only person who was fully familiar with the purchasing capability in the financial management system.⁶

Finance staff also expressed frustration with other departments' seeking to circumvent the purchasing controls in place. Most purchases are handled through a purchase order process that requires the three different approvals (Department Director, Finance Director and Purchasing Coordinator). There is also an accounts payable process which requires fewer approvals to facilitate purchasing in emergency situations. By using the accounts payable process instead of purchase orders, some directors have been able to overspend their budget allocation before others realize it.

Projections

The table below shows the Department's budgeted expenses for 2010 and projected expenses through 2014 excluding those for Information Technology, which are presented in their own chapter. The projections are based on the growth rates explained in the Plan Introduction. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.

⁴ \$73,695 / \$5 per person = 14,739 people, which is 25.9 percent of 56,928 figure from the American Community Survey, 2006-2008.

⁵ The City does participate in the Berks County cooperative purchasing council and uses State and other municipalities' contracts where they are aware of them.

⁶ At the time of review, the Purchasing Coordinator indicated the Managing Director, who was formerly the Purchasing Manager, might be the best option to handle purchasing functions in her absence. The Managing Director has since left City employment.



Projected Baseline Expenditures – Finance Department (excluding IT)

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	1,211,715	1,255,337	1,300,529	1,347,348	1,395,852	15.2%
Fringe Benefits ⁷	379,645	413,813	451,056	491,651	535,900	41.2%
Temporary Wages	43,050	44,600	46,205	47,869	49,592	15.2%
Premium Pay	1,150	1,191	1,234	1,279	1,325	15.2%
Overtime	2,200	2,279	2,361	2,446	2,534	15.2%
Pension	62,225	0	0	0	0	-100.0%
Social Security	91,504	94,798	98,211	101,746	105,409	15.2%
Utilities	2,400	2,472	2,546	2,623	2,701	12.6%
Equipment	1,800	1,845	1,891	1,938	1,987	10.4%
Supplies & Postage	70,565	72,329	74,137	75,991	77,891	10.4%
Rentals	29,448	30,184	30,939	31,712	32,505	10.4%
Contract & Consulting Services	234,100	239,953	245,951	252,100	258,403	10.4%
Miscellaneous	23,910	24,508	25,120	25,748	26,392	10.4%
Total	2,153,712	2,183,309	2,280,182	2,382,452	2,490,491	15.6%

Initiatives

As the steward and manager of the City’s finances, the Finance Department will be at the forefront of implementing the Recovery Plan and balancing the City’s finances. The initiatives in this section will help the Department improve financial controls and communication, streamline services and reduce costs.

Improved financial policies and controls

FI01.	Cash flow reporting and monitoring	
	Target outcome:	Improved budget management and fiscal controls
	Five year financial impact:	N/A
	Responsible party:	Finance Director and designated staff

As noted above, the City does not have a cash flow report, a critical and basic tool for ensuring there is sufficient revenue to cover obligations as they come due. Such a tool is even more critical when

⁷ The “fringe benefits” category is the cost of employee health care insurance.



municipalities are struggling to balance revenues and expenses as Reading is. As discussed in the Plan Implementation chapter, deploying a team of professionals to do a focused, detailed review of the City's accounting practices will help determine whether the City has historical financial information on a cash basis that would help assemble a cash flow budget and whether it is necessary to change any accounting practices to maintain and manage a cash budget. Once that determination has been made, the City shall make any recommended accounting changes. If the historical information does not exist, the Finance Director and designated staff will work with the Coordinator to establish interim cash flow projections and results for 2010 and monitor the results as appropriate going forward. Once the report is in order, the City shall provide it on a monthly basis to the Mayor, City Council, Act 47 Coordinator and Commonwealth Department of Community and Economic Development.

FI02.	Develop annual budget document	
	Target outcome:	Improved accountability and transparency
	Five year financial impact:	N/A
	Responsible party:	Finance Director's Office; Tax/Budget Manager

The City's annual budget document is a simple listing of revenues and expenditures with little or no narrative, context or strategic explanations. It is not possible for the reader to grasp the context for proposed spending, challenges and opportunities in the coming year or trends in revenue. Reading's budget is unusually sparse, even for Pennsylvania cities of the third class that often have limited ability to commit staff to budget production. While the Mayor's address is a helpful supplement, much more can be done.

Future budgets shall include:

- A budget message that describes priorities and issues for the budget for the coming year.
- Initial summary tables and charts that represent how the City receives and spends its money, key budget trends, underlying assumptions and other basic information.
- Revenues and expenditures by major class for at least the three prior years, current year budget, current year estimated, proposed budget, and three to five subsequent years. This information shall be presented to facilitate understanding of recent trends and the potential effect of the budget proposal. Fund balance shall be shown for each major fund as a figure and percentage of revenues and expenditures.
- An organization chart and a description of activities or services carried out by organizational units.
- Notes and descriptive text as needed to explain variances, changes, one-time events and unusual trends.
- Additional details shall be provided on major expenditures with a detailed breakout for items over \$25,000.

The budget shall present revenues and expenditures on a cash basis. Items shall not be presented on a modified accrual basis or a net basis (i.e. a revenue and related expense combined with the positive number shown as a revenue and the negative number as an expense). With the assistance of the Act 47 Coordinator, the City shall make annual improvements to integrate the elements above and other recommendations provided by the Administration, Council or City Auditor. It is understood that it will take more than one year to make these improvements. To provide additional incentive for improving its budget, the City should set a goal to achieve the Government Finance Officers Association (GFOA)



Award for Excellence in Budgeting within the next five years. Examples of award-winning budgets and standards for a strong budget are available through the GFOA.

FI03.	Create a system to charge back expenses to departments	
	Target outcome:	Improved accountability; reduced costs
	Five year financial impact:	N/A
	Responsible party:	Finance Director; Tax/Budget Manager

The City currently budgets certain expenditures for services and materials that all departments use in one department's budget. For example, the expense of maintaining police and fire vehicles does not appear in the Police and Fire Department. All fleet expenses are budgeted separately in Public Works. This makes it difficult to determine the true cost of providing a service and affects policy decisions since some departments seem less expensive and others more expensive than they actually are. It also disconnects the cost of using goods and services from the benefit of doing so, giving the user less incentive to manage those costs.

A system where departments are "charged back" for the goods and service they use creates more accountability and encourages more responsible use of those goods and services. The City currently uses charge backs for utilities, fringe benefits and fee-supported operations. The City shall implement a chargeback system to include, at a minimum, facilities maintenance, fleet maintenance, utilities (including vehicle fuel), and phone service costs.

It is difficult to project the savings associated with using charge backs, however, it is likely the City will receive some benefit from the increased accountability.

FI04.	Quarterly financial reporting	
	Target outcome:	Improved accountability; reduced costs
	Five year financial impact:	\$20,000
	Responsible party:	Finance Director and designated staff

With the Coordinator's support, the Finance Director and designated staff shall compile and circulate a Quarterly Financial Report detailing key budgetary metrics including, but not limited to, the following:

- Revenue revenues: Amount collected year-to-date, budget-to-actual, comparisons to prior year with accompanying narrative explaining any projected variance from budget projections.
- Expenditure performance: Amount spent year-to-date, budget-to-actual, comparisons to prior year with accompanying narrative explaining any projected variance from budget allocations.
- Staffing: Filled headcount by unit; filled-to-authorized positions; leave usage by unit

The Quarterly Financial Report can include any other explanatory narrative that the Finance Director deems relevant to the City's progress toward implementing Recovery Plan initiatives and the impact of those initiatives. The quarterly financial report shall be integrated with the quarterly performance report addressed in the Plan Implementation chapter and submitted accordingly. The Finance Director shall also conduct quarterly meetings with department directors to discuss the portions of the report that are



relevant to their operations and identify any potential risks for cost increases and opportunities for cost reductions. The current Finance Director has already made progress toward establishing this important dialog.

FI05.	Strengthen procurement controls	
	Target outcome:	Improved accountability; reduced costs
	Five year financial impact:	N/A
	Responsible party:	Finance Director and designated staff

As noted above, the Department has had difficulty ensuring that purchases are made through the purchase order process that requires multiple approvals and not through the accounts payable process that is intended for emergency situations. It is not clear whether the problem lies in insufficient policies or lack of adherence to the policies in place. The Finance Director and Purchasing Coordinator shall provide a full assessment of the problem to the Mayor, Managing Director and Act 47 Coordinator no later than 30 days after the approval of this Recovery Plan and recommend actions to address those weaknesses.

FI06.	Establish process for coordinating and responding to external audits	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A
	Responsible party:	Finance Director and designated staff; Auditor

High-performing cities develop written responses to the comments and recommendations that external auditors provide in their annual reviews. The responses include whether the Administration agrees (and why), the plan for addressing the issue and the time frame for doing so. Currently the City Auditor and the Finance Department’s Accounting and Treasury Division share responsibility for interacting with the external auditor with the Finance Department taking the lead. The Finance Director and City Auditor shall discuss how to handle supporting the external auditor, responding to the external auditor’s requests for information and providing a written response to recommendations. The Finance Director and City Auditor shall also discuss how the City Auditor can assist in implementing other initiatives in the Finance Department Chapter and elsewhere as appropriate. For example, the City Auditor may be able to supporting the Information Technology Division in conducting staff training on the USL financial system. The City Auditor chapter has a parallel initiative to emphasize dual responsibility for this initiative.

FI07.	Fund balance policies	
	Target outcome:	Improved financial controls
	Five year financial impact:	N/A
	Responsible party:	Finance Director

While this Recovery Plan projects that the City’s budget will be narrowly balanced through 2014, it is possible that the City could outperform projections through better-than-expected revenue performance, additional cost savings achieved or an unanticipated “windfall” financial benefit. The Government



Finance Officers Association (GFOA) recommends “at a minimum, that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating revenues.” To the extent that the City outperforms projections, the City shall seek to build and maintain an undesignated Fund balance equal to 5.0 to 15.0 percent of annual recurring General Fund revenues (approximately \$3.25 million to \$9.75 million if revenues are \$65 million). Any additional surplus shall be directed toward a dedicated Capital Reserve fund or the reduction of the City’s high debt service obligations.

Structural changes and cost reductions

FI08.	Transfer tax collection duties to other entities	
	Target outcome:	Reduced costs
	Five year financial impact:	\$1.4 million
	Responsible party:	Department Director and designated staff

The City has several opportunities to improve the efficiency of tax collection and reduce its own costs associated with those activities.

- The City has been discussing the transfer of property tax billing and collection responsibilities to Berks County government, which handles property tax billing for all other municipalities in the County. This would reduce the number of tax bills Reading residents receive since Berks County could consolidate the County and City levies onto one bill. This would also help the City avoid the billing problems associated using the County’s assessment data.⁸ The City shall continue these discussions toward the end of transferring this function to the County for the 2011 tax year.
- In July 2008, Governor Rendell signed into law Act 32, amending portions of the Local Tax Enabling Act related to earned income tax (EIT) collection. The Act lays out a three-year process for reducing the number of EIT collectors statewide from 560 municipalities, school districts and other collection bodies to 69 Tax Collection Districts (TCD). The Pennsylvania Economy League estimated a statewide loss of \$237 million a year due to problems with the current fragmented, decentralized collection structure. Reducing the number of EIT collectors will make administering and collecting the tax simpler and more efficient.

Under Act 32, Berks County will have one entity collecting EIT for all municipalities and school districts. The City of Reading does not intend to submit a bid to provide this service Countywide, which means another entity will assume this responsibility no later than January 1, 2012. One private company, Berks EIT, already collects EIT, business privilege tax (BPT) and local services tax (LST) for 57 municipalities and 14 school districts in Berks County. The City shall seek to expedite the transfer of EIT collection to a private company by January 1, 2011 if it is financially advantageous to do so.⁹

- The City shall transfer the collection of current and delinquent BPT and LST to another entity. Though this does not need to be done in conjunction with the EIT, doing so would improve the effectiveness of all collections since one entity could cross check the amount received from one tax with the amount owed on others to ensure there is full payment.

⁸ Please see the Information Technology Division chapter for more information.

⁹ The City receives a fee of five percent of total collections per year from the Reading School District for collecting its Earned Income Tax. Because of Act 32, the City will not collect that tax or receive the associated revenue after 2011. Because the City charges a higher collection rate than other options, the School District may use another collector in 2011.



The overall effect of these changes is that the City will eliminate all tax collection functions except those associated with current year Per Capita Tax revenue.¹⁰ This will enable the City to reduce its staffing by seven positions (six if EIT continues in 2011) resulting in annual savings of \$360,000. City may also lose some revenue in form of a payment to the outside tax collector. Given the likelihood of increased total revenue from improved collections and the conservative growth rate used for these taxes,¹¹ that cost should be negligible.

Financial Impact

2010	2011	2012	2013	2014	Total
0	294,000	354,000	364,000	376,000	1,388,000

FI09.	Eliminate the Reading Call Center or equivalent level of costs	
	Target outcome:	Reduced costs
	Five year financial impact:	\$691,000
	Responsible party:	Department Director

The City established a Call Center to centralize and improve its ability to respond to resident questions and complaints that were previously disbursed throughout City government. While this is a worthy goal, Reading cannot afford this operation unless it can eliminate a parallel number of positions to ensure the Center is at least cost neutral. Therefore, the City shall take action effective January 1, 2011 according to one of the options shown below:

- **Option A:** Eliminate the centralized call center and require each department handle the tasks individually. In place of the call center, department directors shall designate existing staff to track the department's response to resident complaints through the Hansen system. This person will also be responsible for submitting a monthly report to the Finance Department which includes the number of complaints, percent resolved and length of time to do so. Such reports will be integrated into the City's Quarterly Performance Report as discussed in the Plan Implementation chapter.
- **Option B:** Retain the Call Center but eliminate the equivalent salary, fringe, and operating spending elsewhere so that its operations are cost neutral. Any positions eliminated for the purpose of retaining the Call Center must be in addition to any position reductions discussed in this Recovery Plan. If, during the course of this Plan, the City does not achieve the equivalent savings outlined below, the Call Center will be eliminated.

Financial Impact

2010	2011	2012	2013	2014	Total
0	160,000	168,00	177,000	186,000	691,000

¹⁰ As noted earlier, the City uses a private vendor for delinquent PCT collections.

¹¹ Please see the Revenue chapter for more information.



F110.	Centralize billing and other administrative functions	
	Target outcome:	Improved efficiency; improved service; reduced costs
	Five year financial impact:	N/A
	Responsible party:	Department Director

The Administration plans to create a Citizens Service Center on the first floor of City Hall that would provide a more convenient common starting point for all residents who call or visit City Hall to pay tax and utility bills or seek service from the Community Development Department and Property Maintenance Inspection Division (e.g. plan review, business permits, rental permits). The Call Center, if maintained, would also relocate from the second floor of City Hall to the Service Center. This would require some reconstruction of City Hall's layout and the addition of wheelchair ramps and security measures. To the extent funding is available, it would come from the City's Capital Improvement Plan (CIP).

This is a worthwhile effort for improving customer service and, if done correctly, improving coordination and efficiency across City departmental boundaries. To gain the maximum benefit of centralizing staff, the City shall cross train its staff so that they can handle multiple requests for service effectively. Cross training and the improved use of available technology will help City reduce positions as required in the two previous initiatives.

The City shall also consolidate all billing efforts related to the General Fund, such as fire and burglar alarm registration and false alarm fees, within the Finance Department. The City is not capitalizing on some small revenue generating opportunities, including false burglar alarms, because it laid off temporary staff that handled those duties. Even if those staff were still in place, it is better to have one billing unit that can track payments due to the City across all units and require delinquent payments in one area before services are received in another. This will also allow other departments to focus on their core objectives.

F111.	Reduce manual processes	
	Target outcome:	Improved efficiency; improved record accuracy
	Five year financial impact:	N/A
	Responsible party:	Department Director

The Finance Department shall conduct a self-audit to identify processes and procedures where there is unnecessary manual data entry, data re-entry, document distribution in hard copies and other inefficiencies. The Director shall work with the Information Technology Division to identify and implement solutions that will reduce these inefficient, duplicative or paper-based processes and make the fullest use possible of existing technology.



F112.	Citywide 7.5 percent reduction in non-personnel expenses	
	Target outcome:	Reduced costs
	Five year financial impact:	\$2.9 million
	Responsible party:	Finance Director; all department heads

In the 2011 budget the following departments and units shall reduce annual spending on non-personnel related operating expenses by 7.5 percent below their 2010 budgeted amounts: Office of the Mayor, City Council, Managing Director, Finance Department, Public Works, Police, Fire, Community Development and Human Resources.¹² The required reduction applies to the whole department, allowing the flexibility to comply with it by making reductions in select units and spending lines instead of making a general across-the-board cut in all lines. For 2012, spending will remain at 2011 levels, and then increase by 2.5 percent annually thereafter. This initiative does not include reductions to utility costs, which are discussed in the *Utility and energy management* section.

Possible areas for reduction to comply with this initiative include without limitation: advertising, conferences/training, contingencies, contracting and consultant services, dues, equipment, fees, legal services, maintenance agreements, miscellaneous expenses, postage, printing, promotional activities, rentals, repairs, supplies and travel expenses.

Please note that, while the Finance Department is responsible for ensuring compliance with this initiative, there is shared responsibility across all department directors for identifying these savings.

Financial Impact

2010	2011	2012	2013	2014	Total
0	600,000	755,000	774,000	794,000	2,923,00

Utility and energy management

The City budgets expenses related to utilities, including electricity, light, gas, fuel and telephone, in its General Fund, typically in the Department of Public Works.¹³ As noted above, these costs are not charged back to the departments that use the utilities. The City's total utility expenses have dropped by 9.2 percent since 2005. Part of this is due to the City transferring expenditures on streetlighting to the Liquid Fuels Fund and out of the General Fund. Beginning in 2008, the City almost doubled the amount of streetlighting costs allocated to the Liquid Fuels Fund. While allowable, the Liquid Fuels Fund represents Commonwealth funding which is intended to be used to fund street repairs.

General Fund Utility Expenses

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	Change %
Electricity and light	695,883	661,070	490,017	533,872	641,380	-7.8%
Gas and fuel	710,030	750,456	813,466	997,485	659,050	-7.2%

¹² There are parallel initiatives in the Law Department and Reading Public Library System chapters. The City Auditor, Managing Director and Human Relations Commission do not have significant non-personnel operating expenditures.

¹³ The City budgets an additional \$1.2 to \$1.5 million in utility expenses in its Sewer Fund.



	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	Change %
Telephone	313,157	297,903	397,614	347,754	265,941	-15.1%
Other utilities	106,356	112,206	110,781	111,666	91,935	-13.6%
Total	1,825,425	1,821,636	1,811,878	1,990,776	1,658,307	-9.2%

In 2009, Honeywell conducted an energy audit for the City, and assisted with implementing specific energy improvements such as light sensors. Honeywell plans to issue a final report of its audit findings and impact of improvements in May 2010.

Given the need to pursue any possible savings and the opportunities created by ongoing advances in conservation and efficiency technology, the City shall identify and pursue opportunities to cut utility costs under the Finance Department's leadership. If necessary, the City shall shift staff or budgeted positions from the Department of Public Works to Finance to improve utility cost management.

FI13.	Monitor and manage utility services	
	Target outcome:	Reduced costs
	Five year financial impact:	\$293,000
	Responsible party:	Finance Director and designated staff

The City shall take the following steps to improve its management of utility costs.

- Monitor utility usage and billing for all facilities to track trends and exceptions. Costs shall be charged back to user departments as provided above.
- Review billing to ensure that the City pays only for those charges that are properly allocable to the City. Some municipalities have discovered unnecessary or duplicative accounts related to changes in facility ownership or occupancy and eliminated those charges for recurring savings. The City shall also ensure that any utility services to be paid by other parties using City facilities are billed promptly.
- Managing turn-on and turn-offs of facility meters, and ensuring that changes are enacted as requested; final meter readings are taken, where appropriate; and, generally, that the City has no more services than it needs.
- Pursue lower rates through direct negotiation or a reverse energy auction. In April 2010 the City of Cleveland, Ohio approved an aggregation contract that combines the City's electricity usage (including that of the Cleveland Hopkins International Airport and Cleveland Division of Water) with that of 60,000 residential customers and 10,000 small commercial customers to secure lower rates for all involved.

A reverse auction is an internet-based method of bidding for a supply of goods. In a reverse auction, pre-qualified contractors made blind bids in real-time in an online forum during a specified time period. Usually, when a lower price is given a few moments before the end of the auction, the deadline is extended.¹⁴ Online reverse energy auctions have become a popular means for public and private entities to procure lower energy costs.

¹⁴ Carletta Lundy. "DC Government Saves Millions in Energy Costs." The OCP Connection. Volume II, Issue II. February 2005.



- Reduce utility usage by investing in energy efficiency improvements. As energy conservation emerges as a national priority, the City should be alert for federal, Commonwealth and other external grants opportunities. In some cases the improvements can be funded directly from the savings they generate.

The City shall also pursue opportunities to work with other governments, especially Berks County and the Reading School District, to reduce utility costs. One possibility is to establish a utility cooperative with the County and School District to leverage the combined higher usage to negotiate lower rates. The City of Pittsburgh, Allegheny County and three authorities conducted a reverse energy auction together in January 2008 and successfully lowered electricity rates at certain facilities by eight percent.

The target savings from such efforts is three percent of total projected utility costs in 2011 rising by one percent each year.

Financial Impact

2010	2011	2012	2013	2014	Total
0	47,000	64,000	82,000	100,000	293,000

Other cost reduction and financial provisions

F114.	Develop a performance management system	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A
	Responsible party:	Finance Director

This Recovery Plan establishes a performance management report that tracks activity and achievement across all departments.¹⁵ Systematic reporting on performance against scheduled tasks and activities is essential to effective and efficient management of limited resources. In conjunction with the Quarterly Financial Performance report, the Finance Department shall track the following data points on a monthly basis.

- Number of bills issued by type
- Number and amount of payments processed
- Percentage of collected-to-billed revenues by type for major taxes, service charges and fees
- Number and amount of payments processed by method (e.g. check, credit card, automatic transfer, cash, online payment if available)
- Number of payments received and not processed due to error (e.g. unsigned check, check not enclosed, bounced check)
- Number of payments received and not processed for other reason (i.e. backlog)
- Number of requests for refund
- Amount of refunds processed
- Purchase orders processed
- Average time for purchase order approval
- Number of pension checks processed
- Number of pension check errors

¹⁵ Please see the Plan Implementation chapter for details.



Information Technology

Work requests received by department/unit

Work requests received by type (e.g. web update, software problem, hardware malfunction)

Work requests resolved by department/unit

Work requests pending as of quarter's end by department/unit

Number of days between work request received and initial Division response

Number of days between work request received and resolution

Training sessions held and attendance by department¹⁶

The Call Center, if it is maintained, is addressed in a prior initiative. There are additional reporting requirements related to Information Technology in the associated chapter.

Some data points will be more readily available and easier to track than others. It may be necessary to attain information related to tax collection from outside entities handling those functions. Under the direction of the Managing Director and the Finance Director, the City shall work to address technological, record keeping or other obstacles that arise. Department staff and City Council shall recommend other measures that it would like tracked with a brief explanation of what insight that measure would provide.

Additional initiatives

Aside from the initiatives referenced earlier in this chapter, others relevant to Finance operations appear in the Revenue, Debt Service, Pension and Post-Employment Benefits and Capital Budget chapters.

¹⁶ It is understood that not all departments will participate in each training session.



Information Technology

Overview

The City's Information Technology Division is responsible for maintaining and improving technology within the City including proprietary software, computers, internet connectivity and most mobile and telecommunications systems. The Division shares responsibility for maintaining the phone system with the Department of Public Works. The Division also manages the City's email and intranet systems, updates the website, produces reports from City databases for use by other departments and helps distribute advisories as necessary. The Division supports all City departments, the Reading Area Water Authority (RAWA) and the Reading Development Authority (RDA). The Reading Public Library System handles its information technology matters independently for itself and other libraries in Berks County.

The Division's budgeted headcount has remained relatively stable at nine positions since 2006, though the positions that make up that allotment have changed over time. The City added a web developer position in 2007 and a trainer and Public Safety Support position in 2010. Because of the City's financial limitations, the Division has generally had to eliminate one position before it could create another to meet the City's changing needs.

Information Technology Division – Budgeted Headcount

	2006	2007	2008	2009	2010
IT Manager	1	1	1	1	1
Lead Developer	1	1	1	1	1
Application Specialist	1	1	1	1	0
Network Analyst/Administrator	1	1	1	1	1
Developer	1	1	1	1	1
Web Developer	N/A	1	1	1	1
System Support Analyst	1	1	1	1	1
Public Safety Support	N/A	N/A	N/A	N/A	1
Trainer	N/A	N/A	N/A	N/A	1
GIS Coordinator	1	1	1	1	1
GIS Analyst - Public Works	1	0	0	0	0
GIS Analyst - Water/Sewer	0	1	1	0	0
Clerk Typist II	1	1	0	0	0
Total	9	10	9	8	9

The Division has the Geographic Information Systems (GIS) Coordinator and has previously had GIS analysts focused on particular areas (e.g. Water, Sewer, Public works). The City also has a GIS/Computer Aided Design (CAD) Technician outside the Division funded through the City's Water Fund.

The Division currently reports to the Finance Director as part of the Finance Department. The Division was also part of the Finance Department in 2005 before the City moved it under the Managing Director for 2006 through 2009. The following table shows the Division's historical expenditures for 2005 through 2009.



Historical Expenditures – Information Technology Division

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	343,011	400,379	380,173	376,037	379,422	10.6%
Fringe Benefits ¹	67,411	80,962	0	96,787	113,482	68.3%
Temporary Wages	0	0	0	0	3,885	0.0%
Pension	33,925	41,625	0	14,326	18,072	-46.7%
Social Security	25,586	30,629	29,138	28,767	29,323	14.6%
Penny Fund	34	31	0	0	0	-100.0%
Training & Education	2,485	17,775	10,569	4,466	3,368	35.5%
Equipment	230,888	180,446	51,848	26,319	30,686	-86.7%
Rentals	400	0	0	0	0	-100.0%
Contract & Consulting	324,988	461,198	474,448	662,048	608,247	87.2%
Fees	32,440	66,603	79,699	104,534	259,787	700.8%
Miscellaneous	0	9,605	112	0	0	0.0%
Total	1,061,168	1,289,253	1,025,987	1,313,284	1,446,272	36.3%

Much of the Division's expenditures – and much of the growth in those expenditures - is for maintenance agreements and software licenses (categorized as "contract and consulting" in the table above). Examples include agreements and licenses associated with the City's GIS software, Records Management system and 911 terminal. As the City adds new systems or upgrades existing ones, the expenditures in this line grow. While these expenditures are budgeted in this Division, they relate to technology used by all units of City government. Fees related to the City's phone and wireless services are also budgeted here.

Separate from the General Fund expenses shown above, the City funds larger equipment purchases and upgrades in its Capital Improvement Plan (CIP). Recent capital investments include a disaster recovery system (\$1.25 million) and a new air conditioning unit (\$100,000).

The major programs and systems maintained by Information Technology include:

- Hansen Enterprise Resource Planning (ERP) system:** The City launched the use of this Microsoft product between 2003 and 2005.² The program is designed to manage most non-public safety departmental operations including property maintenance inspections, zoning, housing permits and health permits. The system also handles account management and billing for property taxes, recycling/trash charges, water charges and sewer charges. The City's experience with this system is addressed further below.

¹ The "fringe benefits" category is the cost of employee health care insurance.

² The City launched the tax portion in 2003, recycling/trash in 2004 and water billing and property maintenance in 2005.



- **USL Financials:** The City launched the use of this financial ERP system in 2003. It is used primarily by the City's Finance Department for budgeting, accounting and purchasing functions, though the financial data managed through the system is available to all departmental directors.
- **PDS Vista:** The City's Human Resources Department uses this system to manage payroll processing. As discussed in the Human Resources Department chapter, the City recently upgraded its software from version 2.2 to version 3.2 since the vendor discontinued maintenance and support for the older version.
- **Arc Internet Map Server (IMS):** This ESRI product is the City's GIS system.

There are several programs that support the Police Department including different elements of the Vision package for records management, Computer Aided Design and mobile technologies. The Fire Department uses Fire House management software.

Assessment

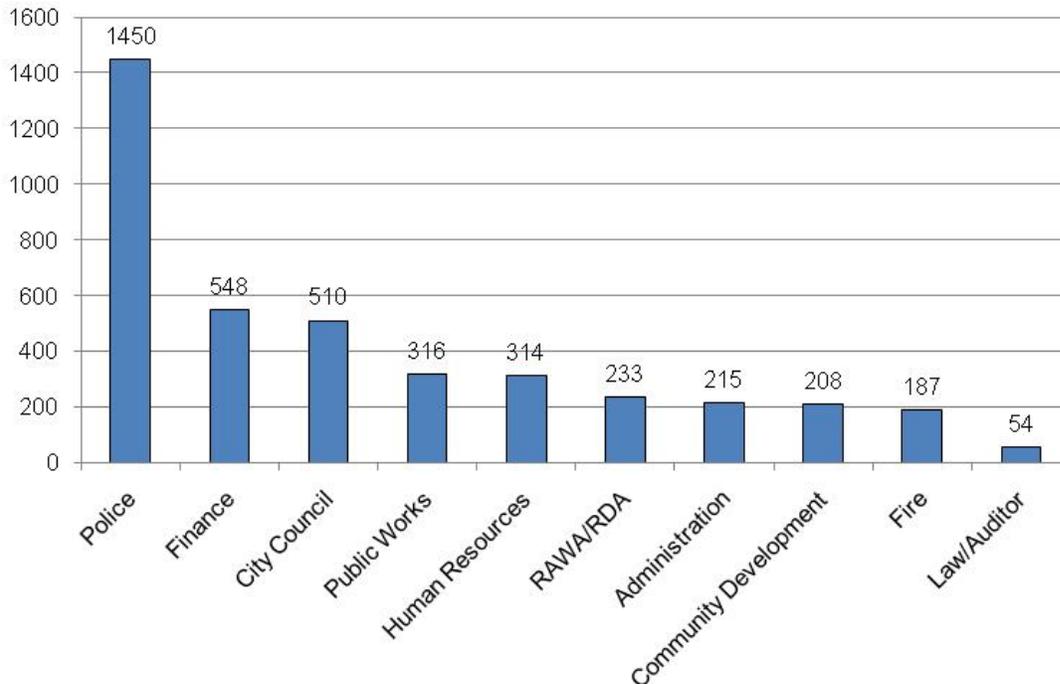
The Division's workload can generally be divided into two kinds of activities: work requests and projects.

Work requests

The Division responds to requests for service from all City departments related to the City's software, hardware, internet connectivity, websites and phones. This can range from critical problems that can halt the work of entire departments (i.e. server or phone system failure) to those that impede the efficiency of individual workers (i.e. loss of internet connectivity, restoring electronic files).

Through the first 11 months of 2009, the Division recorded 4,035 resolved requests.

Resolved Requests for Service, January 1 – November 30, 2009



More than a third of the requests came from the Police Department. This is partly explained by the number and complexity of the systems that underlie Police operations. One IT report shows that nine of

the City's 27 systems relate to Police operations.³ According to Division staff, the most common requests from the Police Department relate to problems with its mobile data terminals (MDTS), the computers installed in patrol vehicles to provide officers with quick access to information in the City's databases. The next most common source of service requests is the Finance Department which uses Division support to modify and prepare financial reports. Website updates drive the 510 requests from City Council.

The Division has an established protocol for prioritizing when it will respond to different requests. The Division's goal is to respond to "critical requests," such as server failure, within three hours. The target response time is eight hours for "high" requests, three business days for "medium" requests and 10 business days for "low" requests. Please note that this represents the target time for responding to requests, not *resolving* them which may take longer depending on the nature of the problem.

Projects

The Department also has longer term projects to install, upgrade or link together new or existing software and hardware. A sample from the list of 2009 projects includes launching the Police Department's Omega Crimeview Dashboard, upgrading the Police Department's Records Management system, adapting Hansen to support rental permit inspection management, helping Public Works institute reports on recycling, upgrading the payroll system and upgrading the GIS software to a new version.

Work request resolution and project execution are both integral to the success of the Division and all other City departments. Work requests require a quicker response to address the obstacles that hinder worker productivity and service delivery on a daily basis, but resolving those requests results in fewer resources to execute projects. Projects are more complex and require more time and interaction with other departments, which detracts from the Division's ability to respond to work requests. Within the list of projects, there are competing demands for resources across departmental boundaries since the benefit of many projects often goes mainly to one department, but they are important to the City's ability to improve services and gain efficiency over the long term, instead of just maintaining the status quo. Therefore, the Division staff and City management, including the Managing Director and Finance Director, have to balance the time spent on each side of the Division's workload to ensure both are addressed.

Interdepartmental relations

Throughout the Coordinator's review process, the City's operating departments outside of finance repeatedly expressed frustration with the service they receive from the Information Technology Division. The specifics of the complaints vary, but they frequently come back to the assessment that the Division provides poor customer service with slow or unwelcoming responses to requests for help. While complaints about outdated, over complicated or poorly suited technology are not uncommon, the Coordinator was particularly struck by the focus of the complaints on the Division's service itself, not the technology.

Finance Department and Information Technology management are also frustrated with the weak relationships between the Information Technology Division and the other departments. They cite the misconception among the managers and staff in other departments that any problem that involves the systems maintained by Information Technology is ultimately the responsibility of that Division to fix, even if the true cause of the problem lies outside the Division's province. For example, if there is a problem with a database for tracking information on participants in the City's tennis program, the Public Works staff might view that as an issue Information Technology needs to fix since the database is on a computer. However, the real cause of the problem may not be the computer or the software, but rather Public Works' lack of familiarity with how to enter data into the database or search the database for the

³ A tenth related to printing tickets from police vehicles was awaiting Commonwealth approval at the time of that report's publication.



information needed.⁴ Finance and Information Technology management point to the need for other departments to have at least shared responsibility for resolving such problems, if not take full responsibility to train staff to perform their duties.

Given the long history of the acrimony, the number of complaints and the interest in not favoring one side's account of a dispute over the other, this Recovery Plan does not discuss many of the complaints in detail, though frustration with information technology is noted throughout the Plan. Ultimately it does not benefit either side for the Coordinator to assign credit or blame on individual issues. If the managers do not share responsibility for resolving issues that may involve the use of tools supported by Information Technology, even ideal customer service from the Division will not be enough to fix those problems. And if the Information Technology Division does not improve its relationships with the Department, it cannot succeed at its primary mission, which involves providing customer service to those departments.

Instead the Plan seeks to implement processes to help City Management, the Finance Department, Information Technology Division staff and staff from other departments improve communication, project planning and project execution. Since there is a shared responsibility in improving this relationship, the initiatives appear in this chapter and others throughout the Plan.

Other concerns

Two other issues related to Information Technology operations, though not solely its responsibility, were expressed during the Coordinator's review.

- **Hansen implementation:** While Hansen could help the City manage many of its financial and operational processes, the program is not being used to its full capacity by much of City government, including Property Maintenance Inspections⁵ and Community Development. Because of its frustrations with the program, RAWA has expressed interest in establishing a separate billing system even though Hansen has the capacity to handle that function. Some of these issues may just be "growing pains" as many employees change how they perform daily functions after years of experience doing it another way. Similar to the theme of shared ownership expressed above, the user departments and Information Technology have a shared responsibility for successfully migrating processes to Hansen.
- **Data reliability:** City staff in the Finance, Public Works and Community Development departments expressed frustration with the quality of the data in the Hansen system, which is used to generate bills for taxes and other charges. City staff point to the proliferation of awkwardly coded or redundant entries in the system and the difficulty it has created for generating property tax and trash/recycling bills. For example, it is possible for John and Jane Doe to be listed three or more different ways (i.e. Mr. and Mrs. John Doe; John and Jane Doe; Mr. and Mrs. J. Doe). Since the database lists information by parcel, not property owner, the same couple in the hypothetical example could appear as three different names without the actual first names recorded as such in any entries.⁶

The Berks County Assessment Office, which maintains and provides this data to the City, explains that its records are a transcription of the information as it is recorded on a property deed. They adhere to strict guidelines on how the information may be entered into its system and track the reason, date and responsible party for any changes made in the system. In the hypothetical example, if John and Jane Doe are listed three different ways on three different deeds, the County Assessment Office must enter the information accordingly. The Assessment Office also reports that the only taxing units that consistently have problems using this data to generate

⁴ Please note that this example is entirely hypothetical, though not dissimilar to other issues reported to the Department. There has been no complaint about database management for the City's tennis program.

⁵ To this unit's credit, PMI is actively working with the City's Business Analyst and Information Technology staff to use Hansen in more of its processes, despite frustration with the program.

⁶ The first name field might show "John and Jane Doe" and the last name field might show their business' name.



property tax bills are the City of Reading and the Reading School District. Other school districts in Berks County generally use the data without incident.

Fortunately, this is a problem that can be resolved jointly in concert with other operational changes. The City of Reading is the only municipality in Berks County that generates its own property tax bill. Berks County handles that function for all other municipalities. To generate those tax bills, the City is required to use the property tax data from the County Assessment office. If the City transfers this responsibility to Berks County as discussed in the Finance Department chapter, then the City can use another source for its data that will better suit the City's needs.

Projections

The table below shows the Department's budgeted expenses for 2010 and projected expenses through 2014. The projections are based on the growth rates explained in the Plan Introduction. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.

Projected Expenditures – Information Technology

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	Change %
Salaries	489,965	507,604	525,877	544,809	564,422	15.2%
Fringe Benefits	96,951	105,677	115,187	125,554	136,854	41.2%
Pension	16,077	0	0	0	0	-100.0%
Social Security	37,482	38,831	40,229	41,678	43,178	15.2%
Training & Education	25,000	25,625	26,266	26,922	27,595	10.4%
Equipment	80,050	82,051	84,103	86,205	88,360	10.4%
Contract & Consulting	709,214	726,944	745,118	763,746	782,840	10.4%
Fees	500,000	512,500	525,313	538,445	551,906	10.4%
Total	1,954,739	1,999,232	2,062,093	2,127,360	2,195,156	12.3%

Initiatives

IT01.	Move information technology support for the Police Department to Berks County	
	Target outcome:	Regional cooperation
	Five year financial impact:	N/A
	Responsible party:	Finance Department, Police Department

As noted in this chapter and the Police Department chapter, the Reading Police rely on technology to access critical information quickly in their vehicles through MDTs and in City Hall through the Omega Dashboard. The Department has a Records Management System with sensitive information and, given



its staff size, a large number of personal computers to maintain. Because of the scope and complexity of the Department's needs and frustration with the Information Technology Division, the Police Department has expressed interest in adding its own information technology support staff that would report directly to the Police Chief.

The City added a Public Safety Specialist position to the Information Technology Division in this year's budget. That position reports to the Information Technology Division Manager but is responsible for supporting the Police and Fire Departments, though the number of work requests and police-related systems indicate the position would spend most of its time supporting police. At the time of publication, the position was vacant. The scope and complexity of the Police Department's information technology needs require that it have adequate support. However, the City cannot afford to support multiple decentralized information technology operations at the department level.

Meanwhile, Berks County Information Systems, the County's information technology operation, supports several municipal police departments in Berks County and has experience handling equipment like MDTs. Each department is treated as a client of Berks County Information Systems, much like the individual departments in Berks County government. While the Reading Police Department differs from other municipal police departments in Berks County in its size and scope of operations, the County Information Systems managers have indicated a willingness to discuss the extension of their services to the City. Information technology is one of the areas that is ripe for gained efficiencies through regional cooperation between governments. It is also one of the areas that residents urged the City to regionalize during the Coordinator's public meetings.

In view of those possibilities, the City's need to focus its limited resources on core functions, the County's willingness to discuss cooperation in this area and its experience in doing so throughout Berks County, the City shall immediately begin discussions with the County regarding an intergovernmental service arrangement. In this arrangement, the City would contract with the County to provide information technology support to the City Police Department. In addition to setting the stage for further regionalization efforts as discussed in a later initiative, this will give the City a fresh start in an area that has generated frustration and conflict between department managers and allow the City to focus its limited resources on the other departments per later initiatives.

The financial impact to the City is unknown since it will depend on the culmination of an intergovernmental agreement and the details of that agreement. Though it is not the only party in these discussions, the City shall move forward with the goal of reaching an agreement that transfers these responsibilities to the County by December 31, 2010, if not earlier. The City shall eliminate a position from its Information Technology Division given the anticipated reduction in workload, though no savings are shown here pending the details of the City-County agreement.

IT02.	Help other departments improve their use of technology	
	Target outcome:	Regional cooperation
	Five year financial impact:	N/A
	Responsible party:	Managing Director, Information Technology Manager and department directors

There are initiatives throughout the Recovery Plan requiring departments to improve operations by making better use of technology. To do so, those departments will have to work closely with the Information Technology Division.

The relevant department director, Managing Director, Finance Director, Business Analyst and Information Technology Division Manager shall jointly produce a prioritized list of department specific needs and opportunities for improvement that require Information Technology Division support. In assembling this



list, the Coordinator encourages the City to focus on ways to improve its use of existing programs and changes that will support the implementation of other Recovery Plan initiatives. In prioritizing the list of needs and opportunities, management shall consider, among other relevant factors, whether and to what extent the benefit of reduced costs and improved services outweighs the costs involved in making the change, the level of additional training that will be necessary for staff to use the new technology and the time frame for implementation.

The Managing Director, relevant department director and Information Technology Division manager shall jointly provide a list of prioritized projects for each department and a proposed schedule for implementation to the Mayor, City Council and Act 47 Coordinator no later than 60 days after the approval of this Recovery Plan. After that list is provided, the relevant department director will assign staff with responsibility for drafting any standard operating procedures related to the change. That will help the department think through what service improvements or cost reduction it is specifically trying to achieve and help the Information Technology staff develop the best tool to achieve that end.

The Managing Director, relevant department director and Information Technology Division manager shall jointly provide the Mayor, City Council and Act 47 Coordinator with monthly written updates on its progress toward addressing the list of priority needs and opportunities. While it is anticipated that project related obstacles and other demands on the City's attention will impact this implementation table, the monthly updates will provide a mechanism for communicating those developments to other parties.

IT03.	Pursue shared services for information technology	
	Target outcome:	Regional cooperation; improved efficiency
	Five year financial impact:	N/A
	Responsible party:	Managing Director, Finance Department

As noted above, there is potential for governments to gain efficiency, reduce costs and improve service by providing information technology support jointly. By working together, governments can avoid costly duplicative software licenses, share equipment instead of purchasing their own and capitalize on the strengths of a pooled workforce. Other governments in the Commonwealth are pursuing such opportunities in different ways.

The City of Pittsburgh has an urgent need to replace its Enterprise Resource Planning (ERP) system, the hardware and software that it uses to manage all financial, accounting, purchasing, payroll, customer/constituent relations and human resource functions. In recognition of that need, the City has been working with Allegheny County and the County's ERP provider to migrate the City's financial functions to the County's system. The County would provide system support at a price negotiated with the City. This would give the City access to a better system more affordably than going through its own procurement process and will hopefully provide the basis for more extensive cooperation between the City and County in other areas. City officials have preliminarily discussed a Shared Service Organization (SSO) through which the City and County could jointly meet their information technology, human resources, payroll processing, purchasing and other administrative needs. The SSO could also extend its services to the authorities related to County and City government.

The City of Lancaster and Lancaster County have an agreement through which the County provides several services to the City at an hourly cost. Lancaster County provides email, network and help desk support and gives the City access to its virus protection, GIS capabilities and broadband connection. The City covers its own costs for software licenses and hardware.

In Reading and Berks County, both governments have expressed interest in working together on information technology issues and have discussed opportunities to do so. The City's potential contracting



with the County to provide information technology support to the Reading Police Department as discussed in initiative IT01 is a good starting point that would have a meaningful impact for Reading, but the discussions about cooperation in this and other areas should not stop there. The City shall explore other opportunities for shared information technology services with the County, Reading School District and other municipalities.

Additional initiatives

Aside from the initiatives referenced earlier in this chapter, other initiatives relevant to Information Technology include:

- Develop a performance management system (Finance and other chapters)
- Implement fleet management software (Public Works)
- Implement time tracking system (Law)



Capital Improvement Plan

Section 911 of the Reading Home Rule Charter requires the Mayor to prepare and submit to City Council a five year capital program no later than the final date for submission of the budget. The City Charter also provides detail on the contents, financing, approval, and reporting of capital projects and the capital program in its entirety. The construction and maintenance of public infrastructure is one of the most basic responsibilities of the City. A capital improvement plan (CIP) that builds and preserves transportation, neighborhood infrastructure, and technology systems is critical to community stability and promoting economic expansion.

City leadership is in the process of drafting a revised CIP that it will present to City Council for discussion and approval in the near future. The revised CIP will continue a trend that has seen Reading limit the size and scope of the City's existing capital program due its fiscal condition. In 2008, City leadership reduced the capital program to the most essential projects and funding for remaining capital projects was provided in part by the City's 2009 bond issue. The following table details the projects that were removed from the City's CIP.

Reading CIP Projects Eliminated, 2008-2011

CIP Year	Department	Project	Project Cost (\$)
2008	Fire	Build Penn Street Fire Station	2,500,000
2008	Public Works	City Hall Brass Restoration	75,000
2008	Community Development	Outdoor Furnishings	60,000
2008	HR Security	City Hall	30,600
2008	Community Development	Green Roof for City Hall	336,000
2009	Public Works	Big Truck Lift	50,000
2009	Fire	Build Hampden/Marion Fire Station	2,500,000
2010	Community Development	Alley and Row Improvements	250,000
2010	Public Works	Athletic Facilities Lighting	50,000
2010	Public Works	Front End Loader	120,000
2010	Public Works	Street Sweepers	300,000
2010	Library	Main Branch Expansion	8,000,000
2011	Library	New NW Branch	1,800,000
2011	Community Development	Whitewater Park	522,810
2011	Community Development	Alley and Row Improvements	250,000
Grand Total			16,844,410

Typically, the City's CIP funding is spread across multiple departments, however, the scaled back CIP has significantly reduced the City's ability to invest in its infrastructure. The following table details the



City's CIP by department from 2006-2011. The level of investment through the CIP shows a steep drop beginning in 2008 aside from the \$10 million project to repair FirstEnergy Stadium in 2009 (listed in the table below under the Mayor's Office) and the \$6.17 million project for the African American Museum in 2010 (listed in the table below under Community Development). While City leadership must make difficult decisions about how best to allocate limited resources, the City should remain cognizant that deferring infrastructure investment can have a detrimental long-term impact. The timely maintenance and rehabilitation of many types of infrastructure typically substantially extends the useful life and minimizes ongoing maintenance costs. The inability to invest in the City's infrastructure will likely lead to the need for more costly reconstruction projects over time.

Reading CIP Funding by Department, 2006-2011

Department	2006	2007	2008	2009	2010	2011
Public Works	402,000	3,930,066	1,600,000	2,785,000	2,200,000	410,000
Fire	1,950,000	475,000	0	0	0	0
Community Development	0	0	0	0	6,170,000	0
Library	60,000	140,000	0	0	70,000	190,000
IT	4,417,000	0	491,000	0	206,000	0
Police	252,000	1,785,000	0	0	0	0
City Council	0	0	50,000	0	0	0
Mayor's Office	0	0	0	10,000,000	0	0
Other	87,000	0	0	0	0	0
Total CIP	7,168,000	6,330,066	2,141,000	12,785,000	8,646,000	600,000

The preceding table does not represent the full extent of funding for the City's infrastructure. Reading also receives significant federal and state transportation funding that is programmed through the Reading Metropolitan Planning Organization's Transportation Improvement Program. The federal and state dollars are primarily dedicated to improvements to state roads and bridges throughout Reading, as well as public transit projects and operating assistance for the Berks Area Reading Transportation Authority (BARTA).

CIP development

Reading's CIP includes capital projects or major capital assets that have a value of at least \$50,000 and a minimum useful life of five years. The City Charter does not prescribe a specific process to develop the CIP, but does outline the steps to approve capital projects. At times in recent years, the City has formed a CIP Committee composed of representatives from Public Works, Fire, Police, Community Development, and Finance to prioritize projects based on criteria such as health and safety, fiscal and environmental impacts, and legal obligations. The City's process, while episodic, is largely consistent with best practices for developing a CIP. However, the process has yet to be refined, nor has it become an entrenched part of the City's annual CIP development. City leadership's goal is to refine the CIP development process so that it becomes an annual effort that produces a rolling five year capital program in accordance with the City Charter.



As a separate authority, RAWA develops its own CIP. The City has limited input in the development of RAWA's capital plan, but the City and RAWA have recently been communicating more to ensure coordination on capital projects in the same area to minimize disruptions to residents. The City has more control over sewer capital projects. City leadership is planning to become more involved, particularly with the ongoing plans and development for a new wastewater treatment plant.

CIP financing

The City's Charter does not stipulate the financing method for the CIP except that all bonds required for financing capital projects should be competitively bid. Historically, the City's CIP has been largely funded through proceeds from debt issuance. The City has also used Community Development Block Grant (CDBG) funding on a case-by-case basis for eligible projects. In the past Reading has financed some small-scale projects on a pay-as-you-go (PAYGO) basis through the City's operating budget, but due to the City's financial condition PAYGO funding has been significantly curtailed. Given the City's status as a mature hub of a larger region, the City has significant infrastructure needs relative to its current ability to finance investments.

CIP management, implementation and reporting

The City's CIP is currently managed by the Mayor's Chief of Staff in concert with the Managing Director and Finance Director. The actual construction or rehabilitation work that is completed as part of the CIP is typically done by outside contractors. On occasion the City may elect to use City staff to complete small-scale capital work. This structure is common for many cities and provides flexibility to add or reduce contractors based on the size and scope of the City's CIP.

In recent years Reading has struggled to complete projects without delays as they moved through the capital process. For example, only five of 14 projects from the 2006 CIP project list have been completed. While many capital projects span across multiple years, the ability to deliver projects efficiently has been a cause for concern. In response, the City hired Burkey Construction Company in 2007 to a five year contract to serve as the City's construction manager. Burkey is a Reading-based firm with experience in construction and construction management. Since the addition of Burkey, the City has improved project execution.

To ensure regular reporting on capital projects, the Reading Home Rule Charter states that status reports shall be provided on a quarterly basis to City Council, as well as post project completion audits completed by the City Auditor. CIP updates have generally been provided to City Council on a quarterly basis, and the City Auditor has recently started to complete post project completion audits.

Progress and future challenges

The City has taken some positive steps to improve its CIP process, however there are issues that will need to be resolved in order to strengthen further elements of the City's CIP.

- Reading's Charter contains the building blocks for a strong capital program. The City has developed processes such as the CIP Committee that align with best practices, but have yet to fully develop all aspects of the CIP. The challenge for the City is to formalize many of the Charter requirements so the CIP becomes an annual, regular exercise that serves to ensure Reading is applying limited capital resources to the best possible use.
- Departments need to be more involved in the capital program. This does not mean that departments need to submit additional capital needs, but that there should be more regular communication between the CIP leadership and the ultimate users of capital infrastructure.
- Reading has not been able to invest as much as it needs in its own infrastructure making it important that all infrastructure CIP projects be based on some kind of asset management process or condition assessment.



- The City has faced challenges to deliver capital projects efficiently and has taken steps to rectify the situation. An increased level of reporting can provide better information to stakeholders and help improve the City's overall management of the CIP, which will contribute to Reading's overall recovery.

Initiatives

CB01.	Create an annual CIP document	
	Target outcome:	Increased transparency and accountability
	Five year financial impact:	N/A
	Responsible party:	Mayor's Office; Finance Department

The City shall create a CIP document to supplement the annual budget document as described in the Finance chapter. An annual CIP document would provide information on capital projects to City officials and other community stakeholders. The CIP document should include without limitation:

- An overall narrative review that details priorities and issues for the upcoming budget year.
- Discussion of the financing options available for the CIP and the City's ability to make capital investments.
- A description of the CIP development process including how CIP projects were selected and opportunities for public comment on the CIP.
- Summaries of CIP projects by project type and department.
- Individual descriptions for at least major capital projects and ideally all capital projects. The descriptions would detail the project's location, project summary, estimated costs, estimated completion date, and the project's expected operational costs or savings.

The creation of an annual document that summarizes the CIP will help the City formalize aspects of its current CIP process, and detail its efforts to make targeted investments in citywide infrastructure and facilities to support the City's recovery. The CIP document would also provide an opportunity to discuss basic CIP performance metrics from the previous year(s), including: original project budget compared to final cost, estimated project completion date versus actual completion date, and cumulative CIP expenditures compared to previous year estimates.

CB02.	Increased involvement in CIP process from City departments	
	Target outcome:	Increased transparency; improved coordination
	Five year financial impact:	N/A
	Responsible party:	Mayor's Office; Finance Department; City departments

As described earlier, the City has formed a CIP Committee in the past, but it has not met regularly since the reduction in capital improvement activity in 2008. The Administration has expressed an interest in



reconvening the CIP Committee and providing more opportunities for communication with departmental staff on CIP activity.

In addition to meeting annually as part of its CIP development process, the CIP Committee shall be convened quarterly in conjunction with the City’s regular CIP updates to City Council. It is in the best interests of the Administration and City departments to regularly discuss the status of the capital program from a development and implementation perspective. The Administration would gain a greater understanding of the departments’ outstanding capital needs, and such discussion could also lead to additional insight on how to allocate or leverage CDBG funding from the Community Development Department. On the other hand, the departments would have a greater understanding of the City’s limited capacity to finance capital projects and should, in turn, better prioritize their department’s capital needs.

CB03.	Enhance communication between City and utilities	
	Target outcome:	Improved coordination
	Five year financial impact:	N/A
	Responsible party:	Mayor’s Office; Finance Department; Public Works Department

While the City has begun to coordinate capital projects with RAWA recently, there remain opportunities to forge closer working relationships to improve infrastructure delivery. It is important that the City closely correlate RAWA projects with its own CIP. RAWA’s capital work will likely have an impact on the City’s capital work so the CIP development efforts for these two organizations’ CIPs should be linked in some formal way. The City should also coordinate its capital improvement activities with those of the Reading Parking Authority (RPA).

Additionally, the City should coordinate applicable public works projects with other utilities including gas, electric, phone, and cable companies to improve overall project delivery. For example, if necessary underground utilities in a street segment needed to be updated, the utility companies should work concurrently followed by any necessary surface improvements (streets, sidewalks, etc) to be completed by the City. This would efficiently deliver multiple capital improvements in one area and eliminate the potential for several distinct construction projects that each disrupt traffic flow and local residents.

CB04.	Capital budget financing	
	Target outcome:	Improved services
	Five year financial impact:	N/A
	Responsible party:	Mayor’s Office; Finance Department

While the prior initiatives address the process by which the City should identify, plan for and execute capital projects, the other obvious component of a successful CIP is funding. The two traditional means for funding capital projects are issuing debt that can be paid off over a period of time or using funds from the operating budget for capital projects, sometimes referred to as “pay-as-you-go” (or PAYGO) financing. External funding from sources like federal or Commonwealth grants can supplement these efforts, but are not sufficient to fully support a capital budget for a city Reading’s size. As noted above, the City has historically issued debt to fund its capital work.



In the short term, the City will have difficulty funding new capital projects by issuing debt or allocating PAYGO funds from its operating budget. Any new debt issued to fund capital projects will also bring the obligation that the City make new annual payments to retire that debt. Because of recent transactions used to meet short term needs, the City has already increased annual debt service payments to levels that are difficult to sustain. Given the priority focus on bringing the operating budget into balance first, the City shall not enter into any debt issue without the approval of the Act 47 Coordinator, including those intended to fund new capital projects.¹

To the extent that the City successfully implements the major cost reduction and revenue generating provisions of this Recovery Plan and outperforms the Coordinator's projections, the City may have operating surpluses in 2012 and future years that after consultation with the Coordinator shall be directed in part toward capital projects once the City has developed a sufficient fund balance.² The City also has some remaining proceeds from previous borrowings that it shall use to meet urgent capital project needs as identified by the Administration and Council and approved by the Coordinator. Upon adoption of this Recovery Plan, the Coordinator will work with the Administration and Council to verify the status of current capital efforts and reserve the maximum possible amount of existing resources for critical needs and contingencies. Eventually, as the City makes progress toward financial recovery as outlined in this Recovery Plan, it will be able to issue new debt to support a CIP.

Additional initiatives

Since the City usually funds capital project work through issuing debt, the chapter on Debt Service is relevant to the CIP. Other relevant initiatives include:

- Complete post project completion audits for capital work (City Auditor chapter)
- Any surplus in excess of the recommended fund balance shall be directed to the Capital Reserve Fund or debt service reduction (Finance chapter)
- Eliminate one aerial fire apparatus and replace a second with a quint apparatus (Fire Department chapter)
- Evaluate use of CDBG funding to ensure it supports the City's housing and economic development strategy (Housing chapter)
- Update comprehensive plan (Community Development chapter)
- Evaluate potential for further consolidation of fire stations (Fire chapter)
- Pursue joint ladder purchase and other intergovernmental cooperation initiatives (Fire chapter)
- Engage the County in discussions regarding the transfer of E911/dispatch functions (Fire chapter)
- Discontinue leasing patrol vehicles (Police chapter)
- Purchase and implement use of fleet management software (Public Works chapter)

¹ Please see the Debt Service Chapter for more information.

² Please see the Finance Chapter for more information on the appropriate target for a fund balance.





V. Other Professional Services

Human Resources

Overview

The Human Resources Department provides staffing and employee development services for the City of Reading. The Department’s mission is to develop a strong workforce for the City, uphold laws and regulations, and encourage a positive culture in the City’s workforce. To that end, Human Resources’ responsibilities include:

- Recruitment and selection of qualified applicants for employment;
- Administration of employee benefits, wages, and salaries including payroll processing;
- Administration, coordination, and investigation for hearings related to unemployment compensation, charges before the State and Local Human Relations Commission, and the Economic Employment Opportunity Commission;
- Other labor related duties including contract negotiations, labor management, arbitrations, grievances, and unfair labor charges;
- Administration of programs related to the Americans with Disabilities Act (ADA), the Drug Free Workplace Act, and employee assistance;
- Establishing and maintaining the Personnel Code, the policy and procedures manual, and well-defined job descriptions; and
- Coordinating special activities and benefits such as specialized training programs, wellness activities and blood bank participation.

The Department also manages the City’s general liability insurance and risk management program, which is addressed in a separate chapter. It is responsible for training provided to all new employees, such as new hire orientation, ethics training and sexual harassment training. Training specific to police, fire and information technology is handled separately by those units.

The City funds positions in the Department through its General Fund. In some years, staff has split responsibilities between Human Resources and other departments resulting in the partial positions shown below. Between 2007 and 2008, the City added three general support positions.¹ In 2009, the City moved responsibilities for pension benefit administration from Human Resources to the Finance Department’s Accounting Division. The City cut the light duty position from its budget in 2010. In May 2010, Reading voters elected to combine the Human Resources Department director and the Finance Department director positions into a single Director of Administrative Services position.

Budgeted Headcount – Human Resources

2006	2007	2008	2009	2010
4	4.75	8	7	6

The following table shows the Department’s historical expenditures for 2005 through 2009. The increase in salaries and fringe benefits coincides with the increase in positions from 2007 to 2008. In 2009, the Department added a floater and the mail room was assigned to Human Resources, which accounts for the expenditure increase in the Salaries and Supplies and Postage line items. Temporary wages

¹ Payroll Clerk, Coordinator and a light duty position.



increased in FY2009 because the City ran the Summer Youth Employment program; most of these expenses were reimbursed by Berks County. Also in 2009, the City paid a settlement in the amount of \$50,000 to a former employee, which accounts for the increase seen in that line item. It is anticipated that this line item will return to historical levels in 2010.

Historical Expenditures – Human Resources

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimated	Change %
Salaries	207,504	214,660	240,593	337,103	322,161	55.3%
Fringe Benefits ²	63,258	69,942	69,774	97,971	122,761	94.1%
Temporary Wages	0	0	0	3,753	182,403	N/A
Overtime	0	0	0	0	141	N/A
Pension	21,716	18,500	0	12,735	18,073	-16.8%
Social Security	13,034	16,422	18,405	26,075	38,610	196.2%
Penny Fund	30	0	559	42	52	70.4%
Training & Education	3,023	25,784	13,099	6,514	0	-100.0%
Equipment	0	0	0	0	2,100	N/A
Supplies & Postage	400	22	1,046	0	88,782	22,097.2%
Contract & Consulting	9,877	16,435	11,285	21,287	9,749	-1.3%
Programs & Events	0	3,621	0	1,592	1,237	N/A
Fees	11,341	8,517	35,381	25,697	18,433	62.5%
Miscellaneous	23,239	15,579	15,127	12,021	62,468	168.8%
Total	353,422	389,482	405,270	544,789	866,970	145.3%

Assessment

The Department's strength lies in the institutional knowledge held by its staff, particularly the Acting Director. Their experience enables the Department to handle its workload at existing staffing levels. The Department has also made good use of its third party administrator for health benefits, the Riverside Consulting Group, Incorporated. Riverside works as an intermediary between the City and the City's health benefits providers to determine cost drivers and negotiate service contracts. Through Riverside, the City has renegotiated its prescription drug coverage and implemented a health risk assessment program.³

The Department identified the following challenges:

² The "fringe benefits" category is the cost of employee health care insurance.

³ Employee health benefits are addressed in more detail in the Workforce Chapter.



- **Training:** Department management identified weak training for rank-and-file employees and supervisory staff as the greatest deficiency. New hire orientation, sexual harassment training, ethics training, and staff development training are key areas where improvement is needed.
- **Performance monitoring:** The City does not have a regular process for evaluating employee performance. Instead the current process focuses on whether the employee has committed specific violations. This results in a culture where employees are assessed demerits if they violate City policies, but are not challenged to perform better or rewarded for doing so. Mediocre performance that does not explicitly violate policies is not addressed and therefore sustained. Outdated job descriptions in some cases have not changed since 1980 and feed into this problem by providing an outdated frame of reference for what an employee's responsibilities are.
- **Loss of clerical support:** With the elimination of a clerk position, management has to handle administrative and clerical assignments, which detracts from the Department's ability to perform its required functions at the highest capacity.

With the help of the Information Technology Division, Human Resources has also been updating the City's payroll management software. That update was necessary because the vendor would no longer support the software package the City uses.

Projections

The table below shows the Department's budgeted expenses for 2010 and projected expenses through 2014. The projections are based on the growth rates explained in the Plan Introduction. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here. Reflective of the City's financial condition, the City did not allocate any money for temporary wages after spending \$180,000 in 2009.

Projected Baseline Expenditures – Human Resources

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	218,545	176,413	182,763	189,343	196,159	-10.2%
Fringe Benefits	114,547	124,856	136,093	148,342	161,692	41.2%
Pension	16,078	0	0	0	0	-100.0%
Social Security	20,462	21,199	21,962	22,752	23,571	15.2%
Equipment	9,000	9,225	9,456	9,692	9,934	10.4%
Supplies & Postage	95,500	97,888	100,335	102,843	105,414	10.4%
Contract & Consulting Services	9,900	10,148	10,401	10,661	10,928	10.4%
Programs & Events	4,500	4,613	4,728	4,846	4,967	10.4%
Fees	22,500	23,063	23,639	24,230	24,836	10.4%
Miscellaneous	19,550	20,039	20,540	21,053	21,580	10.4%
Total	530,582	487,441	509,917	533,763	559,082	5.4%



Initiatives

The initiatives outlined below pertain to the Department's responsibilities for employee training, performance evaluation and payroll processing. There are many initiatives that will impact the Department's duties related to payroll, benefit administration and hiring distributed throughout the Recovery Plan, especially in the Workforce chapter.

HR01.	Establish a first source employment referral system	
	Target outcome:	Increased employment opportunities for City residents
	Five year financial impact:	(195,000)
	Responsible party:	Managing Director; Human Resources Director; Business Analyst

One of the most commonly received suggestions after the release of the draft Recovery Plan was that the City should find ways to increase the number of City employees who are City residents. Reasons for focusing on this objective include addressing the City's high unemployment, increasing median household income and making City government more representative of the people it serves. One promising idea for achieving this objective is a first source employment referral program that would help recruit, train and place City residents for City employment. This would be particularly helpful and timely given potential turnover in the City's public safety units during the next few years.

The program would serve as a new gateway to City employment in addition to existing recruiting and hiring processes already in place. Employers would retain right to make final hiring decisions but, by working with the program, could develop a pipeline of potential workers who have received the requisite training to succeed in those organizations. Eventually this program could be extended to include other public sector entities or private businesses that contribute toward the costs of the program.

Under the direction of the Managing Director, the Business Analyst and the Human Resources Director, the City shall work to identify a non-profit organization with complementary services that can partner with the City in running this program. The institutions of higher learning, especially the Reading Area Community College, may be particularly good candidates. Partnering with another entity would have the benefit of extending the program's reach beyond the City's existing recruitment processes, leveraging that organization's strengths and allow the City to concentrate on other initiatives in this Recovery Plan. The City shall also reach out to its collective bargaining units, including the IAFF and FOP, to gather their input on how to make this program a success.

Given the financial challenges that the City faces, it is preferable that the City or the partner organization find external sources of funding to support this program, in the absence of such sources, the Mayor and City Council shall consider adding funding to the FY2011 budget in support of this initiative. The projections assume an initial contribution from the City in FY2011 with the amount declining as other entities use the service and provide financial support.

Financial Impact

2010	2011	2012	2013	2014	Total
0	(70,000)	(55,000)	(35,000)	(35,000)	(195,000)



HR02.	Complete a Citywide job study and update job descriptions	
	Target outcome:	Improved accountability
	Five year financial impact:	(100,000)
	Responsible party:	Human Resources Director

The last Citywide job study and comprehensive update to job descriptions was completed in 1980. With the exception of a few job descriptions that have been updated through collective bargaining, most have not been reviewed since. As can be expected, job duties and performance expectations have changed over the last thirty years and these changes have not been incorporated into the City's job descriptions. Furthermore, the Department reports instances where job descriptions were never developed for positions created after the 1980 job study.

In the AFSCME 2763 contract, there was a side agreement requiring the City to complete a pay and classification study no later than December 31, 2010. The agreement further required that a pay and classification study committee be created, which was to consist of no more than five representatives from the City and five from the AFSCME 2763 union. While the City sought proposals from an outside firm for completion of this study, it was ultimately put on hold due to the declining financial situation in the City.

Without an accurate written list of the duties and responsibilities required of each City position, it is difficult for the City to conduct meaningful performance reviews and identify areas of employee under-performance. As such, the City shall conduct a Citywide job study and shall update all job descriptions to reflect the required qualifications and performance standards. Ideally the City would complete this study in 2011 in time to incorporate the findings in the next AFSCME 2763 collective bargaining agreement. Financial realities may require that the City perform the study in FY2012, or break the study and job description update process into pieces to be completed over a two or three year period.

Financial Impact

2010	2011	2012	2013	2014	Total
0	0	(100,000)	0	0	(100,000)

HR03.	Establish performance review process	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director

In conjunction with the prior initiative, the City shall establish a process for conducting annual performance evaluations. The process shall provide employees with the understanding of what constitutes strong performance and objectives to achieve that performance. Elements related to demerits or penalties for violating City policies may be retained, but shall be supplementary to the goal of encouraging strong performance and providing clear standards for how that will be measured. Given the Department's limited resources, the City may begin to implement this process first for staff in the Finance and Human Resources Departments and then for the Department of Public Works.



HR04.	Strengthen employee training	
	Target outcome:	Increased service
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director, department directors

One of the Human Resources Department’s responsibilities is to identify training needs and develop training programs in consultation with other departments. The Human Resources Department, with input from City Administration and other department directors, shall develop a Citywide strategic training plan that identifies training and development needs, current programs and resources to address those needs, and remaining unfunded needs. The plan shall include prioritization, the estimated cost of each kind of training and any opportunities for collaboration with other organizations, such as Berks County, the Reading School District or local colleges.

The training needs identified will likely require more resources than the City can afford, at least in the short term. But having a broad view to training needs will help the City think strategically about which kinds of training are priorities. This strategic assessment, which can be prepared at a high level, shall be provided to the Mayor, Finance Director, City Council and Act 47 Coordinator no later than 90 days after approval of this Recovery Plan to inform training funding decisions beginning with the 2011 budget.

HR05.	Continue to create apprenticeship and internship opportunities	
	Target outcome:	Reduced costs
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director

In consultation with other Department heads, the Human Resources Department shall review and implement new programs that provide Reading high school and college students with the opportunity to learn more about City government and career opportunities. This will improve citizen understanding and engagement in City affairs and possibly identify prospects for employment. Those opportunities could include:

- An apprenticeship program related to Public Works responsibilities, like fleet maintenance;
- Job shadowing programs for high school students;
- Internships for college students with a preference extended to Reading residents;
- “Career day” presentations at Reading High School that introduce students to career opportunities, especially those in public safety;
- Recruiting volunteer firefighters or auxiliary police officers⁴ from local colleges with a preference extended to Reading residents

⁴ Please see the Police Department chapter for details.



This idea was suggested during the public meetings held by the Act 47 Coordinator. The HR Department is already exploring several of these options.

HR06.	Study span of control	
	Target outcome:	Improved efficiency; reduced costs
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director

Span of control or management describes how many employees report to a manager. While the span will vary considerably by function, it is important to periodically review this aspect of the City's staffing structure. Restructuring, such as the changes the City has made in recent years, may leave certain supervisors underutilized with fewer supervisees than they can manage and others overburdened with a larger number of supervisees. With the support of the Act 47 Coordinator, the City shall conduct a study to determine whether it has the appropriate span of control and recommend corrective actions where valuable.

HR07.	Outsource payroll processing	
	Target outcome:	Reduced costs
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director

At the time of publication, the City was completing an upgrade to its payroll management software since the vendor would not support the version that the City was using. If the City encounters a similar situation where it is required to upgrade its software, the City shall consider outsourcing payroll functions to a private entity. This would allow the City to avoid the direct and indirect costs associated with updating its software, maintaining the system and processing payroll.

HR08.	Develop a performance management system	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director

This Recovery Plan establishes a performance management report that tracks activity and achievement across all departments.⁵ Systematic reporting on performance against scheduled tasks and activities is essential to effective and efficient management of limited resources. The Human Resources Department shall track the following data points on a monthly basis:

⁵ Please see the Plan Implementation chapter for details.



Headcount by department and division
Filled positions versus budgeted positions
Vacant positions by department and type
Number of Citywide full-time equivalent (FTE) minorities
Number of Citywide full-time equivalent (FTE) females
Number of Citywide full-time equivalent (FTE) residents

Number of payroll checks processed
Number of payroll check errors

Separations from service by department
Separations from service by type (e.g. retirements, dismissal, voluntary separation)
New employees hired by department and division

Injury incidents reported by department/unit
Injury incidents requiring medical attention
Injury incidents requiring lost time
Total lost time in days due to injury

Training sessions held and attendance by department⁶

Risk management

Number of insurance claims by coverage type (e.g. property, general liability, automobile liability)
Number of claims resolved and unresolved
Cost of claims resolved

Some data points will be more readily available and easier to track than others. It may be necessary to attain information related to risk management from the City's insurance broker. Under the direction of the Managing Director and the Human Resources Director, the City shall work to address technological, record keeping or other obstacles that arise. Department staff and City Council shall recommend other measures that each would like tracked with a brief explanation of what insight that measure would provide.

Additional initiatives

As noted above, the Workforce chapter contains several initiatives that are relevant to the Human Resources Department. Other relevant initiatives include:

- Establish part-time EMS positions to address vacancies and planned stand-by events (Fire chapter)
- Explore a public works apprenticeship program (Public Works chapter)

⁶ It is understood that not all departments will participate in each training session.



Insurance and Risk Management

Human Resources is responsible for managing the City's risk management and safety program, including 10 different liability policies that the City purchases on an annual basis. The City's Human Resources Supervisor and Risk and Safety Coordinator perform these duties with the assistance of its insurance broker, which is currently Engle-Hambright & Davies, Incorporated (EH&D). The chart below shows the City's insurance policies, the insurer that provides the coverage, the coverage limit, the liability (retention) and the annual premium cost. Please note that Worker's Compensation is discussed in the Workforce Chapter.

Reading Insurance Policies¹

Line	Insurer	Limit	Retention	Premium
Property	Travelers	\$210,436,613	\$100,000	\$233,335
General liability	Travelers	\$1,000,000	\$150,000	\$117,429
Crime	Travelers	\$1,000,000	\$10,000	\$3,499
Automobile liability	Travelers	\$1,000,000	\$150,000	\$48,472
Excess Worker's Compensation	Safety National	Statutory	\$425,000 \$1,000,000	\$86,351
Excess liability	Travelers	\$4,000,000	N/A	\$26,646
Public Officials	Scottsdale	\$2,000,000	\$100,000	\$33,084
Employment Practices	Scottsdale	\$1,000,000	\$150,000	\$59,166
Law enforcement liability	Scottsdale	\$1,000,000	\$150,000	\$167,491
Identity theft expense	Travelers	\$25,000 any loss per employee	\$0	\$1,800
Aggregate Annual Insurance Premium Expense				\$777,273

In 2006 when EH&D first became the City's broker it helped the City undertake a complete marketing for all property and casualty policies. Before 2006 the City reportedly renewed its policies year after year with the same insurers and placing minimal focus on securing better coverage or rates through competition. In 2007 EH&D marketed all the professional lines.

The City is now set up to market all the lines of insurance every two to three years.² This approach is valuable since insurance is a "people business" and it is not in the best interest of the City to market the entire program every year, given the limited number of providers and the need to develop and maintain relationships with insurers for when they are needed. The City initially planned to remarket its entire program in 2010, but has pushed that back to 2011 given Human Resources's other challenges and demands.

Overall the City is managing its insurance and risk management program well in partnership with its broker EH&D. The assessment below focuses on areas where the City can improve.

¹ Information presented in this chapter is current as of March 2010.

² Excess Workers' Compensation line is marketed every two years because of the broker's attempt to secure a two-year rate.



Automotive Liability

- Insurer: Traveler's Companies, Inc.
- Limit: \$1,000,000
- Retention (Liability): \$150,000
- Deductible (Phys. Damage): \$10,000

The City presently has more than 230 vehicles licensed for road use that are insured under a policy provided by Travelers Insurance Company. The deductible as it relates to third party liability claims is \$150,000 per claim while the deductible for Physical Damage (i.e., Collision and Comprehensive) claims involving City owned vehicles is \$10,000 per accident. Since the majority of accidents result in damage of \$10,000 or less, the City is effectively self-insured for a significant amount of physical damage loss.

In reviewing loss statistics for 2009 only, there were a total of 104 incidents involving City vehicles of which 27 (or 26 percent) were caused by a third party. Of those 27 incidents in which the City should have recovered its repair costs, the Risk and Safety Coordinator was not able to do so on 14 (or 52 percent) of these incidents because it did not have repair estimates. While these statistics are for 2009 only, it is possible that the City unnecessarily incurred expenses in prior years and continues to do so in 2010. The City should not absorb an expense that it could recover from a third party simply because it cannot obtain a repair estimate.

Of the 104 auto-related accidents involving City vehicles in 2009, the Police Department was involved in 51 (or 49 percent) and the Fire Department in another 30 (or 29 percent). Police operators were found responsible for the damage in 28 of the 55 cases (51 percent) and fire in 28 of the 30 (or 93 percent). Given the potential for significant loss in terms of human and financial damages, the City should take steps to mitigate the risk of auto accidents.

Property

- Insurer: Traveler's Companies, Inc.
- Limit: \$210,438,613
- Deductible: \$100,000

As with auto physical damage subrogation, it appears that the City does not consistently pursue cost recovery from responsible parties in incidents where the property damage is less than \$100,000. The City's Risk and Safety Coordinator does not always receive the repair estimates needed for this cost recovery, leaving the City to absorb the costs simply because it does not know the cost of repairs.

Excess Liability

The City's Excess Liability policy provided by Traveler's is designed to provide catastrophe protection in excess of the primary casualty policies in-force such as the General Liability, Automobile Liability and Employers Liability. As the first two both provide limits of \$1 million per occurrence the City has an aggregate level of protection in connection with general liability or tort claims and automobile liability claims of \$5 million. While the City is afforded governmental immunity by statute, claims can still be made against the City for gross negligence in tort and claims involving auto liability. The City may be underinsured in this regard, particularly given the potential for a jury to award high dollar verdicts when the defendant is a municipality.

Broker Compensation

There are several ways in which brokers can be compensated. One way is a traditional commission or percentage basis in which the broker receives a percentage of the policy's gross annual premium. Such commissions range from five to seven percent for Workers' Compensation policies and 10 to 30 percent



on all other lines of coverage. While this arrangement is common, it places the broker in a potential conflict-of-interest position, since the lower the insurance premium, the lower the commission earned. The commission also fails to equate time spent in delivering client service to compensation earned.

An alternative is to negotiate a fee for service in lieu of the commission. A fixed fee provides the broker with a fair, negotiated level of compensation for work performed. Therefore, the lower the insurance premiums, the higher the ratio the insurance broker has earned for a fee. It also allows the City to separate the cost of risk transfer from the cost of placement and follow-up service. In separating the expense, the City could establish a fee that is commensurate with the time and value of the service being provided. For some large placements, the negotiated fee is less than the commission, reducing expenses.

The following chart shows how EH&D is compensated. While EH&D's overall level of compensation appears fair and reasonable, the City could consider establishing a Brokerage Services Agreement that formally lays out the services to be provided.

Broker Compensation Structure³

Line	Commission	Fee	Premium	Commission Percentage	Brokerage Compensation
Property	Waived	N/A	\$233,335	N/A	\$0
Crime	Waived	N/A	\$3,499	N/A	\$0
General Liability	Waived	N/A	\$117,429	N/A	\$0
Excess Liability	Waived	N/A	\$26,646	N/A	\$0
Identity Theft	Yes	N/A	\$1,800	10%	\$180
Excess Workers' Compensation	Waived	N/A	\$86,351	N/A	\$0
Self-Funded Workers' Compensation	N/A	Yes	N/A	N/A	\$40,000
Law Enforcement Liability	Yes	N/A	\$167,491	10%	\$16,749
Public Officials Liability	Yes	N/A	\$33,084	10%	\$3,308
Employment Practices Liability	Yes	N/A	\$59,166	10%	\$5,917
Placement Cost					\$66,154
Safety Contract Cost					\$15,000
EH&D Aggregate Compensation					\$81,154

³ EH&D also receives a 17 percent commission on any flood policies placed and standard commission on any Builders Risk policy placed for the City.



Initiatives

Overall the City is managing its insurance and risk management program well in partnership with its broker EH&D. The following initiatives address the flaws identified above to build on the processes already in place.

RM01.	Establish policies to review employee driving records	
	Target outcome:	Cost reduction
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director in cooperation with other department directors

The City does not have a policy to ensure that any employee whose duties include operating a vehicle provides proof of a valid driver's license. The City also does not consistently review an employee's driving record prior to hiring. Failing to take prior driving history into account and then giving the individual the keys to a City vehicle exposes the City to extraordinary risk.

Working through its labor-management committee,⁴ the City shall establish policies to review prospective and current employees' driving records for positions where the duties involve operating a City vehicle. These policies shall include the number of preventable accidents and/or moving violations or any combination thereof that are cause for revocation of the privilege to operate a City vehicle. These guidelines shall be uniformly and consistently applied throughout City government, inclusive of the Police and Fire Departments.

RM02.	Attain damage estimates to improve cost recovery	
	Target outcome:	Cost reduction
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director

As noted above, the City absorbed costs related to auto and property damages in 2009 that it may have recovered from the responsible third party if the City had attained a cost estimate. The Human Resources Director and staff shall evaluate why these estimates were not attained and rectify any procedural problems immediately. To the extent that improved cooperation between Human Resources and operating departments is necessary, the Managing Director shall ensure it is provided.

Beyond improving internal processes, the City shall also consider securing the services of an independent appraiser to assess the damage caused by third parties. The City could use the independent appraisal and photos of the damaged vehicle or property to pursue recovery from the third party or its insurer. The City could also provide the independent appraisals to the repair facilities. If the repair facility believes the estimate is not sufficient, then the City could call the appraiser to discuss additional repairs. Such a process protects the City from charges for unnecessary repairs. The Human Resources Director shall consider the value of an independent appraiser and provide a recommendation to the Mayor and Managing Director for action by December 31, 2010.

⁴ Please see the Workforce chapter for details.



RM03.	Review excess liability coverage	
	Target outcome:	Cost avoidance
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director

As noted above, the City may be underinsured in its excess liability coverage. The Human Resources Director shall review the coverage provided and determine whether an adjustment is necessary.

RM04.	Update insurance specifications	
	Target outcome:	Cost avoidance; compliance
	Five year financial impact:	N/A
	Responsible party:	City Solicitor

The City conducted a property appraisal in 2008 for insurance purposes which included a detailed property list, however, the City does not have a vehicle list available. Once the vehicle list is completed by the Public Works Department, the City shall review its current car insurance costs and ensure that all vehicles have the necessary level of vehicle insurance coverage.

At some point in the duration of this Recovery Plan, the City shall also conduct another inventory of all City buildings and equipment in order to determine if values, as included in the insurance policies, are realistic. Department heads shall update all inventory lists for use by the underwriters and/or brokers.



Human Relations Commission

Overview

The Human Relations Commission (the “HRC”) for the City of Reading consists of eight uncompensated members appointed by the Mayor and is operated under the supervision of a managing director. The HRC is required to meet at least eight times each year and seeks staff from other City departments, boards and commissions.

In the course of its duties, the HRC may request or certify cases to the City Solicitor to seek an injunction to restrain the sale, rental or other disposition of housing accommodations in accordance with §9.1 of the Pennsylvania Human Relations Act. Also, where an order issued by the HRC is not complied with, the HRC may certify the case to the City Solicitor “who shall invoke the aid of an appropriate court to secure enforcement or compliance with the order or to impose the penalties set forth in [the Ordinance], or both.”¹

The Commission has four full-time staff members. Prior to 2006, the Commission operated with mostly part-time and/or temporary staff. In 2006, two staff members were increased to full-time, with two additional staff members added in 2007.

Budgeted Headcount – Human Relations Commission

2006	2007	2008	2009	2010
2	4	4	4	4

In 2008, the HRC closed 56 fair housing cases and 45 employment cases and responded to 203 complaints about landlords. In 2009, the Commission closed 33 housing cases and 51 employment cases and responded to more than 900 walk-in and phone call complaints.

Finances

HRC’s costs are entirely personnel-driven because it relies on the Law Department for legal advice and support. The increase in salaries reflects the steady increase in personnel. Temporary wages declined from 2005 rates because full-time staff were added, however, the full-time staff are more expensive than temporary staff. The HRC receives federal funding from Housing and Urban Development (HUD) and the Equal Employment Opportunity Commissions. Community Development Block Grants (CDBG) provide additional funding.

Historical Expenditures – Human Relations Commission

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimated	% Change
Salaries	33,454	83,881	115,850	126,189	127,193	280.2%
Fringe Benefits ²	7,064	7,307	28,715	32,769	58,984	735.0%
Temporary Wages	30,305	3,084	12,390	12,833	9,345	-691.6%
Pension	0	0	0	6,368	9,037	---

¹ Ordinance §1-533.

² The “fringe benefits” category is the cost of employee health care insurance.



Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimated	% Change
Social Security	(601)	6,653	9,810	10,635	7,567	1359.1%
Total	70,223	100,925	166,765	188,793	212,125	174.7%

With its current full-time staffing, the HRC was not allocated funds for temporary workers in FY2010. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.

Projected Baseline Expenditures – Human Relations Commission

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	130,398	135,092	139,956	144,994	150,214	15.2%
Fringe Benefits	56,632	61,729	67,284	73,340	79,941	41.2%
Pension	8,039	0	0	0	0	-100.0%
Social Security	9,975	10,334	10,706	11,092	11,491	15.2%
Total	205,044	207,155	217,946	229,426	241,645	17.9%

Initiatives

HC01.	Review HRC staffing	
	Target outcome:	Cost savings
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director

The HRC previously functioned with part-time and temporary staff only. The switch away from these workers to full-time staff has tripled departmental costs in five years because of the addition of salaries and the need to provide benefits. The Human Resources Director shall review the workload and demands on the HRC and determine whether the HRC can return to part-time and/or temporary workers who are not eligible for benefits to reduce overall personnel costs. By reducing costs in the HRC, the City may be able to re-purpose CDBG funding into more direct community development programs.

To help determine staffing needs, the HRC shall track both the number and percentage of cases closed and complaints resolved on a monthly basis.



Law Department

Overview

The City of Reading Department of Law acts as the attorney for the City and its officials and renders legal opinions and advice for the Mayor, City Council, and City departments. The Law Department provides guidance on federal, state, and municipal laws, including the City Charter and Administrative Code. It is responsible for and handles litigation, prepares and reviews contracts and other legal instruments. The Law Department provides legal counsel to the Reading Planning Commission, attends meetings, and provides other legal assistance. The Department consists of five employees: a solicitor; an assistant solicitor responsible mainly for employment matters; an assistant solicitor mainly charged with real estate, planning and zoning matters; and two support assistants.

Budgeted Headcount – Law Department

2006	2007	2008	2009	2010
4	5	5	5	5

Other resources

In addition to the solicitor and two assistant solicitors, the City uses contracts for legal assistance on specific issues. Much of the work is labor-related.

- **Workers Compensation & Heart/Lung Counsel:** The City of Reading hires its own legal counsel and pays fees between \$125 and \$155 per hour.
- **Labor Counsel:** A law firm is currently under contract to provide labor matter representation at \$275 per hour, paid through the Law Department. Most of the provided services deal with police-related labor issues.
- **Environmental counsel:** The City relies on a law firm to provide legal services for specialized environmental matters.
- **Special Counsel:** Provides assistance and legal services for real estate matters and the wastewater treatment plant, both on general issues and the federal consent decree. This assistance is paid from the Law Department budget at \$155 per hour.

The City also has several boards and commissions which require legal assistance and advice.

- **Human Relations Commission Counsel (HRC):** The City's Law Department provides legal assistance to the HRC. The HRC currently does not have an attorney under contract to assist when it is inappropriate for the Law Department to act as counsel.
- **Charter Review Board Solicitor:** The Board selects a solicitor who is paid from the Board's budget. In 2010, the total budget for the Board is \$20,000.
- **Civil Service Board & Zoning Hearing Board Solicitor:** These boards share the same attorney who serves as solicitor for both entities. The City pays \$2,100 per month for these services.
- **Police Diversity Board:** The Board selects a solicitor paid from the Police Department budget.
- **Fire Diversity Board Solicitor:** The Board has a solicitor paid from the Law Department budget.



- **Police Pension Board Solicitor:** The Board appoints a solicitor who is paid by the Board from its own Fund. In 2009, the Fund paid \$5,550 in legal fees.
- **Firemen’s Pension Board Solicitor:** The Board appoints a solicitor who is paid by the Board from its own Fund. In 2009, the Fund paid \$3,000 in legal fees.
- **Officers & Employees Pension Board Solicitor:** The Board appoints a solicitor, who is paid by the Board from its own Fund. In 2009, the Fund paid approximately \$5,000 in legal fees.

Board of Ethics

The Board of Ethics for the City of Reading was established pursuant to §1201(c) of the City’s Home Rule Charter. The Board consists of five members and is charged with administering and enforcing the conflict of interest provisions within the Charter. In FY2009, the Board spent \$12,235. In FY2010, the Board has a \$10,000 budget. Board of Ethics expenditures are not included in the Law Department historical or projected charts. Board members are not compensated, but may be reimbursed by the City for expenses.

City Ordinance allows the Board to appoint a solicitor, a secretary and such staff as necessary. Currently, the Board retains an investigating officer, who must be a member in good standing of the Berks County Bar for at least 5 years, to investigate complaints received by the Board and issue written reports. The Board does not hold regularly scheduled meetings, but meets at the call of the chairperson or a majority of its members. In cases where the investigating officer returns a written determination and the subject of the determination requests an evidentiary hearing, the Board must engage an attorney to represent the facts in support of the complaint and another attorney to advise the Board. The Board Solicitor is not to be involved after the report is issued.

Finances

Most of the Law Department’s spending is concentrated in personnel expenses and contract and consulting services, which include outside legal assistance. The Miscellaneous category includes legal fees related to human resources, particularly police labor issues, which increased in FY2009 because of arbitration on the police incentive plan.

Historical Expenditures – Law Department

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	164,763	185,161	208,814	257,675	256,856	55.9%
Fringe Benefits ¹	45,351	44,767	48,425	42,364	58,984	30.1%
Pension	19,263	18,500	0	7,959	11,295	-41.4%
Social Security	12,604	14,165	16,260	19,712	19,650	55.9%
Training & Education	0	264	175	25	580	0.0%
Contract & Consulting Services	64,779	156,407	24,000	136,202	101,364	56.5%
Miscellaneous	219,693	184,806	266	53,181	207,030	-5.8%
Total	526,454	604,068	297,939	517,118	655,759	24.6%

¹ The “fringe benefits” category is the cost of employee health care insurance.



Assessment

In 2010, the total budget for the Department is more than \$750,000 across two divisions: Law and Special Counsel. Special Counsel is comprised solely of Contracted Services and totals approximately \$267,000. The City budgeted for an increase of more than \$200,000 from FY2009 to FY2010 because it expected to incur additional legal costs as a result of the 2009 layoffs. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.

Projected Baseline Expenditures – Law Department

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	253,578	262,707	272,164	281,962	292,113	15.2%
Fringe Benefits	56,632	61,729	67,284	73,340	79,941	41.2%
Pension	10,048	0	0	0	0	-100.0%
Social Security	19,398	20,096	20,820	21,569	22,346	15.2%
Training & Education	650	666	683	700	717	10.4%
Contract & Consulting Services	316,200	324,105	332,208	340,513	349,026	10.4%
Miscellaneous	128,250	131,456	134,743	138,111	141,564	10.4%
Total	784,756	800,760	827,902	856,196	885,706	12.9%

Initiatives

The Law Department's spending on outside counsel is a significant driver of the Department's costs. The initiatives in this chapter aim to improve the City's use of outside counsel and create accountability in the Department.

LW01.	Manage and reduce the use of outside counsel	
	Target outcome:	Savings and reduced reliance on outside contractors
	Five year financial impact:	\$255,000
	Responsible party:	City Solicitor; Commissions & Boards

The City budgeted approximately \$500,000 for the expense of using outside counsel in FY2010. At the same time, the City has three attorneys on staff. The City shall reduce spending on outside counsel by 20 percent by FY2011 and use half of the savings to hire an additional attorney reporting to the City Solicitor. The Department should use this attorney to provide the expertise for which it has historically used outside counsel. To further manage outside counsel, the following shall apply:

1. All outside counsel must have a current engagement letter describing the engagement, including the scope of work, for which the outside counsel is hired. All engagement letters must be reviewed annually by the City Solicitor.



2. All bills from outside counsel must be directed to and reviewed by the City Solicitor prior to payment.
3. No department or board may retain outside legal counsel without obtaining approval from the Solicitor.
4. Outside counsel shall only be hired when the lawyers within the Department do not have the expertise, experience or capacity to handle a matter.
5. The Law Department shall prepare standardized billing procedures for outside counsel.
6. The Law Department shall encourage outside counsel to use project fees or fixed fees for engagements to assist the City and the Department with budgeting for legal services.
7. The Law Department shall track the City's costs for each specific type of outside counsel.
8. The Law Department shall issue a Request for Proposal (RFP) for outside legal work to encourage competitive contracts. The City should consider issuing RFPs which require fixed fee proposals.

Financial Impact

2010	2011	2012	2013	2014	Total
25,000	50,000	55,000	60,000	65,000	255,000

LW02.	Review all statutes, ordinances and resolutions to ascertain which boards need to retain their own counsel	
	Target outcome:	Improved service delivery and efficiency
	Five year financial impact:	N/A
	Responsible party:	City Solicitor

The City Solicitor and staff shall review all statutes, ordinances and resolutions to ascertain which boards must retain their own separate counsel. If the board is authorized to retain its own counsel, the cost of the legal services provided to the board shall be paid directly from that board's budget. If the board is not specifically authorized to retain counsel, then any legal services that the board may need must be requested from the City Solicitor.

The Zoning Hearing Board shall engage its counsel and budget within the Zoning division for the board solicitor's fees.

LW03.	Implement a time tracking system	
	Target outcome:	Improved service delivery and efficiency
	Five year financial impact:	N/A
	Responsible party:	City Solicitor

The Department shall implement a system to record attorneys' time and activities. All attorneys in the Department must track and prepare a detailed, accurate report of their daily activities on a computerized system. These time reports may be used for management reports and activity analyses.



LW04.	Use professional assistance for labor relations activities	
	Target outcome:	Improved service delivery and efficiency
	Five year financial impact:	N/A
	Responsible party:	City Solicitor

As discussed in WF01, the City shall retain experienced public employment labor counsel for its labor relations activities beginning with negotiations on a new IAFF contract. The City shall also seek professional legal assistance, either through the Law Department or outside counsel, for other labor relations issues.

The Pennsylvania League of Cities and Municipalities offers a Public Employer Labor Relations Advisory Service (PELRAS). This service provides access to reduced rates for labor counsel, provides labor-specific training for City legal staff, and offers access to wage and benefit data. Reading is a member of the League, so this service can provide the City assistance in tackling the myriad issues in labor and employment law.



Reading Public Library

Overview

With roots tracing back to 1763, the Reading Public Library (RPL) was constituted in its current form in 1899. RPL is governed by a Board of Directors. The City of Reading, Berks County and the Reading Library Company each appoint five members.

A significant portion of RPL services relate to sharing of infrastructure and materials with the Berks County Public Library System. This is mainly through inter-library loans, as RPL has the largest holdings within the County. RPL receives County aid (\$44,000 in 2010) and Coordination aid (\$66,000 in 2010) to support the inter-library loaning activities. Additionally, RPL provides centralized information technology infrastructure that is relied on by other County libraries for which it receives \$170,000 in Wide Area Network fees.

RPL consists of a main library and three branches with a total floor area of 52,216 square feet. Built in 1913, the Main Library was significantly renovated in the early 1990s. While RPL oversees library operations and administration, the City of Reading owns the physical facilities. Prior to 2010, the City covered utility costs, exclusive of telecommunications, through an agreement with RPL. In 2010, RPL assumed those utility costs. RPL also maintains a Bookmobile that makes scheduled stops throughout the City on a two week rotation.

Reading Public Library Locations

Site Name	Address	Floor Area (square ft)
Main Library	102 South 5th Street	32,536
Southeast Branch Library	1426 Perkiomen Ave	8,920
Northeast Branch Library	1348 North 11th St	8,280
Northwest Branch Library	901 Schuylkill Ave	2,480

The City has historically funded a portion of RPL positions from its own operating funds and also by passing through funding received from Berks County. In 2010 the City of Reading reduced the number of positions it funded from 23 to 11, resulting in layoffs and reductions in service. One full-time employee and part-time staff travel to provide staffing support at branch libraries. As a result, the branch libraries are currently open for three days per week with reduced hours.

Budgeted Headcount – Reading Public Library¹

	2006	2007	2008	2009	2010
Administration	2	2	3	3	3
Branch/Circulation	11	10	10	10	3
Reference	9	9	9	9	5
Children's	2	2	2	1	0
Total	24	23	24	23	11

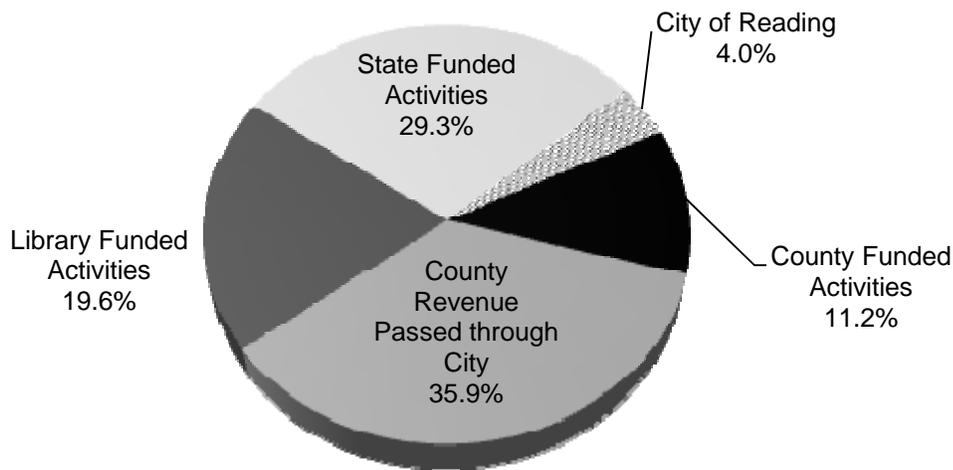
¹ These are the positions funded by the City. In addition, RPL currently employs approximately 15 staff using other sources of funding. RPL staff report that the Library has since taken funding responsibility for one of the three branch/circulation positions.



RPL Revenue

RPL is funded from a variety of local, state and federal sources. The largest piece of RPL's budget is the \$900,000 allocated by the County to the Library through the City's budget to offset the salary costs of the City budgeted positions. The next largest piece is State aid, which the Library budgeted at \$736,206 in 2010.

2010 Reading Public Library Funding by Source



Setting aside the \$900,000 that is passed through the City from the Library, the City's contribution to the Library is budgeted at \$100,000 in 2010 – 4.0 percent of the Library's \$2.5 million budget. The City previously covered RPL utility expenses (estimated \$92,000 in 2009) but those have since been assumed by RPL. The City also pays for capital improvements to all RPL facilities. The City's capital improvement plan (CIP) project list for 2006 through 2012 shows \$240,000 in RPL related projects:

- \$60,000 in repairs to the Northwest Branch
- \$40,000 in renovations of the Main Branch
- \$70,000 in repairs to the Southwest Branch
- \$70,000 in repairs to the Northeast Branch

Library staff report that the City has only spent \$40,000 of the \$240,000 allocated in the CIP. Another \$1.8 million for a new Northwest Branch facility and \$2.0 million toward expanding the Main Branch were eliminated.²

City expenses

The table below shows the City's General Fund allocation to RPL for 2005 through 2009.³ Historically, most of the City's allocation is actually revenue from the County passed through to the Library. This revenue offsets the personnel costs for the City positions. Net of that pass through, the City's direct

² Please see the Capital Improvement Plan chapter for more information.

³ Capital expenditures on RPL facilities are not shown here.

contribution to RPL rose from \$303,000 in 2005 to \$472,000 in 2009. The allocation in the approved 2010 City budget is \$395,000 lower than the 2009 estimated spending and would be \$520,000 lower if the shift in utility expenses from the City to RPL is included.

Historical City Contribution

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	767,920	778,615	851,300	873,027	865,956	12.8%
Fringe Benefits	198,049	223,438	318,532	285,238	291,165	47.0%
Premium Pay	2,450	2,800	1,120	3,080	3,430	40.0%
Overtime	1,180	725	1,877	1,021	1,004	-14.9%
Pension	85,506	111,000	0	41,388	51,958	-39.2%
Social Security	57,284	59,834	65,496	67,100	66,585	16.2%
Penny Fund	624	547	594	596	254	-59.3%
Utilities	89,631	91,866	93,889	95,096	91,935	2.6%
Total	1,202,645	1,268,824	1,332,809	1,366,546	1,372,287	14.1%
County pass through revenue	900,000	900,000	900,000	900,000	900,000	0.0%
Net City Contribution	302,645	368,824	432,809	466,546	472,287	56.1%

Assessment

RPL's primary objective is to provide City residents with free or affordable services related to literacy. This includes providing free usage of books and other materials and literacy classes. The total number of materials borrowed from RPL by the public during 2009 was 476,138, a 13 percent increase from 1998.

Given the high percentage of City residents whose primary language is not English, demand for literacy services may be even higher in Reading than in surrounding municipalities. According to the US Census Bureau, 43.0 percent of Reading's population over age five speaks Spanish or Spanish Creole at home. Thirty-eight percent of the population that speaks Spanish or Spanish Creole at home has been below the poverty level in the last 12 months tracked, compared to 25.2 percent for residents who speak only English at home.⁴ To address literacy and employment issues in the community, RPL offers classes in English as a Second Language (ESL) class, resume-building and basic internet use, as well as offering adult book discussions. In 2009 RPL offered 185 adult programs, with an attendance of 1,355.

RPL is subject to the same financial pressures felt by the City, Berks County and the Commonwealth. In conjunction with the 11 eliminated positions, the City reduced its direct contribution to the library (excluding the County pass through) from \$472,000 in 2009 to \$100,000 in 2010. Commonwealth aid to RPL dropped from \$984,000 budgeted in 2009 to \$736,000 budgeted in 2010. Across all of Pennsylvania, the Commonwealth's public library subsidy dropped from \$75.75 million in its 2008-2009 budget to \$60.0 million in the 2009-2010 budget. This funding cut has a negative impact on all local

⁴ American Community Survey. 2006-2008 Three-Year Estimates



libraries including those in the Berks County Public Library System. The Berks County Community Foundation has formed a task force to explore a different funding mechanism for local libraries in the area.

Projected expenditures

The table below shows the City's projected allocation to RPL for 2011 and 2014 based on a revised anticipated appropriation for 2010. The City's approved 2010 budget shows \$493,259 for salaries, which have been reduced by \$54,000 to account for the RPL using funds other than the City's allocation to cover an additional position. The City's approved 2010 budget also included \$125,000 for utilities, which RPL has assumed. Pension expenses for 2011 to 2014 are not projected here since they are projected separately for the entire City workforce elsewhere in this Plan.⁵

Assuming the revenue passed to the City from the County remains constant at \$900,000, that revenue would cover the City's personnel expenses through 2014. **The City's contribution net of that pass through (shown as "Miscellaneous" below) would be \$100,000 per year through 2014 plus any capital expenditures not shown here.**

Projected Baseline Expenditures – Reading Public Library

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	Growth %
Salaries	493,259	511,016	529,413	548,472	568,217	15.2%
Fringe Benefits	176,709	192,613	209,948	228,843	249,439	41.2%
Pension	44,212	0	0	0	0	-100.0%
Social Security	37,735	39,093	40,501	41,959	43,469	15.2%
Miscellaneous	100,000	100,000	100,000	100,000	100,000	0.0%
Total	851,915	842,723	879,862	919,274	961,125	12.8%

Initiatives

RL01.	Participate in restructuring the Reading Public Library	
	Target outcome:	Stabilize and support library services
	Five year financial impact:	N/A
	Responsible party:	Managing Director; City Council

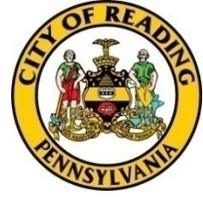
Changes in the City and Commonwealth allocations to RPL since 2009 highlight the financial difficulties that the Library faces under its current funding structure. Both have reduced their allocations to RPL, resulting in position cuts and reduced access to resources. Reflecting comments on the draft Act 47 Recovery Plan indicating the importance of continuing City support for the Library, this Recovery Plan does not include or project a reduction in the City's contribution below the \$100,000 amount shown above.

⁵ Please see the Workforce Chapter for more information.



However, all financial contributors to RPL are likely to face the same pressures that resulted in recent reductions. In recognition of those pressures, the Berks County Community Foundation has convened a task force to review and consider what a modern, sustainable library system for Berks County – including Reading – would entail. It is important that the City of Reading find alternative ways to deliver library services to its residents. Accordingly, the Managing Director or his designee and a member of City Council as designated by Council President shall work with the Berks County Community Foundation’s task force on library funding, Berks County and other stakeholders to move library services to a new delivery structure.





VI. Public Safety

Fire Department

Overview

The Reading Fire Department provides emergency response to fires and other hazardous conditions, either man-made or naturally occurring, and provides response and transport for medical emergencies within the City. It is primarily a full-time Department, supplemented by a declining volunteer force of 17. From seven City fire stations, the Department operates seven engine companies, three ladder companies and a heavy rescue unit. The Department's Mission Statement is as follows:

Provide for the protection of life and property from the ravages of fire in the City of Reading, and to mitigate other life-threatening incidents through the use of modern fire suppression techniques, apparatus, equipment, rescue procedures, and delivery of emergency medical services.

Provide fire, rescue, hazardous-material, and EMS services with the highest regard for the safety of all personnel.

Deliver fire, rescue and EMS to all areas of the City within four minutes of notification, 80% of the time.

The Fire Department divisions include Administration, Suppression, Special Services and Emergency Medical Services. The Fire Chief reports to the City's Managing Director and all programs within the Department report to the Chief through deputy chiefs and program managers.

- **Administration** includes the Fire Chief, four First Deputy Chiefs, and the Department's Administrative Officer. Administration oversees Department operations, provides financial and personnel management and represents the Department within the City and throughout the region.
- **Suppression** delivers emergency and non-emergency response to calls for service including fires, rescues, emergency medical events and other hazardous conditions.
- **Special Services** is responsible for fire prevention, fire code enforcement, training of career and volunteer personnel and underwater rescue and recovery (i.e., SCUBA Team).¹
- **Emergency Medical Services (EMS)** provides advanced life support (ALS) and basic life support (BLS) medical services for all citizens and visitors to the City. It also provides wheelchair and care van transportation to medical related destinations for a fee according to a contract with hospitals or nursing homes.

Fire relies on the Department of Public Works for facility and vehicle maintenance services, though maintenance specific to primary fire apparatus is typically performed by qualified vendors under direct contract with the Fire Department. Fire collaborates with the Police Department on arson investigations and Police and Community Development on code enforcement and inspections.

The focus of the Fire Department's 2010 Work Plan is:

- Establishing new civil service lists for firefighters, paramedics and promotional vacancies;
- Supporting the Human Resources Director, Managing Director and Mayor in hiring a new Fire Chief;
- Building a new fire station to consolidate two privately owned stations;

¹ The City provides some funding for the SCUBA team's equipment, but the labor is volunteer.



- Establishing a City-owned fire museum;
- Replacing Ladder 1 truck; and
- Increasing fire code safety inspections and fire prevention presentations by 25 percent.

In 2009, the Department was reviewed by ISO (Insurance Services Organization), a source of nationwide information about property/casualty insurance risk, and maintains a Class 3 rating from the organization. This rating is used by insurance companies to set property insurance rates for customers within the Department's jurisdiction and ranges from Class 1 through 10 with 1 being highest.

Staffing

The number of budgeted positions in the Department has remained relatively stable since 2006. In 2008 the City budgeted to add 12 firefighters to its suppression activities, but the count was reduced back to 104 in 2010. The City did not lay off any firefighters in the late 2009 position reduction.

Budgeted Headcount – Fire Department

	2006	2007	2008	2009	2010	% Change
Administration	7	7	7	7	7	0.0%
Special Services	3	3	4	4	4	33.3%
Suppression	106	104	116	116	104	-1.9%
EMS	29	29	29	29	29	0.0%
Total	145	143	156	156	144	-0.7%

The table below presents the number of budgeted positions in greater detail. The only change in budgeted positions between 2006 and 2010 is the Department has one more Lieutenant for prevention and two fewer firefighters.

Budgeted Headcount (by Position) – Fire Department

	2006	2007	2008	2009	2010	% Change
Fire Chief	1	1	1	1	1	0.0%
First Deputy Chief	4	4	4	4	4	0.0%
Second Deputy Chief	4	4	4	4	4	0.0%
Fire Marshal	1	1	1	1	1	0.0%
Lieutenant - Prevention	1	1	2	2	2	100.0%
Lieutenant - Fire Training	1	1	1	1	1	0.0%
Lieutenant - Fire Suppression	4	4	4	4	4	0.0%
Firefighter (I - IV)	98	96	108	108	96	-2.0%
Administrative Officer	1	1	1	1	1	0.0%
Clerk Typist	1	1	1	1	1	0.0%
Fire subtotal	116	114	127	127	115	-0.9%
Deputy Chief/EMS Manager	1	1	1	1	1	0.0%
EMS Lieutenant	4	4	4	4	4	0.0%
Paramedic	20	20	20	20	20	0.0%
Transportation Coordinator	1	1	1	1	1	0.0%



	2006	2007	2008	2009	2010	% Change
Wheelchair Van Driver	3	3	3	3	3	0.0%
EMS subtotal	29	29	29	29	29	0.0%
Total	145	143	156	156	144	-0.7%

Volunteer staff within the Department has steadily declined from 111 members in 1988 to 17 certified volunteer firefighters in 2009. A significant contributing factor to this reduction is the increased expectation of volunteer training and skill maintenance throughout fire service. In Reading, each volunteer must attend required minimum drill and training hours to maintain their status as a structural firefighter. The Department estimates that, of the 17 certified volunteer firefighters, as few as half respond to working structure fires on a consistent basis.

Article 27 of the collective bargaining agreement between the City and the International Association of Fire Fighters, Local No. 1803 requires the City to have at least 22 firefighters on a platoon (i.e. shift). If the number of firefighters on duty drops below 22, the City must fill the number of positions to that level, usually by calling firefighters in and paying them at an overtime rate of one-and-one-half times their hourly pay. Current operating practice is to staff seven engines/pumpers, three aerials, and a heavy rescue unit for response. With the exception of the heavy rescue (which is staffed by one firefighter and one lieutenant), each of the 11 response vehicles is staffed with two firefighters. This approach allows for quick response and increased flexibility to cover emergency medical calls, but it also results in unusually light staffing for the first arriving unit at an emergency. The National Fire Protection Association (NFPA) Standard 1710 recommends engine company staffing of four. While many communities are not able to fund this staffing level, it is unusual to place into service an engine company with fewer than three firefighters. A crew of two is unable to initiate interior fire suppression activities until additional response vehicles arrive on the scene. There are no records kept of how long it takes the Department to assemble a crew of four firefighters at a fire scene. Additionally, there is no company officer assigned to supervise and direct the actions of individual crews, which can contribute to reduced accountability and potentially unsafe activity by firefighters.

Additional challenges related to staffing are discussed in the Assessment section of this chapter.

Other resources

The Department currently operates seven fire stations and one EMS station. Additionally, there are administrative offices at City Hall and the Training Officer maintains an office at the regional fire training site. There are 11 individually-assigned vehicles for Chief Officers, Inspectors and the Training Officer. The actual cost of maintaining and operating the vehicle fleet and facilities is managed by the Department of Public Works. Each City fire station is equipped with desktop computers and a connection to the City network, however, staff reports ongoing challenges with reliability, functionality and connectivity that result in less than optimal use of the available technology.

The Department stations and associated apparatus are shown in the following chart.



Fire Department Stations and Apparatus/Vehicles²

Station Name	Location	Apparatus/Vehicles
Keystone & Neversink	3rd & Court St.	Engine 3
		Ladder 1
		Brush 3
Liberty	501 S. 5th St.	Engine 5
		Brush 1
		SCUBA-1
		LARC
Marion & Hampden	9th & Marion St.	Engine 9
		Ladder 3
Oakbrook	628 Park Ave.	Engine 14 (B)
Rainbow & Junior	8th & Court St.	Engine 1
		Engine 13
		Brush 2
Reading & Friendship	614 Franklin St.	Tower 1
		Rescue 1
Riverside & Schuylkill	950 McKnight St.	Engine 11
		HAZ-MAT-1
		2 Wheelchair Vans
		Basic Life Support Ambulance 606
Emergency Medical Service Station	638 Walnut St.	EMS 600
		4 Ambulances
		Basic Life Support Ambulance 605
		Mass Casualty Trailer 1

As previously noted in the Department work plan, the City will close the Liberty and Oakbrook stations in 2010 and consolidate them into a single, new facility at 101 Lancaster Avenue. This consolidation will eliminate the City's last remaining leased fire stations. The City anticipates purchasing the Liberty Fire Station from the Liberty Fire Company for \$1.00, and the building will then become the City Fire Museum, operated by Reading Area Firefighters, Incorporated (a 501(c)(3)). In lieu of a lease payment, the City has historically paid the station's utility costs and, in 2008, paid to replace the building's heating system. The City will continue to pay the building's operating expenses but anticipates that those costs will decrease when the building no longer houses an active fire company.

The Department's fleet is generally in good condition, though smaller emergency response vehicles, such as brush trucks, are reaching the end of or have exceeded their useful life. The ALS ambulances are in the fourth year of a five-year lease purchase program and will require replacement in 2012. The reserve ambulances are in fair condition but will require replacement within the next two years. Though a formal vehicle/apparatus replacement schedule does not exist, the Department has set goals for replacement as follows: engines/pumpers replaced every 10 years and ladder trucks replaced every 15 years. The schedule is in keeping with replacement schedules in other fire departments across the country. It limits excessive maintenance expenditures and allows the Department to stay current with improvements to fire

² This chart does not include any reserve apparatus, which currently includes 3 engines, a ladder, and a rescue truck.



equipment and apparatus. In the 2006 – 2010 Capital Improvement Plan (CIP), the City included yearly replacement of fire apparatus. However, in 2008, the City used Community Development Block Grant (CDBG) funds to purchase apparatus to avoid losing the federal funding and then planned to use the CIP funds for the projects that would have been supported by CDBG funds.³ Though the City's CDBG funds were used to purchase new engines in 2008, that funding is not currently available to the Department for fleet purchases. The next vehicle currently scheduled for replacement is Ladder 1 in 2012. Without a dedicated funding stream for vehicle replacement, it is unlikely that the Department can keep pace with its traditional schedule.

Finances

Fire Department expenditures increased by 12.7 percent from \$12.3 million in 2005 to \$13.9 million in 2009. As with other departments, salary expenditures (as distinct from premium pay or overtime) account for most of the Fire Department's budget (58.1 percent). Employee compensation, including fringe benefits, is discussed in more detail in the Workforce Chapter. The unusual trend in pension related expenditures is addressed in a separate chapter related to that subject.

Historical Expenditures – Fire Department

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	6,713,471	7,127,281	7,522,593	7,870,110	8,057,202	20.0%
Fringe Benefits ⁴	1,616,157	1,976,235	2,459,329	2,297,984	1,940,772	20.1%
Premium Pay	545,007	575,374	594,240	624,179	635,691	16.6%
Overtime	1,206,831	1,169,755	1,756,689	1,470,063	1,594,736	32.1%
Pension	1,483,168	1,278,199	507,179	1,292,668	812,958	-45.2%
Social Security	183,597	119,557	121,096	131,796	139,091	-24.2%
Penny Fund	28	33	0	34	16	-42.9%
Uniforms	3,000	4,200	4,200	4,200	4,200	40.0%
Training & Education	24,773	14,616	0	22,832	38,141	54.0%
Utilities	51,611	67,988	87,902	93,083	11,416	-77.9%
Equipment	113,497	175,456	379,331	415,593	285,111	151.2%
Supplies & Postage	46,816	58,776	66,630	77,733	62,179	32.8%
Rentals	22,274	22,702	0	8,702	8,659	-61.1%
Contract & Consulting	174,662	145,431	147,474	159,303	170,454	-2.4%
Programs & Events	10,940	13,680	0	12,188	8,200	-25.0%
Fees	18,269	18,251	15,043	17,960	19,685	7.8%
Miscellaneous	-2,530	37,157	19,780	20,534	17,385	N/A
Fire Co. Appropriations	91,090	91,136	0	94,347	57,922	-36.4%
Total	12,302,661	12,895,827	13,681,485	14,613,308	13,863,816	12.7%

³ Please see the Community Development chapter for more information.

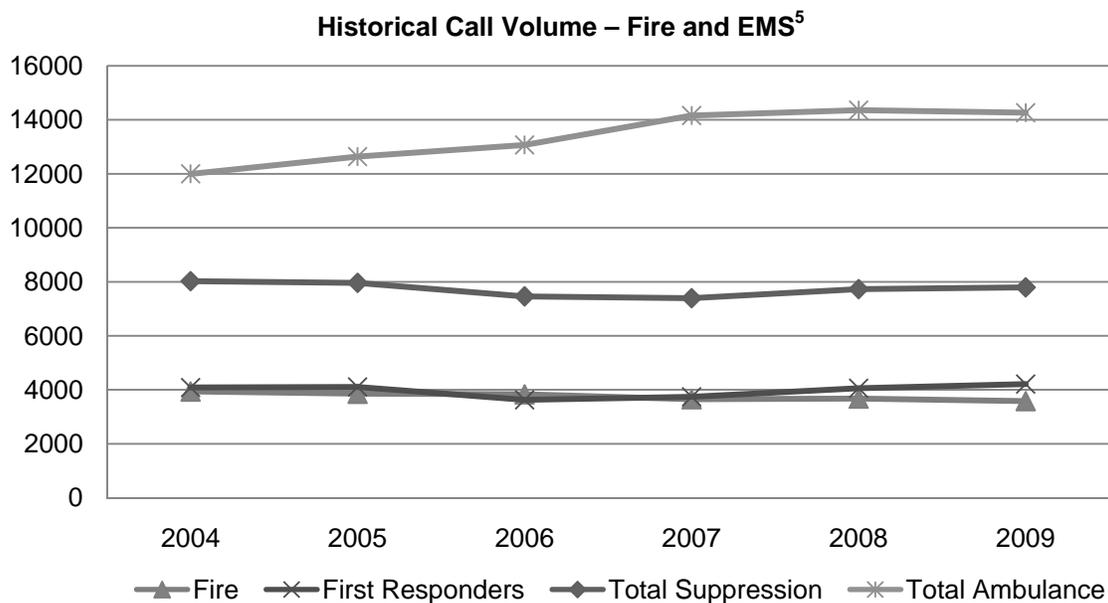
⁴ The "fringe benefits" category is the cost of employee health care insurance.



Overtime includes time that is spent staffing non-City, special duty shifts (i.e. paramedics at baseball games). The City receives a reimbursement for this service. The prior table does not include expenses associated with vehicle maintenance, facility maintenance or fuel usage. Those expenses are budgeted outside the Fire Department, which makes it difficult to show the true full cost of the City's fire and EMS operations. The equipment line includes vehicle, machinery, general equipment and small repair costs. Spending in this category, particularly related to vehicles, increased substantially beginning in 2007 and 2009. The City entered a five-year lease for four ambulances in 2007, which costs more than \$130,000 annually. Also in 2008, the Department purchased a pickup truck which is assigned to the Fire Marshal as a takehome vehicle for conducting fire investigations. The Fire Company Appropriation is a pass through of an annual payment from the Commonwealth of Pennsylvania to local volunteer firefighting companies using tax revenue from state insurance payments. The City records the revenue and passes it through to the Reading Volunteer Fireman's Relief Association as an expense.

Assessment

As evident in its Mission Statement, the Fire Department is primarily response-focused. The Department's calls for service fall into the broad categories of fire, false alarms, hazardous conditions and rescue (including EMS). Fire calls are further broken down into multiple categories defined by the National Fire Incident Reporting System (NFIRS), Version 5. Reading annually completes and submits the National Fire Protection Association's Fire Experience Survey, which includes call for service statistics. Ambulance statistics are maintained and reported separately by the Department's EMS division.



Source: City of Reading Fire Department

As of 2009, the volume of fire-related calls is approximately 17 percent lower than 2001 levels, and calls for EMS have increased by 25 percent over that same period. This trend is consistent with nationwide statistics. However, in contrast to the national and northeast regional fire experience, Reading has a significantly higher number of fires per year. In 2008 the City had more than twice the average number of fires for communities its size in the Northeast and two-and-a-half times the average number of fires for communities its size nationally. The City had 257 residential fires and 310 structural fires in 2009.

⁵ Total suppression is the sum of Fire and First Responder calls.



Average Fire Experience for Community Size 50,000 – 99,999

Residential	2005	2006	2007	2008	% Change
Reading	327	350	319	259	-20.8%
National	82	76	78	76	-7.3%
Reading compared with National Totals (% Higher)	299%	361%	309%	241%	-19.4%
Structure	2005	2006	2007	2008	% Change
Reading	382	404	380	308	-19.4%
National	103	98	97	95	-7.8%
Reading compared with National Totals (% Higher)	271%	312%	292%	224%	-17.2%
Total	2005	2006	2007	2008	% Change
Reading	677	698	701	597	-11.8%
Northeast Region	381	312	403	291	-23.6%
National	274	262	264	239	-12.8%
Reading compared with NE Region Totals (% Higher)	78%	124%	74%	105%	35.4%
Reading compared with National Totals (% Higher)	147%	166%	166%	150%	1.8%

Source: National Fire Protection Association, Annual Fire Loss Survey, 2008. Northeast Region data is only available for total incidents. Total is not the sum of residential and structural fires since there are other categories (vehicle, trash and brush) not shown here.

Fire service call volume often has a strong correlation with a community's economic condition, the quality of its housing stock and the number of vacant buildings. Beyond these factors, Reading firefighters work in a challenging environment, given the high density of structures in some neighborhoods, including row homes, and narrow streets. As can be seen from the tables below Reading has seen reductions in the number of fires per capita, but totals are still significantly higher than national and regional communities of comparable size. Reading had 6.5 fires per 1,000 residents in 2009.

Average Fires per 1,000 Residents for Community Size 50,000 – 99,999

	2005	2006	2007	2008	% Change
Reading	8.3	8.5	8.5	7.3	-12.0%
Northeast Region	5.3	4.5	5.6	4.4	-17.0%
National	3.9	3.8	3.9	3.8	-2.6%
Reading compared with NE Region Average (% Higher)	57%	89%	52%	66%	16.4%
Reading compared with National Average (% Higher)	113%	124%	118%	92%	-18.4%

Source: National Fire Protection Association, Annual Fire Loss Survey, 2008.

Similarly, while the percentage of total calls that are related to fire has dropped in Reading, that percentage has not dropped as fast as it has nationally. Reading has 7.7 percent of its calls related to fire compared to the national average among similarly sized communities of 3.8 percent. In 2009, 6.8 percent of the total calls in Reading were for fires.



Fire Calls as a Percentage of Total Calls for Community Size 50,000 – 99,999

	2005	2006	2007	2008	% Change
Reading	8.6%	9.5%	9.6%	7.7%	-10.5%
National	6.8%	6.7%	6.1%	3.8%	-44.1%
Reading compared with National Totals (% Higher)	26.5%	41.8%	57.4%	102.6%	287.7%

Source: National Fire Protection Association, Annual Fire Loss Survey, 2008.

Reading also experiences a higher percentage of false alarms than is typically seen nationally. In 2009, 12.4 percent of its total calls were false alarms.

False Alarms as a Percentage of Total Calls for Community Size 50,000 – 99,999

	2005	2006	2007	2008	% Change
Reading	14.0%	13.9%	13.0%	13.4%	-4.3%
National	9.1%	8.6%	8.7%	9.0%	-1.1%
Reading compared with National Totals (% Higher)	53.8%	61.6%	49.4%	48.9%	-9.2%

Source: National Fire Protection Association, Annual Fire Loss Survey, 2008.

Crime is also a determinant in the Department's level of activity. One of the Part I crimes tracked by federal, state and City law enforcement agencies is arson. The City's reported arson rate is shown below in comparison to other Commonwealth cities of the third class. In 2008, Reading tied with Lancaster and Erie for the highest rate, though Reading's rate has declined since 2000. Reading Police reported 40 arsons in 2008 compared to 38 in the rest of Berks County.⁶

Arsons per 100,000 Residents

	2000	2005	2006	2007	2008	Change since 2000	Change since 2005
Lancaster	0.8	0.3	0.7	0.6	0.5	-32.5%	49.2%
Reading	0.6	0.6	0.6	0.6	0.5	-11.0%	-11.1%
Erie	0.5	0.3	0.4	0.4	0.5	-5.9%	37.5%
Easton	0.5	0.6	0.9	0.5	0.4	-16.0%	-34.7%
Allentown	0.5	0.5	0.3	0.4	0.3	-51.3%	-52.0%
Bethlehem	0.2	0.1	0.2	0.1	0.1	-65.0%	-16.6%
Average (w/out Reading)	0.5	0.4	0.5	0.4	0.3	-34.1%	-3.3%

Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2008. The 2006 figure for Bethlehem comes from the Commonwealth's Uniform Crime Report.

The Reading Police and Fire Departments differ in their definitions of arson and incendiary fires. This may partly be explained by law enforcement's limited legal definition for arson. Fires set in dumpsters, trash or involving property valued at less than \$5,000 do not meet this definition and are classified as criminal

⁶ This is based on figures reported in Pennsylvania's Uniform Crime Report.



mischief instead. The City Fire Marshal and his staff investigate and determine origin and cause for fires within the City and maintain the following historic annual totals for incendiary fires. The number of incendiary fires reported by the Fire Department was nearly three times the number of arsons reported by the Police Department.

	2005	2006	2007	2008	Change since 2005
Incendiary fire (Fire reported)	80	79	95	115	44.0%
Arsons (Police reported)	45	49	50	40	-4.8 %

Source: City of Reading Fire Department and FBI Uniform Crime report (Police)

The Fire Department's primary measure of fire response success is percentage of call response in which the first unit arrives in four minutes or less, for which the target is 80 percent. In 2005, the Department met that target on 84 percent of its calls. Since then, performance has declined, with the Department meeting that target for 78 percent of its calls in 2009.

The typical national standard for gauging effective fire response is the ability to place the first unit on scene within four minutes travel time, plus 80 seconds for turnout time, 90 percent of the time. The second response time goal is the assembly of the full effective firefighting force within eight minutes travel time, plus 80 seconds turnout time, for 90 percent of emergency calls. An initial response complement recommended by National Fire Protection Association (NFPA) Standard 1710 is four firefighters, including an officer and the minimum for a full effective firefighting force is fifteen firefighters if the aerial ladder truck is in use. In Reading, the Department captures response time for the first arriving unit, which could be a single chief officer. The time needed to assemble either four firefighters or an effective firefighting force is not captured. To obtain that data, Berks County 911 would need to change their current practice of logging only the first unit to arrive on scene.

The Department is a signatory to a countywide mutual aid agreement and is well-respected throughout the Berks County firefighting community. Through this mutual aid agreement, the Department provides support to the neighboring Boroughs of Kenhorst and West Reading with a firefighter rescue crew at structure fires. The City requests mutual aid from neighboring jurisdictions during major events by placing those departments on stand-by. Due to current labor agreement requirements, the Department is currently required to call-back an equal number of off-duty firefighters if mutual aid companies are called to support the City. While the neighboring departments are willing to provide mutual aid support, this is an inefficient arrangement, and the use of stand-by with little chance to actually contribute to a response may discourage firefighters in neighboring municipalities' firefighting companies from responding to satisfy the stand-by request.

The Department had 11 unfilled firefighter positions as of February 2010 and anticipates at least 13 additional retirements in 2010. The City also anticipates significant attrition in the chief officer ranks, including the retirement of the current Fire Chief. Twelve sworn employees, including the Chief, will leave City employment at the end of the year under the terms of their deferred retirement option plan (DROP). While the City is already recruiting for the Chief's replacement, the Department has experienced difficulty filling its civil service positions. According to a federal consent decree, the City must take steps to increase the number of racial minorities in the Department. The City has a Fire Diversity Board that is charged with adopting a recruitment plan to comply with the decree, but the Board has been unable to convene a quorum to act. As a result, the City's efforts to meet the requirements of the consent decree and subsequently hire additional firefighters have stalled. Despite this obstacle, the City plans to hire a recruiting class in 2010 with the firefighters available for deployment in early 2011.

Prevention

Much of the Department's activity is driven by calls for service, but it does have a Prevention Bureau led by the City Fire Marshal, who is appointed by the Mayor. The Fire Marshal conducts technical plan



reviews for all new construction and remodeling within the City and also ensures that all work conducted is done by qualified contractors in a code compliant manner. There are two lieutenants in the Prevention Bureau who conduct most routine fire prevention inspections and fire investigations. The Bureau works closely with the Building/Trades Inspectors in conducting inspections and evaluating potential hazards in new construction and remodeling.

Given the City's fire and false alarm volume, it is critical that additional resources and emphasis be placed on prevention and education strategies. The table below reflects some Prevention Bureau work process outputs captured by the Department. The output increases in 2008 reflect the addition of an inspector to the Bureau. To ensure ongoing focus on addressing identified priorities, it is important that the Department identify and track outcome measures in addition to work process measures to ensure that it is tracking the effectiveness of its prevention efforts.

Prevention Bureau Workload Summary

	2005	2006	2007	2008	% Change
Fire Investigations	186	147	174	191	2.7%
Fire Safety Inspections	812	746	760	1,334	64.3%
Plan Reviews	168	200	203	270	60.7%
Permit Issue	354	492	532	984	178.0%

Source: City of Reading Fire Department

The Department's current labor agreement provides little incentive for existing employees to pursue vacant positions in the Prevention or Training Bureaus. To qualify for a position in those units, the employee must take the same civil service examination as those seeking an operations position, and an additional evaluation of knowledge and skills specific to fire training or inspections. However, should an operations lieutenant vacancy occur after the employee enters prevention or training, the employee is prohibited by contract from laterally transferring into that vacancy. This disincentive is unfortunate, since the knowledge, skills and abilities gained through time spent in the Inspection or Training Bureaus result in well-rounded fire officers who enhance the Department's ability to fulfill its mission.

Emergency Medical Services

Following the departure of the City's private EMS provider in 2001, the Fire Department assumed statutory responsibility for providing these services. The EMS program includes basic and advanced life support response and transport, non-emergency transport services and wheelchair and care van service. Three ALS ambulances are staffed using emergency medical technician-paramedics (EMT-P) who are cross-trained as firefighters. The single BLS ambulance is staffed solely with Firefighter-EMTs working overtime.

Wheelchair and care vans are staffed with certified Emergency Medical Technicians as civilian employees. All EMS employees except the administrative officer, administrative clerk, EMS billing clerk and wheelchair/care van drivers are technically uniformed employees and are recruited, hired and promoted under the City's Civil Service Commission rules and regulations. Currently, new paramedics are not required to be firefighter qualified at the time of hire. They are required to achieve that certification level within five years and, at the time of certification, the employees are treated as firefighters as defined in Act 111 and are able to work as firefighters on an overtime basis. Under the current collective bargaining agreement, they are not, however, able to "bid" to any open position in the Suppression division.



The primary measure of EMS workload is unit hour utilization (UHU), in which the total number of calls is divided by the total number of hours of ambulance staffing. Frequently, when emergency medical services reach a UHU of 0.35, they consider adding additional response capacity. Depending on specific circumstances causing the service demand, this can be accomplished by increasing capacity during peak service demand periods, or adding 0.24 UHU coverage. Current UHU performance in Reading is 0.45, after adjustments for cancelled calls or those calls where no care is rendered. The current UHU indicates that, if the City continues to provide EMS directly, it should consider adding ALS capacity. Similar concern regarding the City's high UHU was also expressed by The Ludwig Group, LLC in their EMS assessment, conducted in 2005.

Another key indicator of EMS system capacity is the number of calls to which a primary provider is unable to respond and relies on other providers to cover those calls. In Reading, there are approximately 1,000 calls per year to which the Department responds using mutual aid. In some cases, these mutual aid calls are cancelled and Reading EMS ultimately handles the call. Few EMS providers are completely self sufficient and many rely on mutual aid partners to assist during periods of unusual call activity, though this assistance is intended to be somewhat balanced between entities.

With regard to EMS response time, NFPA Standard 1710 establishes a turnout time standard of one minute, and a standard of four minutes or less for the arrival of a unit with first responder or higher level capability at an emergency medical incident. The standard states that this objective should be met 90 percent of the time, which Reading does primarily due to the staffing of firefighter EMTs on all fire apparatus. If a fire department provides ALS services, the standard recommends the arrival of an ALS company within eight minutes to 90 percent of incidents in addition to the four minute standard for first responders. The Department only meets the eight minute standard for about 80 percent of all EMS calls.

To help cover the cost of providing emergency medical services, the City charges fees as outlined below. For wheelchair van services, the City charges \$1 for each mile after the 10th driven. Memberships are available at \$35 per individual and \$50 per household.

EMS Charges for Service

Charge	
<i>Advanced Life Support</i>	
ALS Level 2 (base rate)	900
ALS Level 1 (base rate)	850
<i>Basic Life Support</i>	
BLS emergency (base rate)	700
BLS non-emergency (base rate)	700
<i>Wheelchair Van Services</i>	
One-way transport (non member)	50
Round trip transport (non-member)	70
One-way transport (member)	40
Round trip transport (member)	60



EMS revenues increased by 30.5 percent from 2005 to 2006 and then leveled off until 2009 when they dropped by 26.0 percent. Federal reductions in the allowable Medicare rates for EMS transport may have also reduced the City's EMS revenues. Meanwhile Division expenses increased each year from 2005 through 2008. Combining the two trends, the percentage of Division costs recovered dropped from 85.4 percent in 2008 to 66.7 percent in 2009. Since some operating expenses, such as vehicle maintenance and fuel, are not charged to the Division, the actual level of cost recovery is lower than shown below.

EMS Cost Recovery

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate ⁷	% Change
User fees	2,233,259	2,914,007	2,925,642	2,858,380	2,116,091	-5.2%
Standby Revenue	41,869	49,289	81,534	88,864	64,238	53.4%
Membership Fees	75,168	67,670	59,435	63,185	57,600	-23.4%
Delinquent Collections	4,779	14,876	15,260	10,272	5,777	20.9%
EMS Record Report	425	1,700	2,470	2,730	2,170	410.6%
Grants and Gifts	825	175	262	180	40	-95.2%
Reimbursement for Supplies/Equip	3,250	292	0	0	0	-100.0%
Misc. -Fire EMS	0	181	0	0	5,868	N/A
EMS Division expenses	2,507,719	2,758,638	3,179,601	3,346,869	3,171,648	26.5%
Percent covered	94.1%	110.5%	97.0%	90.3%	71.0%	-24.5%

In 2006, the City was permitted to bill all Advance Life Support (ALS) responses, which accounts for the 30 percent increase over 2005 User Fee revenues. This program ended in 2007.

Overtime

The Department's overtime expenditures in 2009 (\$1.6 million) were 32 percent higher than 2005 totals. As noted above, the collective bargaining agreement requires the City to have at least 22 firefighters on a platoon (i.e. shift). If the number of firefighters on duty drops below 22, the City must fill the number of positions to that level and it often uses overtime to do so. Position vacancies that leave the City with fewer employees to provide the required level of coverage can impact overtime. Factors that cause employee absences also drive overtime.

One of those factors is the amount of paid leave that firefighters receive each year. Firefighters receive 216 hours of vacation each year until they reach 15 years of service, at which point it increases to 288 hours. As of 2009, 69 of the 139 employees represented by the IAFF (49.6 percent) had at least 15 years of service.

Another factor is the use of sick leave or, in the cases of more serious injuries, leave taken under the Heart and Lung Act or Worker's Compensation. Between 2005 and 2008, the average amount of sick leave and Heart and Lung disability leave per firefighter was 147 hours. For EMS paramedics, that

⁷ The 2009 Estimates do not include \$144,771 in revenues which were received after 12/31/2009. Including the \$144,771 increases the percent covered to 75.6 percent in 2009.



number is 268 hours per employee. These totals are significant contributors to the high overtime costs experienced, and the Department should implement aggressive monitoring and management of sick leave in the future. This issue is addressed further in the Workforce Chapter.

Based on the average leave time used annually (including sick, vacation, heart and lung and worker's compensation), the Department's current Fire and EMS staffing levels are not sufficient to cover every shift without the use of overtime. For example, the EMS Division has only enough employees on any given day to cover the actual daily staffing level. Therefore, almost any absence in the Division must be covered with overtime. Furthermore, the City staffs its BLS ambulance unit solely with firefighters on overtime. As a result the EMS Division had \$807,000 in overtime expenses in 2009 compared to Suppression's \$755,000 despite Suppression having more than three times as many budgeted positions.

Restrictions on Management's Rights

There is a strong history of labor grievances and past practices which Department management believes restricts their ability to creatively address changing service needs. For example, the Department occasionally hires a group of new employees with varying levels of experience, some with significant firefighting experience and certification and others with none. The current collective bargaining agreement requires all new hires, regardless of prior experience and certification, to undergo the full six month training program so that training is uniform across all department employees. However, this means highly-qualified, certified new employees, who could otherwise be immediately assigned to a platoon, must complete six months of oftentimes redundant training. Similarly, there is hesitation among some chief officers to conduct drills and training on their assigned shift. The current collective bargaining agreement mandates that, unless all four shifts complete the same training, it is contrary to the agreement's uniform training provisions.

Technology

The Department uses the Firehouse Records Management System, which is commonly found in fire departments across the country. However, Department management reports it cannot use the system to its full capacity for functions ranging from daily scheduling to tracking inspection activity to downloading information from the 911 database to produce reports. The inability to readily access and analyze data about Department operations makes it more difficult to identify and address shortcomings or changing conditions.

Berks County is in the process of upgrading its Computer Aided Dispatch (CAD) system and identifying alternatives to making radio system upgrades mandated by the Federal Communications Commission. The County is planning a major change to the radio infrastructure to meet the federal radio frequency narrow-banding deadline of January 1, 2013. The County may move from the current VHF band radio frequency to a 700- or 800-mhz band or upgrade the current VHF system for compliance. Depending on their choice, the upgrade may only result in costs for Reading to reprogram currently owned equipment or more costs to purchase new radios for communication with mutual aid partners. Because the nature of that change and the associated costs are unknown, they are not included in the projection expenditures below.

Projections

The following table shows the Department's budgeted expenses for 2010 and projected expenses through 2014. The projections are based on the growth rates explained in the Plan Introduction. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.



Projected Baseline Expenditures – Fire Department

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	8,482,749	8,788,128	9,104,501	9,432,263	9,771,824	15.2%
Fringe Benefits	2,228,679	2,429,260	2,647,894	2,886,204	3,145,962	41.2%
Premium Pay	653,282	676,800	701,165	726,407	752,558	15.2%
Overtime	1,653,456	1,712,980	1,774,648	1,838,535	1,904,722	15.2%
Pension	1,277,395	0	0	0	0	-100.0%
Social Security	105,261	109,050	112,976	117,043	121,257	15.2%
Uniforms	129,950	133,199	136,529	139,942	143,440	10.4%
Training & Education	44,910	46,033	47,184	48,363	49,572	10.4%
Utilities	15,100	15,553	16,020	16,500	16,995	12.6%
Equipment	327,484	335,671	344,063	352,664	361,481	10.4%
Supplies & Postage	85,190	87,320	89,503	91,740	94,034	10.4%
Rentals	8,963	9,187	9,417	9,652	9,893	10.4%
Contract & Consulting	180,091	184,593	189,208	193,938	198,787	10.4%
Programs & Events	10,450	10,711	10,979	11,254	11,535	10.4%
Fees	21,714	22,257	22,813	23,384	23,968	10.4%
Miscellaneous	30,870	31,642	32,433	33,244	34,075	10.4%
Fire Co. Appropriations	60,000	61,500	63,038	64,613	66,229	10.4%
Total	15,315,544	14,653,885	15,302,368	15,985,746	16,706,333	9.1%

The City budgeted \$787,000 for overtime in 2010 despite spending \$1.6 million in 2009 in the hope that the smaller allocation would sharpen the Department management’s focus on controlling these costs. Through the early part of 2010, the Department continued to use overtime at the same rate as in 2009 when it spent \$1.7 million. Therefore, the baseline projection is increased to \$1.7 million in 2010 and grows at the same rate as salaries thereafter. The equipment line includes lease payments for ambulances, but other potential vehicle purchases are not included in this projection.

Initiatives

Public safety activities, like fire suppression and fire prevention, are core functions of Reading City government. They are critical to the health and welfare of Reading residents and the economic vitality of the City. How those services are provided is also critical to the City’s financial health. The two departments with the most expenditures are police and fire, so the City cannot address its dire situation without changing how those services are provided. The question is not whether the City should rescale



its public safety operations – that matter has largely been predetermined by the severity of the City’s financial distress – but rather where it can do so.

The initiatives in this Plan provide an answer to that question that is focused on providing critical fire suppression, prevention and EMS coverage in Reading more efficiently. That will involve significant structural changes that allow the Department to do more or the same with less. Other changes will help the City recoup a higher percentage of the cost of some services so the City can shift more of its limited resources to those services that are supported by the general tax base. One initiative focuses on building ambulance service capacity to address the Division’s high workload. Other changes will sharpen the Department’s attention on managing resources – and provide greater freedom to do so – in the pursuit of its own goals and the City’s overall recovery.

Restructuring

FD01.	Change current shift schedule	
	Target outcome:	Improve efficiency; cost reduction
	Five year financial impact:	See below
	Responsible party:	Managing Director; Human Resources Director; Fire Department management

The Department currently operates under a four platoon system, in which each platoon works the following cycle: Three ten-hour days on; three days off; three fourteen-hour nights on; three days off. This cycle results in an average work week duration of 42 hours. Under this system, each platoon works 2,190 hours annually. After adjusting to reflect vacation leave allowances, average sick leave usage, and average heart and lung leave usage, each firefighter is on duty for approximately 1,766 hours per year. This results in a staffing factor (i.e., the number of employees needed to fill one position 24 hours a day, 365 days a year) of five for fire suppression staff.⁸ The leave use for EMS staff results in a staffing factor of 5.5. Based on relief factors, the City does not have adequate staffing to operate under its current shift schedule.

One way to address this shortfall is to change the shift schedule. The City shall change to a 53-hour average work week using a three platoon system, which will result in a reduced staffing factor of approximately 3.75 for fire suppression and 4 for EMS. The new schedule to be negotiated by the City and the IAFF shall be at least 53 hours per week. The new staffing plan anticipates a staffing level of 30 employees per shift (90 total), the elimination of one ladder company, establishing a cross-staffing plan to operate the heavy rescue, the assignment of an officer to each response unit, the creation of a shift based fire inspector/investigator (to be assigned to a ladder truck but provided with access to a small vehicle to allow flexible transportation and availability for emergency response when performing inspection related duties), and the addition of a third inspector in the Prevention Division. This new shift structure would result in a 17 position reduction.

The Coordinator understands that this represents a significant schedule change for Reading firefighters. While such a shift structure would be unusual in Pennsylvania, the possibility is anticipated by the Third Class City code making reference to the requirement that the number of “hours of day or night service shall [not] exceed **fifty-six** in any one calendar week (emphasis added).”⁹ A 53- or 56-hour work week is used in many places in the United States, including Fire Departments in Atlanta; Troy, New York; and different Virginia counties. The 53-hour week would not automatically result in more overtime since the Federal Labor Standard Act (FLSA) threshold for overtime is any time worked over 212 hours in a 28-day

⁸ Twenty four hours per day x 365 days per year equals 8,760 hours per year for each slot. Dividing 8,760 hours by 1,766 hours worked per firefighter equals 5.0 firefighters per slot.

⁹ Third Class City Code, 53 P.S. Section 37103



cycle. Changing the number of hours worked per year would also generate savings by changing the overtime calculation as described in initiative WF21. The total savings, inclusive of those in initiative WF21 are shown below.

	2011	2012	2013	2014
Position reduction savings	1,304,000	1,326,000	1,351,000	1,400,000
Overtime savings	331,000	331,000	331,000	337,000
Total savings target	1,635,000	1,657,000	1,682,000	1,737,000

Alternative option

The International Association of Firefighters, Local 1803 have expressed concerns about the structure explained above. They also expressed a willingness to devise an alternative proposal that could involve changes in staffing, shift structure or other elements of the Fire Department’s operations. Given the time constraints associated with the Act 47 process, the Coordinator did not review the union’s proposal or analysis before the Plan was published. However, as an alternative to the structure shown above, the Managing Director and Fire Chief shall work with the union to evaluate its proposal and determine whether it achieves the total savings target shown above. Once such a determination has been made, or the City and union agree on another alternative that achieves the total savings target as shown above, the City shall convey that information to the Act 47 Coordinator for review.

The City shall provide the full proposal and the associated cost analysis to the Act 47 Coordinator in form and content acceptable to the Act 47 Coordinator as soon as possible. If the Act 47 Coordinator determines that the alternative meets the total savings target shown above and complies with other initiatives in this Recovery Plan, the alternative shall be implemented in place of the three-platoon/53-hour work week structure described earlier in this initiative. If the Act 47 Coordinator determines that alternative does not meet the total savings target shown above or that it does not comply with other initiatives in this Recovery Plan, the proposal shall be returned to the City for modification. If the City and union are unable to reach agreement on an alternative that is approved by the Coordinator and implemented by December 31, 2010, the default to be implemented shall be the three-platoon/53-hour work week structure described earlier in this initiative.

The City and union shall provide any information that the Coordinator needs in its review and approval of the alternative proposal, including all costing analysis. The Coordinator will not approve any alternative proposal if the Coordinator determines that inadequate information is provided to verify the costing analysis or compliance with the Recovery Plan, or if the analysis is not provided in a timely manner. The intent of this provision is that the Act 47 Coordinator is the final decision maker as to the cost of any alternative proposal, whether that alternative is proposed outside of labor negotiations, during labor negotiations, during arbitration of any such agreement or at any other time.

FD02.	Restructure EMS Basic Life Support (BLS) unit staffing plan	
	Target outcome:	Improved service; increased revenue
	Five year financial impact:	\$100,000
	Responsible party:	Fire Chief; EMS Deputy Chief

The City currently staffs its BLS ambulance unit solely with firefighters working overtime. Instead it shall hire additional paramedics to staff an additional ALS ambulance in place of the BLS unit giving it four total.



This will increase EMS revenue by allowing the Department to handle more calls instead of requesting assistance from other companies. The change may result in slightly higher personnel costs as the City hires more staff and reduces overtime. The full impact of this initiative will depend on the implementation of initiative FD03 and initiatives related to vacation and sick leave, which can be found in the Workforce Chapter. Increasing employee availability by decreasing leave may mitigate the need to add employees, resulting in higher savings than projected here. Adding another ALS unit will also spread the Division's workload across more employees.

The Department shall conduct a time of day and location response analysis to determine the potential for peak time staffing. Based on the results of this analysis, a determination shall be made as to the optimal staffing model for a fourth ALS unit.

Financial Impact

2010	2011	2012	2013	2014	Total
0	18,000	23,000	28,000	30,000	100,000

FD03.	Establish part-time EMS positions to address vacancies and planned stand-by events	
	Target outcome:	Improved efficiency; cost recovery; cost reduction
	Five year financial impact:	\$76,000
	Responsible party:	Fire Chief; EMS Deputy Chief

The Department currently delivers contracted EMS stand-by service (i.e. providing EMTs for non-City events) by assigning full-time staff to work the events for \$85 per hour. Between 2007 and 2009, the City averaged about \$78,000 in revenues related to standby duty, which equates to 920 hours per year.

The City shall establish a part-time EMT/EMT-P position with the employees in that position used to support stand-by service.¹⁰ If the part-time employees cover half of the 920 hours at \$18 per hour, the City will achieve some savings.

Similarly, these part-time staff shall be used to cover paramedics' open shifts resulting from vacation or other planned absences at management's discretion, reducing overtime expenditures. Since paramedics receive 216 hours of vacation per year and the City covers the majority of its open shifts on overtime, using part-time EMTs will generate savings of \$4.31 per hour (\$22.31 per hour for full-time employees working overtime under the changes discussed in FD01 less \$18.00 per hour for part-time). Assuming the part-time employees can fill at least 75 percent of the open slots created by vacation, there is another \$17,000 in annual savings.¹¹

¹⁰ Department management notes that some stand by contracts require ALS coverage. This calculation assumes that ALS teams may be split with coverage provided by a part-time and a full-time employee, though actual assignments will vary by situation.

¹¹ There are 24 EMTs with 216 hours of vacation leave each or 5,184 hours total (24 x 216). If the part-time employees generate \$4.31 of savings per hour for 75 percent of the total leave (5,184 x 75 percent = 3,888), that equals \$16,757 in savings.



Financial Impact

	2010	2011	2012	2013	2014	Total
Stand-by savings	0	2,000	2,000	2,000	2,000	8,000
Vacation OT savings	0	17,000	17,000	17,000	17,000	68,000
Total	0	19,000	19,000	19,000	19,000	76,000

FD04.	Implement an engine company inspection program	
	Target outcome:	Improved service; increased revenue
	Five year financial impact:	\$200,000
	Responsible party:	Fire Chief; Fire Marshal

The Department currently faces significant challenges in conducting the optimal number of fire prevention inspections with the existing fire inspection staff. Suppression crews shall be leveraged to provide basic fire prevention inspections under the general oversight of the Fire Marshal. This will allow a tiered, proactive approach to improving fire and life safety. Engine/truck companies shall conduct basic inspections while seeking assistance from the Department's fire inspectors for more complex issues. In addition to improving fire safety, the inspections will foster crews' deeper familiarity with City structures and their specific firefighting challenges, which will be beneficial in emergency response. Placing emphasis on fire prevention efforts was also mentioned at the public meetings held by the Act 47 Coordinator.

Under the direction of the Fire Marshal, firefighters shall receive training in the required knowledge, skills and abilities to conduct effective inspections. The addition of a shift-based fire inspector (addressed in initiative FD01) will support the implementation of this initiative. It is assumed that the engine/truck companies will be assigned non-complex properties, such as parking structures, retail businesses and offices, until significant experience is gained. The estimated financial impact of this initiative assumes an initial workload of 20 inspections per week for 25 weeks, distributed evenly among the Department's stations and platoons. The program can be expanded further as staff gains experience. Financial impact is estimated based on the current inspection fee of \$100 for a single business occupancy. Using this fee as an example, revenue is estimated at \$50,000 annually.

If the Lieutenants who support the Fire Marshal in conducting inspections do so under Council's appointment, then Council shall change its appointment process to accommodate the change referenced in this initiative.

In 2009, the Mount Lebanon Fire Department (PA) implemented a successful fire company inspection program. The program placed multi-family dwellings on a two-year inspection cycle and required each shift to complete 24 multi-family dwellings inspections annually. The creation of this program gave fire prevention staff the ability to focus their efforts on high and special risk occupancies. In the inaugural year, inspections increased 89 percent, more violations were found and corrected and more permits were issued, which generated approximately \$45,000 in revenue.

The Loudon County Fire Department (VA) also has a successful engine company inspection program. As reported by other programs, the Loudon County program focuses its engine company inspections on lower risk multi-family dwellings and commercial occupancies. Loudon County reports that the program has helped ensure public safety through increased inspections and has helped station personnel become familiarized with the structures in their service districts.



Financial Impact

2010	2011	2012	2013	2014	Total
0	50,000	50,000	50,000	50,000	200,000

FD05.	Evaluate potential for further consolidation of fire stations	
	Target outcome:	Reduced costs; improved service
	Five year financial impact:	\$76,000
	Responsible party:	Mayor, Managing Director, Fire Chief

Typically, fire station placement is based on the assumption that a pumper can reasonably cover 1.5 miles in travel distance from the station, and a ladder truck can cover 2.5 miles in travel distance from the station. This simplistic approach must be adjusted for geographic features, such as rivers, and other impediments to direct travel routes, such as railroads and highways. The goal of station placement is to achieve a balance between efficient coverage and the need for response unit capacity to cover multiple, concurrent calls and assemble effective firefighting forces at structure fires.

The Reading Fire Department operates out of seven fire stations and an EMS station. By the end of 2010, the City plans to complete a new fire station and replace two existing facilities. Reading is a compact, urban community of approximately 10 square miles, signaling that there are further opportunities to consolidate stations.

Current operating practice is to staff seven engines/pumpers, three aerials and a heavy rescue unit for response. With the exception of the heavy rescue (one firefighter and one lieutenant), each of the 11 response vehicles is staffed with two firefighters. While this approach allows for quick response and increased flexibility to cover emergency medical calls, it also results in unusually light staffing for the first arriving unit at an emergency.

The City shall address the station redundancy and staffing issues by placing its staff on fewer vehicles operating out of fewer stations. This consolidation will reduce the City's maintenance and capital expenses for each and concentrate its staff on the remaining active units. In view of that possibility, the City shall conduct a thorough analysis of call type, volume and distribution, along with facility condition and geographic utility, to develop a plan for allocating equipment and stations. The City shall issue an RFP in 2012 seeking a firm to provide this analysis at an estimated cost of \$50,000. While the final decisions on the plan shall be made by Mayor, Managing Director and Fire Chief, the analysis should include the input of IAFF Local No. 1803. This study shall assess the current station locations and provide recommendations for relocation or consolidation of existing stations to allow the most efficient and effective use of response resources.

Though specific costs associated with the Department's apparatus and facilities are currently unavailable, savings have been estimated using industry benchmarks. In 2008, the International City/County Management Association Center for Performance Measurement identified the median annual cost to maintain fire apparatus as \$8,360. The International Facilities Maintenance Association reported an average building maintenance cost for the Northeast region as \$2.06 per square foot and an average utility cost of \$2.64 per square foot. For estimating purposes, the square footage of the smallest existing Reading Fire Station (8,200 square feet) was used. This estimation resulted in potential facility savings of \$38,500 annually.



It is estimated that reducing one response vehicle and one station would yield total annual savings of \$46,000 in 2010, growing each year as the price of material and equipment rises. The City would achieve additional savings by reducing the number of vehicles it must replace. Since the City does not budget for future vehicle purchases, those savings are not shown below. The City could also gain additional revenue by selling the property and, depending on the buyer, returning it to the tax rolls. The projections below assume the City would consolidate one station in 2013 beyond the current consolidation already under way.

Though the fire museum is a different kind of facility, the City pays for the utility costs at that site. Instead of eliminating the City's subsidy to the museum, the Plan encourages the continued financial support to the museum through the 501(c)3 organization, particularly to help cover these utility costs.

Financial Impact

2010	2011	2012	2013	2014	Total
0	0	(50,000)	50,000	51,000	76,000

Cost recovery

FD06.	Adjust false alarm ordinance to more accurately reflect costs	
	Target outcome:	Cost recovery
	Five year financial impact:	\$35,000
	Responsible party:	Fire Chief; Fire Marshal

The Department charges \$50 for responding to false fire alarms after the third occurrence in a 12-month calendar year. The primary goal of assessing a false alarm fee is to encourage improved maintenance of systems and reduce unnecessary fire department response. This ensures that response capacity is available for true emergencies. Given the high volume of false alarm calls in Reading, it does not appear that the current fee assessment has had the desired preventative effect.

The secondary goal is to help the City recover the cost of repeatedly deploying resources unnecessarily to the same site. In its 2009 study of fire services, MAXIMUS estimated that the Department spent \$49,480 to respond to 236 false alarms,¹² or \$210 per response. The City only recovers a portion of that by charging \$50 and it recovers nothing for the first three responses.

Therefore, the City shall implement a more aggressive fee schedule, while also increasing efforts to educate property owners on methods for improving the reliability of alarm systems. In 2011, the false alarm fee schedule shall be modified as follows:

- Alarms Two through Three: \$50
- Alarms Four through Five: \$100
- Alarms Six through Nine: \$150
- Alarms Ten through Twelve: \$250
- Alarms Thirteen and greater: \$500

¹² City of Reading, Pennsylvania Analysis of Fees for Service Report. April 17, 2009, page 68. The 236 false alarms only represent those where a site had four or more in a year. The first three false alarms at any site are not included.



Based on 2009 false alarm call volume, this action will increase fee revenue by approximately \$10,000 annually assuming the same level of false alarms. Since the fee is designed to reduce false alarms, the additional revenue is discounted by 25 percent after 2012. Throughout the remainder of 2010, the Department shall develop and implement educational materials to assist property owners in reducing false alarms. The effectiveness of this effort shall be evaluated at the end of 2012 and, if no significant reduction in false alarms is seen, the City shall develop a plan modification, which could include fees for all unwanted alarms and additional fee increases.

Financial Impact

2010	2011	2012	2013	2014	Total
0	10,000	10,000	7,500	7,500	35,000

FD07.	Implement an emergency response fee	
	Target outcome:	Cost recovery
	Five year financial impact:	\$22,000
	Responsible party:	Fire Chief; Finance Department

To help cover the Department's costs for responding to car fires and vehicle extrication calls, the City shall assess a \$500 per incident emergency response fee that will be charged to the vehicle operator's insurance company. Most insurance policies include a provision for reimbursing fire departments for emergency response. Assuming the City successfully collects the revenue on 10 percent of vehicle fire and extrication calls, this will generate approximately \$5,500 per year.

Financial Impact

2010	2011	2012	2013	2014	Total
0	5,500	5,500	5,500	5,500	22,000

Additional efficiencies

FD08.	Improve department use of technology	
	Target outcome:	Improved efficiency; improved service
	Five year financial impact:	(\$40,000)
	Responsible party:	Managing Director; Fire Chief; Finance Department staff

The Fire Department needs to make better use of available technology, starting with the Firehouse program. Department management reports it cannot use the system to its full capacity for functions ranging from daily scheduling to tracking inspection activity to downloading information from the 911 database to produce reports



The Fire Chief or his designee, Managing Director, Finance Director, Business Analyst and Information Technology Division Manager shall jointly produce a prioritized list of Fire Department related needs and opportunities for improvement that require Information Technology Division support. Fire command staff will bring familiarity with its day-to-day needs and the Administration will bring a helpful perspective for integrating those needs with others throughout City government.

In assembling this list, the City shall specifically focus on ways to improve the City's use of Firehouse. In prioritizing the list of other needs and opportunities, the City shall consider, among other relevant factors, whether and to what extent the benefit of reduced costs and improved services will outweigh the costs involved in making the change, the level of additional training that will be necessary for staff to use the new technology and the time frame for implementation.

The Managing Director, Fire Chief or his designee and Information Technology Division manager shall jointly provide the list of prioritized projects and a proposed schedule for implementation to the Mayor, City Council and Act 47 Coordinator no later than 60 days after the approval of this Recovery Plan. After that list is provided, the Fire Chief will assign staff with responsibility for drafting any standard operating procedures related to the change. That will help the Fire Department think through what service improvements or cost reduction it is specifically trying to achieve and help the Information Technology staff develop the best tool to achieve that end. The Managing Director, Fire Chief or his designee and Information Technology Division manager shall jointly provide the Mayor, City Council and Act 47 Coordinator with monthly written updates on its progress toward addressing the list of priority needs and opportunities. While it is anticipated that project related obstacles and other demands on the City's attention will impact implementation, the monthly updates will provide a mechanism for communicating those developments to others.

To reflect the shared responsibility for this process, there is a parallel initiative in the Information Technology chapter.

If Information Technology staff is unable to address the issues related to Firehouse, the City shall engage the Firehouse vendor to see what corrective action is available and at what cost. The projections below assume \$40,000 in expenses for 2012.

Financial Impact

2010	2011	2012	2013	2014	Total
0	0	(40,000)	0	0	(40,000)

FD09.	Pursue joint ladder purchase and other intergovernmental cooperation initiatives	
	Target outcome:	Reduced costs; regional cooperation
	Five year financial impact:	N/A
	Responsible party:	Fire Chief

In 2011, the Department plans to replace a ladder truck that has reached the end of its service life. Given the high cost to purchase and maintain these vehicles – new vehicles can cost as much as \$900,000 – the City shall explore the opportunity for a joint purchase with neighboring municipalities. Under the terms of the purchase, the City could staff the unit and house the vehicle in the station closest to the neighboring municipality so it is available to respond to calls there using City firefighters via mutual aid. In return the neighboring municipality could share the purchase costs, annual maintenance costs and operating expenses related to the City's fire response so that municipality has access to a better resource



than it could otherwise afford. There is potential for shared costs and improved response capacity in both jurisdictions.

This initiative is an extension of the City's current efforts to provide public safety support to Kenhorst (Fire and Police) and West Reading (Fire). While the Reading Fire Department is unique from the other departments operating in Berks County, there may be other opportunities for the Department to cooperate with these other units on joint purchasing or mutual aid. The Fire Chief or the Chief's designee shall seek opportunities for regional cost sharing and intergovernmental cooperation related to the Department's services.

Performance management

FD10.	Develop a performance management system	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A
	Responsible party:	Managing Director; Fire Chief

This Recovery Plan establishes a performance management report that tracks activity and achievement across all departments.¹³ For the Fire Department, this will improve work planning and data collection for the purposes of resource management and staff allocation. Systematic reporting on performance against scheduled tasks and activities is essential to fostering accountability and ensuring effective and efficient management. As part of the broader effort to establish a performance management report across all departments, the City shall track the following data points on a monthly basis¹⁴:

Fire suppression

- Calls for service by type
- Call for service by district
- Fire rate
- Fire spread
- Response and control times for fires
- Average response time for first suppression unit
- Fractal measures of initial and full alarm assembly
- Civilian fire death and injury rate (fire incidents)
- Firefighter fire death and injury rate (fire incidents)
- Human saves and rescues (fire incidents)
- Property saves (fire incidents)

EMS

- Medical response rate
- Response and transport times
- Patient treatment measures

Prevention/Inspection

- Structure fire rate in inspectable properties

¹³ Please see Plan Implementation Chapter for details.

¹⁴ Some of these measures are adopted from the NFPA Fire Service Performance Measures Report, 2009.



- Fire loss in inspectable versus non-inspectable properties
- Number of inspection/code violations and correction rates

Additionally, dollar loss for fires shall be verified with insurers and/or owners and reports updated to reflect actual versus estimated loss.

Some data points will be more readily available and easier to track than others. In some cases the Department may already track these indicators. Under the direction of the Managing Director, Finance Director and Fire Chief, the City shall work to address technological, record keeping or other obstacles that arise. Where necessary, the City shall confer with Berks County to determine if changes can be made in how E911 dispatch information is tracked to pursue this objective. Department staff and City Council shall recommend other measures that it would like tracked with a brief explanation of what insight that measure would provide.

It is critical that the Department's management team fully comprehend and support the recommended performance management system. They must regularly analyze the data associated with the Department's performance indicators and use that data to implement improvements in fire and EMS service delivery. The Department shall establish a schedule for Management Team meetings at least monthly (Management Team includes the Chief, First Deputies, Fire Marshal and Administrative Officer). At meetings, the team shall review and assess progress in each performance measure and develop strategies for performance improvement. Additionally, the meetings will allow information sharing between programs and the communication of Citywide trends and issues, which will prevent the Department from becoming isolated from the broader City mission and goals.

Additional initiatives

The Workforce Chapter contains several initiatives that are pertinent to the Fire Department. Please also note the following initiatives which impact the Fire Department:

- Establish Arson Investigation Task Force (Police Chapter)
- Cross-train Fire Safety and Trades Inspectors (Property Maintenance Inspection Chapter)
- Assemble and systematically deploy code enforcement teams (Property Maintenance Inspection Chapter)



Police Department

Overview

The Reading Police Department is responsible for the delivery of police services across 10.1 square miles to the City's 80,506¹ residents as well as numerous visitors and commuters. On January 1, 2010, the Department also began providing service under contract to the adjoining Borough of Kenhorst, an area of 0.6 square miles with a population of 2,647. The Department's Mission Statement summarizes its duties in broad terms:

The primary goals of the Reading Police Department are many and diverse. They include the protection of life and property, resolution of conflicts, and provision for a feeling of security in the community. The Department also endeavors to reduce the opportunities for the commission of crime through prevention strategies and identification, apprehension, and prosecution of offenders, as well as the preservation of the peace in the City of Reading.

In addition to patrol services, the Department currently maintains several specialized units, including the Criminal Investigations Section; the Vice Unit; a Bomb Squad; the Mobile Operations Command, which provides supplemental patrol during hours of peak activity; the Traffic Unit; and the Video Safety Unit, which monitors street activity through cameras located throughout the City. K-9 Officers are assigned to patrol platoons.

One sergeant and five police officers are detailed to Reading High School daily under a contract with the school district, and three police officers are assigned under contract to the Housing Authority. Another three are assigned to Community Development; these officers patrol small low income/high crime areas, primarily on bicycles, to supplement routine patrols; work with residents, neighborhood groups, and non-profit organizations on problem solving and quality of life issues organizations; and attend community events.

The Department operates its own Police Academy and 911 dispatch operation. In January 2009, the Department assumed responsibility for the City's Property Maintenance Inspection (PMI) Division, which handles code enforcement. Previously code enforcement was housed under the City's Community Development Department. This function is addressed separately in its own chapter.

Fleet maintenance for the police vehicles is performed by the City's Department of Public Works. The City's Information Technology division within the Department of Finance is responsible for technical support. Prisoner processing duties are performed by the Berks County Sheriff's Department at its Central Booking Division.

In 2009, the Department's Communications Unit received 232,508 calls, and dispatched officers to 88,165 assignments. The Department vests authority in a Sergeant who serves as Desk Officer to determine whether to send officers to calls since an immediate response is not necessary in all cases.

The Department's goals, objectives and performance measurements for 2010 are set forth in its Annual Work Plan including:

- Reduce the targeted crimes of aggravated assault/shootings, robbery, and auto theft by seven percent;
- Reduce total Part 1 Crimes² by seven percent;

¹ Unless otherwise noted, the population figures in this chapter come from the US Census Bureau's 2008 estimates.

² Part 1 Crimes are murder, manslaughter, rape, aggravated assault, burglary, larceny, auto theft, and arson. Murder, manslaughter, rape, and aggravated assault are classified as violent crimes; others are defined as property crimes.



- Implement the “Opportunity for Change” criminal intervention project, an outreach program designed to provide community support to drug dealers and other criminals in targeted zones to assist them in changing their behavior;
- Institute high visibility neighborhood patrol activities;
- Joint warrant enforcement initiatives with Berks County Sheriff’s Department personnel and County Detectives targeting drug dealers, drug markets and associated violence;
- Criminal and Disorderly Housing Identification and Abatement, a program designed to address locations used for criminal activity or a public nuisance by joint efforts of police and codes enforcement personnel through both criminal and civil statutes;
- Continue implementation of the Video Safety System in city neighborhoods with the original 22 and three additional cameras;
- Build Police Firing Range; and
- Add three K-9 teams. The City deployed these teams under a Memorandum of Understanding (MOU) with the police bargaining unit in exchange for transferring its Turnkey Operation to the Berks County Sheriff Department.

The 2010 budget has 225 budgeted positions, including civilians and the PMI unit. Setting aside PMI staff, the number of budgeted positions has dropped by 14.7 percent from 238 in 2006 to 203 in 2010. As the chart below shows, much of the reduction has occurred in the Criminal Investigations division because the City transferred child abuse investigations to the County. The 2010 count includes four positions that the City anticipates will become vacant and remain unfilled.

Budgeted Headcount – Police Department

	2006	2007	2008	2009	2010	Change %
Administration	7	7	7	6	6	-14.3%
Special Services	25	40	35	33	29	16.0%
Criminal Investigations	41	41	41	39	23	-43.9%
Patrol	165	157	164	158	145	-12.1%
Property Maintenance Inspection	N/A	N/A	N/A	23	22	N/A
Total without PMI	238	245	247	236	203	-14.7%
Total	238	245	247	259	225	-5.5%

The budgeted headcount includes positions that are funded by American Recovery and Reinvestment Act grants, the Reading Housing Authority, the Reading School District and Community Development Block Grants funds. In addition, the City employs part-time school crossing guards. These positions are shown as Temporary Wages in the Police Patrol division’s budget and the school district pays for half of the costs associated with these positions.

Looking at filled positions over a longer time period, the City increased the number of officers from 2000 through 2005 and then reduced them in 2006 and 2008.



Police Headcount – Filled Positions

	2000	2001	2002	2003	2004	2005	2006	2007	2008	% Change
Officers	187	193	200	212	203	208	206	206	199	6.4%
Civilians	24	24	27	29	28	27	27	27	28	16.7%
Total	211	217	227	241	231	235	233	233	227	7.6%

Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2008. At the time of publication, only data through 2008 was available.

To place the uniformed staffing level in a broader context, the table below shows the number of police officers per 1,000 residents for Reading and five other Commonwealth cities of the third class. Reading had more officers per capita than all but Lancaster from 2000 through 2008. Like Lancaster, Reading's staffing level remained relatively stable. This does not account for the changes in 2009.

Police Officers per 1,000 Residents

	2000	2001	2002	2003	2004	2005	2006	2007	2008	% Change
Lancaster	2.9	2.8	2.8	2.7	2.9	3.1	3.2	3.1	2.9	0.7%
Bethlehem	2.0	2.0	2.0	1.9	2.0	1.9	2.0	2.1	2.1	4.3%
Scranton	2.0	1.8	2.2	2.0	2.0	2.0	2.0	2.1	2.1	1.3%
Allentown	2.1	1.9	2.1	2.3	2.1	1.6	1.8	1.8	1.9	-12.0%
Erie	1.9	2.0	2.0	2.0	2.1	1.7	1.7	1.6	1.5	-19.9%
Average	2.2	2.1	2.2	2.2	2.2	2.1	2.1	2.1	2.1	-5.1%
Reading	2.5	2.4	2.5	2.6	2.5	2.6	2.5	2.5	2.5	-0.6%

Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2008. At the time of publication, only data through 2008 was available.

In late 2009 the City eliminated 30 positions which required 12 actual layoffs. Two officers were hired by the Berks County District Attorney's office to handle child abuse cases since City stopped accepting new child abuse cases. In addition, the City received \$1.0 million to avoid layoffs of four police officers for three years through the federal government's American Recovery and Reinvestment Act (ARRA), plus \$640,000 for a single position through February 2013 under the Justice Assistance Grant (JAG) program. The City received \$500,000 from the Reading School District in FY2010 to support five positions. The Reading Housing Authority provides funding for three positions.

Other resources

In addition to Police Headquarters at City Hall, 815 Washington Street, the Department utilizes an abandoned building on city owned property for tactical training. The Department also operates a regional Police Academy that serves 1,100 municipal and non-municipal police officers in five counties. It is the only school in Berks County licensed by the Commonwealth to provide Basic Police Officer Training as well as mandatory in-service training. The staff consists of a Sergeant, a Field Training Officer/Firearms Instructor and a Secretary. A cadre of 54 instructors is employed under contract agreements that specify



their instructional obligations and compensation; \$94,000 is budgeted annually for those instructor fees. The City pays approximately \$16,200 annually to rent space at Alvernia University, where the Academy is housed. Those expenditures have been historically offset by annual revenue ranging from \$167,000 to \$268,000. However, the Commonwealth training subsidies previously provided under the Police Officer Training and Education Act were eliminated from the 2009-2010 budget. The Act provided for state reimbursement of tuition and 60 percent of the regular salary of police officers attending basic municipal police training. The funding cut could have a direct and an indirect impact on the financial viability of the Academy by reducing aid to the City and reducing aid that other municipalities used to send their recruits to the City.

The Department's pistol range, previously located on Route 183, was declared unusable by the Municipal Police Officer Education and Training Commission. The owner of that property is now pursuing other developmental opportunities, providing another reason to relocate. The City has been using borrowed space at a smaller department's facility pending the construction of a new range.

The Department's fleet currently consists of 116 vehicles including 57 marked, 41 unmarked and 18 special service vehicles, including prisoner transport vans, evidence vans, motorcycles, K-9 vehicles, and vehicles assigned to the Bomb Squad.

Finances

The Police Department has the largest budget among the City's operating departments. In 2009 the City spent an estimated \$24.6 million on police operations compared to \$13.9 million for fire and \$6.4 million for public works. The \$24.6 million in police expenditures was equal to 86.0 percent of the City's total revenue from all taxes, including real estate. Base salaries (as distinct from premium pay or overtime) and fringe benefits accounted for three quarters of the Department's budget in 2009. Please note that these figures do not include PMI-related expenditures. Though that function is in the Police Department, it is addressed in a separate chapter.

Historical Expenditures – Police Department (excluding PMI)

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	13,050,513	13,767,185	14,418,017	14,742,198	14,719,089	12.8%
Fringe Benefits ³	3,147,289	3,461,992	3,964,905	3,845,846	3,870,113	23.0%
Temporary Wages	355,093	354,839	365,934	400,844	454,407	28.0%
Premium Pay ⁴	1,158,204	1,263,882	1,142,307	1,056,881	1,084,798	-6.3%
Overtime	563,822	450,832	1,404,313	1,927,173	1,971,382	249.6%
Pension	2,596,575	3,616,308	1,054,474	1,745,044	1,441,627	-44.5%
Social Security	328,411	263,883	241,457	315,654	331,433	0.9%
Penny Fund	373	417	399	405	202	-45.7%
Training & Education	138,958	145,593	156,753	145,444	147,306	6.0%
Equipment	13,273	88,405	307,408	154,195	183,876	1285.4%

³ The "fringe benefits" category is the cost of employee health care insurance.

⁴ Premium pay is a combination of longevity, holiday pay, and court (non Minor Judiciary) pay.



Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Supplies & Postage	107,707	178,158	139,955	139,960	130,376	21.0%
Rentals	24,257	21,475	21,854	25,175	25,430	4.8%
Contract & Consulting	29,292	92,997	66,924	107,931	185,300	532.6%
Miscellaneous	550,084	635,124	239,311	59,811	25,049	-95.4%
Total	22,063,851	24,341,089	23,524,009	24,666,559	24,570,391	11.4%

It is noteworthy that actual salary expenditures increased by 12.8 percent over this five year period, even as the City reduced the number of budgeted and filled positions. Salary and other forms of employee compensation are discussed in more detail in the Workforce Chapter. The unusual trend in pension related expenditures is addressed in a separate chapter related to that subject.

Much of the Department's court related overtime costs were tracked under the Miscellaneous line in 2005 and 2006 and the overtime line thereafter. That classification change accounts for part of the large jump in expenses on the Overtime line from 2006 to 2007. A breakdown of overtime costs is provided later in this chapter.

Equipment expenditures, which include purchases of minor/maintenance equipment and vehicles, fluctuate largely because of vehicle costs. To avoid a large cash outlay, the Department began leasing vehicles annually, which increased expenditures in FY2007. In 2010, the Department planned to buy out existing leases.

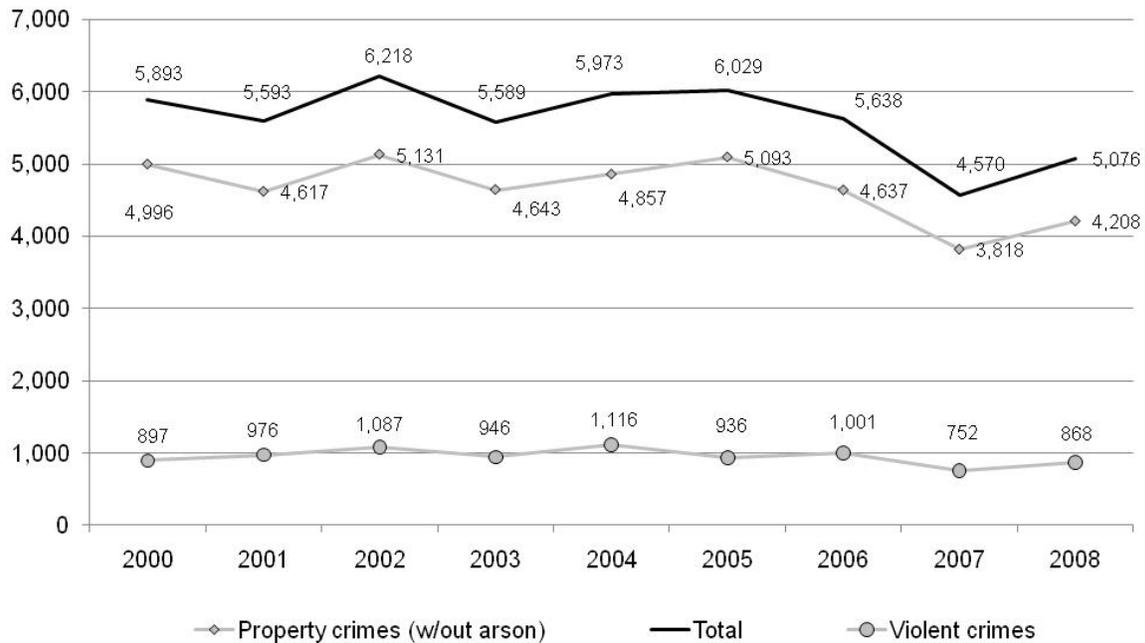
Assessment

One of the most critical measures of a police department's workload is the City's crime rate. Changes in crime rates can arguably be attributed to many factors such as socioeconomic issues, poverty levels, joblessness, age, educational attainment and levels of enforcement. Whatever the cause, crime rate changes are important for the community's perception of how safe the City is and speak to its quality of life, an important factor that families and businesses use in deciding where to live and operate. Similarly one of the most critical measures of a department's effectiveness is its success in reducing crime. Crime reduction directly relates to the Reading Police Department's mission statement focused on safety and security and is an important measure for tracking the Department's success.

After rising and falling from 2000 through 2005, the number of Part I crimes dropped by 15.8 percent from 6,029 in 2005 to 5,076 in 2008. Property crime followed a similar pattern, dropping by 17.4 percent from 5,093 in 2005 to 4,208 in 2008. Violent crime remained relatively flat during the nine year period shown below, but dropped by 7.3 percent from 2005 to 2008.



Part I Crimes in Reading, 2000 - 2008



Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2008.

Looking at the data in more detail, the number of incidents for all Part I crimes except robbery and motor vehicle theft decreased from 2000 to 2008. The number of aggravated assaults was cut by 24.0 percent from 2005 to 2008 and the number of rapes by 35.3 percent. The number of robberies increased by 11.9 percent from 2000 to 2008 and 21.5 percent from 2005 to 2008.

Part I Crimes by type, 2000 - 2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change since 2000	Change since 2005
Murder	23	21	19	16	14	22	10	6	10	-56.5%	-54.5%
Rape	41	45	55	56	36	51	44	41	33	-19.5%	-35.3%
Robbery	404	455	510	434	401	372	465	385	452	11.9%	21.5%
Aggravated Assault	429	456	503	440	665	491	482	320	373	-13.1%	-24.0%
Violent crimes	897	976	1,087	946	1,116	936	1,001	752	868	-3.2%	-7.3%
Burglary	1,360	1,445	1,503	1,140	1,384	1,512	1,128	1,183	1,268	-6.8%	-16.1%
Theft	3,016	2,681	2,802	2,458	2,330	2,520	2,288	1,780	2,150	-28.7%	-14.7%
Motor Vehicle Theft	620	491	826	1,045	1,143	1,061	1,221	855	790	27.4%	-25.5%
Arson	42	43	71	55	65	45	49	50	40	-4.8%	-11.1%
Property crimes (w/out arson)	4,996	4,617	5,131	4,643	4,857	5,093	4,637	3,818	4,208	-15.8%	-17.4%
Total (w/out arson)	5,893	5,593	6,218	5,589	5,973	6,029	5,638	4,570	5,076	-13.9%	-15.8%

Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2008.

The table below compares crime incidence over three 3-year periods. The number of violent crimes dropped by 11.5 percent with a 58.1 percent drop in murder. The number of property crimes dropped by



13.7 percent, though the number of motor vehicle thefts increased by 48.0 percent. According to data provided by the Reading Police Department, the City had 768 violent crimes and 3,806 property crimes in 2009.

Part I Crime Historical 3-Year Averages

Part I Crime	Average 2000-2002	Average 2003-2005	Average 2006-2008	% Change
Murder	21	17	9	-58.1%
Rape	47	48	39	-16.3%
Robbery	456	402	434	-4.9%
Aggravated Assault	463	532	392	-15.3%
Violent Crimes	987	999	874	-11.5%
Burglary	1,436	1,345	1,193	-16.9%
Theft	2,833	2,436	2,073	-26.8%
MV Theft	646	1,083	955	48.0%
Arson	52	55	46	-10.9%
Property crimes (w/out arson)	4,915	4,864	4,221	-14.1%
Totals	5,901	5,864	5,095	-13.7%

Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2008.

To put Reading's crime in a comparative context, the tables below show the crime rates for Reading and seven other Commonwealth cities of the third class. These rates are expressed as incidents per 100,000 residents to adjust for differences in population.⁵ Reading had the second highest violent crime rate ahead of Harrisburg in all but one of the years shown below. Like Reading, other cities saw violent crime drop between 2005 and 2008. However, Reading is the only City where the violent crime rate dropped even as the number of officers per resident dropped from 2005 to 2008.

Violent Crimes per 100,000 Residents

	2000	2005	2006	2007	2008	Change since 2000	Change since 2005
Harrisburg	1,119.8	1,686.7	1,690.0	1,564.2	1,655.4	47.8%	-1.9%
Reading	1,187.4	1,157.3	1,236.9	926.5	1,073.5	-9.6%	-7.2%

⁵ The population figures used to compute these rates come from the FBI's Uniform Crime Report.



	2000	2005	2006	2007	2008	Change since 2000	Change since 2005
Lancaster	1,128.3	759.7	970.7	943.9	978.1	-13.3%	28.8%
Allentown	670.8	807.0	1,009.5	809.1	750.0	11.8%	-7.1%
Erie	449.5	453.3	539.4	533.3	621.9	38.4%	37.2%
Easton	683.5	668.8	631.4	595.3	602.2	-11.9%	-10.0%
Scranton	N/A	610.3	456.4	313.3	329.4	N/A	-46.0%
Bethlehem	311.9	369.3	407.1	370.3	310.2	-0.6%	-16.0%
Average (w/out Reading)	727.3	765.0	814.9	732.8	749.6	12.0%	-2.1%

Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2008. The 2000 figure for Harrisburg and 2006 figure for Bethlehem come from the Commonwealth's Uniform Crime Report in those years.

For property crimes, Reading had the highest rate (6,613.4) in 2000 among the eight cities. From that point through 2008, Reading's property crime rate dropped by 21.3 percent, including a 17.4 percent drop from 2005 to 2008. Reading had the biggest drop in property crime rates in both time periods.

Property Crimes per 100,000 Residents

	2000	2005	2006	2007	2008	Change since 2000	Change since 2005
Lancaster	5,988.2	5,471.5	5,773.2	5,960.2	5,632.4	-5.9%	2.9%
Harrisburg	5,067.6	4,894.7	5,141.6	4,895.1	5,549.9	9.5%	13.4%
Allentown	4,707.6	5,396.8	5,658.0	4,965.7	5,266.7	11.9%	-2.4%
Reading	6,613.4	6,297.1	5,729.9	4,703.8	5,204.1	-21.3%	-17.4%
Easton	3,988.9	4,096.4	5,416.5	4,098.1	3,923.7	-1.6%	-4.2%
Scranton	N/A	3,201.2	3,476.1	3,123.8	3,638.9	N/A	13.7%
Erie	3,243.4	2,753.6	2,908.4	3,013.4	3,421.2	5.5%	24.2%
Bethlehem	3,127.5	3,170.4	3,056.5	3,138.2	3,339.0	6.8%	5.3%
Average (w/out Reading)	4,353.9	4,140.7	4,490.0	4,170.7	4,396.0	-0.8%	3.2%

Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2008. The 2000 figure for Harrisburg and 2006 figure for Bethlehem come from the Commonwealth's Uniform Crime Report in those years.

The reductions in violent and property crime rates speak to the Department's increased focus on proactive crime reduction strategies in recent years. Crime reduction meetings, patterned on New York City's "CompStat" model, are held twice monthly. At meetings, senior staff is expected to explain in detail current incidents and conditions, as well as actions taken to address them. Crime statistics are plotted on computer-generated maps, which are displayed on large screens during the meetings and will eventually be available to officers through their desk top computers. Investigators report and share information on major crimes, particularly shootings and homicides. Patrol personnel report on enforcement initiatives. In addition to traditional enforcement measures, such as arrests and summons activity, the command staff monitors statistics on "directed patrol," which encompasses activity at identified "hot spots" when officers are not otherwise occupied by calls for service.



Effective January 1, 2010, the Department shifted its patrol deployment model from thirteen citywide districts to four quadrants dividing Reading from north to south and east to west. Patrol officers are now assigned by quadrant and additional "Impact Cars" are assigned by supervisors to identified "hot spots" within the quadrants. Supervisors are assigned responsibility based on turf and time. For example, a lieutenant assigned to steady evening tours is responsible for the daily supervision of personnel assigned to that evening tour. The same lieutenant is also assigned responsibility for a geographic quadrant (e.g., the northeast quadrant) and must monitor and analyze conditions within that quadrant and oversee initiatives to address them. The change in deployment was implemented to adjust to staff reductions following the layoff of police officers, as well as to further enhance crime reduction efforts.

Challenges

Department management and rank-and-file police officers identified the potential retirement of many officers in the next several years as a major challenge. Eighty-one uniformed personnel were eligible to retire as of early February 2010. Upon the expiration of the current collective bargaining agreement on December 31, 2011, another 13 officers will potentially be eligible. Since 2006, the Police Academy has held ten classes in which 175 recruits were trained, but only 28 of those recruits for the Reading Police Department (the remainder were recruits for other departments outside the City).

Though many factors drive individuals' retirement decisions and trends in employee attrition, the current collective bargaining agreement increases the likelihood of large scale retirements in at least two ways:

- **Mandatory retirement:** Article XVI, Section 11 of the current labor agreement states, "All bargaining unit members are required to retire upon the completion of thirty (30) years of service effective January 1, 2008." Members who have enrolled in the Deferred Retirement Option Plan (DROP) are exempt from this mandatory retirement for a five-year period. If any officer joins the force at age 21, that officer will have to retire at age 51.
- **Attractive benefits:** Article XVI of the current labor agreement enables uniformed members of the department to retire with a pension equal to 60 percent of salary upon completion of 20 years of service; 62 percent of salary after 21 years; 64 percent after 22 years; 66 percent after 23 years; 68 percent after 24 years; and 70 percent after 25 years. Section 10 of the article permits officers to purchase up to five years of service credit in the pension plan at any time during their careers at a rate based on the employee's first year of service with installment payment plans available to facilitate the service credit purchase. In addition, retired police officers receive medical insurance coverage for themselves and their spouse. The level of benefits provided and the employee's share of premium costs are frozen for life at the level in place when the officer retires. The generous level of benefits provided and relative ease for purchasing additional service credit increase the likelihood that officers will leave City employment earlier in their professional career.

The potential loss of a large portion of the police force has operational and financial ramifications. Operationally, some of the department's most experienced members could leave service. The Department would have to fill many of the vacated positions. The hiring and training cycle for a new police officer, including applicant processing, Police Academy training and field training, can take a full year. During that period, City would have to simultaneously attract and process qualified candidates, conduct classroom and field training for large classes and maintain reasonable levels of patrol and investigative coverage – a challenge for any municipality, regardless of its financial condition.

Financially, in the short term, there would be additional pressure to fill open shifts on overtime, which has already grown at an unsustainable pace. There are costs associated with hiring and training new police officers, though those costs are partially offset by their salaries being lower than those of the retiring officers. In the longer term, officers who retire at a relatively young age and a defined level of benefits could draw on the City's police pension fund for decades.



Hiring diversity

Diversity in hiring will continue to be a factor in the Department staffing. The City's population is 52.1 percent Latino⁶ while only nine percent of the Police Department is Latino. African-Americans make up two percent of the Department and at least 11.9 percent of the City's population. Women make up six percent of the Department.

The Reading Police Diversity Board was created in 2005 as a result of litigation brought by the Pennsylvania Statewide Latino Coalition in 2003. The Board's stated mission is "to develop methods to increase the representation of Hispanics and other minority groups within the City of Reading Police Department through fair and equitable treatment of applicants and to foster improved relations between the City Police Department and the City's minority community." In February 2010, the Board approved a settlement, previously approved by the City Council that gives a ten point preference on the civil service examination for the position of police officer to applicants who pass a test in reading, writing, and speaking Spanish. The settlement is awaiting final approval by the federal judge overseeing the case.

Overtime

The Department's overtime expenditures increased by 84.2 percent from 2005 to 2009. As the table below shows, overtime (including "Minor Judiciary" pay) has increased for every division, with it more than doubling in both the Administration and Special Service divisions (overtime associated with PMI is not shown here). Overtime related to police officers working special events while off duty is included and addressed further in the Initiatives section.

Department Historic Overtime Expenditures

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Administration	6,462	30,486	39,035	7,876	28,403	339.5%
Special services	125,369	123,895	176,056	292,064	286,086	128.2%
Criminal Investigations	220,735	232,101	293,361	329,683	329,845	49.4%
Patrol	717,450	656,519	1,093,031	1,297,550	1,327,048	85.0%
Total	1,070,016	1,043,001	1,601,483	1,927,173	1,971,382	84.2%

Several factors can drive rising overtime expenditures. There are external factors such as spikes in criminal activity or special events, and conditions that require an increased police presence. A police department may deploy officers on overtime for strategic reasons to increase patrol coverage or concentrate investigative resources in specific areas. Unfortunately, a detailed breakdown of overtime expenditures is not available. Although the Police Department previously tracked overtime spending by category on the City's old mainframe, that system was removed eight years ago. While the new payroll system does not have the same capabilities as the old mainframe system, the Department may be able to track overtime by category through Access or another widely-available software program.

Instead, there are broad category explanations for overtime. In the Patrol Division, overtime is largely used to maintain minimum staffing due to illness or other absences. One reason for increased spending during 2007, 2008 and 2009 was the increase in minimum staffing requirements due to implementation of Problem Oriented Policing in mid-2007. At that time, minimum coverage was increased by four daily positions on the evening shift, and two positions on the day and midnight shift.

⁶ US Census Bureau, 2006-2008 American Community Survey 3-Year Estimates

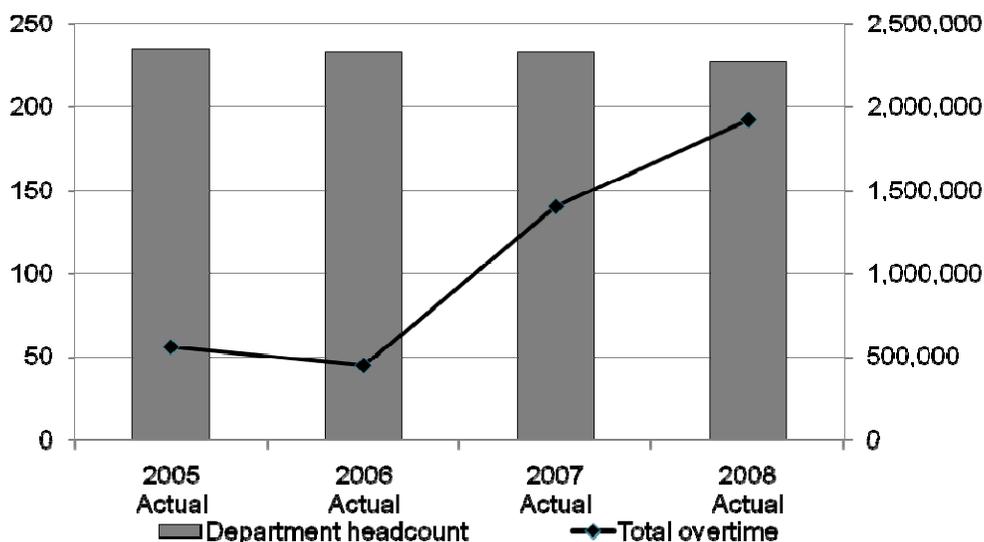


Court appearances account for another significant category of overtime. The Department makes approximately 7,500 arrests per year. Since officers work steady shifts, all personnel assigned to the midnight shift, the 7:00 P.M. to 3:00 A.M. shift and, in many cases, the early evening shift attend court on overtime. Since preliminary hearings in criminal cases are held on Fridays, even officers assigned to the day shift may receive overtime if the hearing occurs on the officer's day off.

In the Criminal Investigation Division, the largest category of overtime has been call-ins of investigators for major crimes, particularly homicides and shootings. In major incidents, investigators are frequently mobilized while off duty, or are required to work beyond their scheduled shifts. While Vice Unit staffing has been reduced, it is deployed after homicides and shootings. Because Vice handled narcotics investigations, its investigators were often familiar with victims and suspects in shooting or homicide cases. Vice investigators would also be used to conduct preemptive narcotics arrest operations, and to prevent retribution shootings by removing potential suspects or targets from the street. The Criminal Investigations Division also has significant overtime related to court appearances predominantly in County Court for the more serious cases.

One common area of focus related to overtime is manpower. Theoretically, a reduction in manpower results in having fewer officers to provide the same amount of coverage, which increases the pressure to use overtime to fill gaps in coverage. However, Reading's increase in overtime is too high to be solely attributable to the headcount reduction described earlier. Between 2005 and 2008, Department head count dropped from 235 to 227 (3.4 percent). The number of sworn positions decreased by nine over this same period while civilian employees increased by one. Over that same period, overtime rose 84.2 percent. These striking disparities indicate that factors beyond the number of hired officers are driving overtime.

Police Department Headcount and Overtime, 2005 – 2008



Source: City of Reading Police Department

Two factors in Reading's collective bargaining agreement will increase overtime expenditures as the years go by. Overtime expenditures will rise in conjunction with annual base salary increases since overtime rates are tied to salary. This growth will happen even if overtime usage (i.e. the number of hours) remains the same. Second, as police officers gain seniority they receive increasing amounts of vacation. If the officers use the vacation allotted, there are increasing numbers of open shifts that may be filled on overtime. The chart below shows how the amount of annual paid leave provided to each officer increases as seniority does. Once an officer reaches 15 years of service, the officer has 280 hours (or 35 days) of paid leave each year.



Vacation and Personal Leave (Hours)

Years Of Service	Base Schedule	Vacation	Personal	Net Annual Hours
0-4	2,080	112	16	1,952
5-9	2,080	168	16	1,896
10-14	2,080	224	16	1,840
15+	2,080	264	16	1,800

Source: City of Reading Police Department

Separate from the increasing vacation allotment, the use of unscheduled leave, such as sick leave, can drive overtime spending higher. City management identified sick leave use and abuse as a frequent cause of unscheduled absences that result in overtime. Members receive 30 days of sick leave per year, and can accrue a balance of 155 days. Across the Department, 22,731 hours of sick leave were used during 2009. At 259 budgeted employees, this equates to 87.8 hours of sick leave (or 11 days) per person.⁷ The effectiveness of the limited controls on sick leave abuse, such as requiring officers to remain in their residence or allowing supervisory visits, is curtailed by the fact that most officers live outside City limits.

Whatever the combination of factors that are driving the Department's dramatic growth in overtime spending, they must be curbed for the City to maintain viable police operations. The Initiatives section later in the Workforce Chapter provides a partial strategy for doing so.

Technology

Technology has become an increasingly important part of modern policing. In addition to the law enforcement networks that have existed for many years (e.g. the FBI's National Crime Information Center, the Pennsylvania State Police's Commonwealth Law Enforcement Assistance Network), technology can now bring vital information to the officer on patrol through mobile data terminals placed in each vehicle. The "Omega Dashboard," which has been launched at Police Headquarters, gives officers access to crime statistics and "hotspot" information.

Police management expressed frustration with the inoperability of the mobile data terminals in patrol vehicles and the perceived slow response to service requests by the City's Information Technology division. According to a report provided by Information Technology, 15 of the 45 patrol vehicles had problems with the MDTs between July and April. Of the 15 vehicles, seven have had problems that Information Technology can address. Most of the others have hardware or mechanical problems, such as difficulty getting enough power from the vehicle to the MDT. In those cases, the Police Department works directly with an outside hardware vendor to address the issues.

The City has a new Public Safety Specialist position within the Information Technology Division that is dedicated to public safety issues (i.e. Police and Fire).⁸ Police management holds that there is a critical need to have IT staff within the Department itself and under its supervision given the complexity of its systems while the City's financial constraints likely preclude such an arrangement.

Bidding policy

⁷ If the number of filled positions in 2009 was lower than 259, then the average amount of sick leave per person would be higher.

⁸ The position became vacant in late March/early April.



Article V of the current labor agreement requires that work assignments be made based on an officer's seniority. Employees re-bid for positions annually. The only clear exemptions to the bid process in the agreement are the positions of Field Training Officer (FTO) and Criminal Investigator. Most others must be filled by seniority unless the Chief of Police determines that the most senior bidder is not qualified for the position. In that case, he may pass over the most senior candidate – but must appoint the next senior candidate or candidates.

For example, in 2007, the collective bargaining unit and the City entered into a Memorandum of Understanding setting forth criteria for assignment to the K9 Unit in anticipation of the unit's reactivation. The agreement set forth requirements for psychological and medical examinations, but did not specifically address seniority. When the Department did not make assignments to the unit by seniority, the union filed a grievance. The arbitrator ruled that the City violated the collective bargaining agreement by filling the assignments without regard to seniority.

City management and members of the collective bargaining unit have strong feelings about the impact that this bidding policy has on operations. City management views it as an obstacle to sound management in that it forces the assignment of less than qualified employees to desirable assignments. The Fraternal Order of Police views it as a critical means of safeguarding seniority rights. The depth of this disagreement is signaled by the City spending \$28,000 in 2009 for litigation related to the K-9 dispute referenced above.

Projected expenditures

The table below shows the Department's budgeted expenses for 2010 and projected expenses through 2014, excluding those related to PMI. The projections are based on the growth rates explained in the Plan Introduction. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.

Projected expenditures – Police Department (excluding PMI)

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	Change %
Salaries	12,895,412	13,359,647	13,840,594	14,338,856	14,855,054	15.2%
Fringe Benefits	3,953,350	4,309,152	4,696,975	5,119,703	5,580,476	41.2%
Temporary Wages	475,000	492,100	509,816	528,169	547,183	15.2%
Premium Pay	984,139	1,019,568	1,056,272	1,094,298	1,133,693	15.2%
Overtime	2,042,352	2,115,876	2,192,048	2,270,961	2,352,716	15.2%
Pension	2,052,447	0	0	0	0	-100.0%
Social Security	285,682	295,967	306,621	317,660	329,095	15.2%
Uniforms	128,825	132,046	135,347	138,730	142,199	10.4%
Training & Education	54,000	55,350	56,734	58,152	59,606	10.4%
Equipment	260,000	266,500	273,163	279,992	286,991	10.4%
Supplies & Postage	166,875	171,047	175,323	179,706	184,199	10.4%
Rentals	27,240	27,921	28,619	29,335	30,068	10.4%



Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	Change %
Contract & Consulting	134,410	137,770	141,215	144,745	148,363	10.4%
Miscellaneous	66,945	68,619	70,334	72,092	73,895	10.4%
Total	23,526,677	22,451,561	23,483,060	24,572,399	25,723,539	9.3%

Compared with 2009, there are three key changes in the Department's 2010 budget. Budgeted salaries drop by 12.4 percent from \$14.7 million in 2009 to \$12.9 million in 2010 due to position reductions and officers who must leave service during the year under the terms of the deferred retirement option program (DROP). Equipment spending, which includes vehicles, increases by approximately \$80,000 because of the vehicle lease buy-out.⁹ Lastly, the City budgeted overtime to drop by 42.6 percent from \$2.0 million in 2009 to \$1.1 million in 2010. However, because overtime expenses in 2010 are likely to equal 2009 levels absent corrective action, the projections for overtime were adjusted to align more closely with historical spending, increasing total department expenditures by \$900,000 in 2010.

Initiatives

The Reading Police Department has sharpened its focus on crime reduction strategies and has made progress in reducing violent and property crime. This remains an important objective for serving the City's residents and fits within a broader strategy to improve quality of life so that Reading will be an attractive place to live and work.

In 2006 the Department underwent an operational analysis¹⁰ that resulted in 35 recommendations ranging from operational adjustments to staff restructuring to the transfer of duties to other agencies. As of January 2010, department management had implemented many of the initiatives including:

- A problem-oriented policing model focused on intelligence-driven strategies to reduce crime.
- Arrest processing was transferred to the Berks County Sheriff's Office, resulting in the reassignment of six officers to patrol duty.
- Two administrative sergeant positions were eliminated, and duties of two positions were merged.
- Field Training Officers were assigned to the Patrol Division and are paid premium rates only when actually training new officers.

In some cases, cost, provisions in the collective bargaining agreements or other obstacles blocked implementation. A smaller set were not pursued by choice. Department managers have demonstrated a willingness to embrace change and focus on results, two attributes that will remain important for the Reading Police – and the rest of the City – during the financial recovery ahead.

Because the Department is such a large part of City operations (the largest department in terms of budget) there will need to be more changes to bring the City's expenses in line with its projected revenues. Public safety is the most basic service a municipal government can provide, but it cannot do so if it is financially insolvent.

To that end, the first set of initiatives in this section focus on opportunities to coordinate or consolidate services with other governments, allowing the City to use its limited policing resources to focus on patrol functions. Other initiatives seek to eliminate obstacles that prohibit the City from using its limited resources to the fullest extent possible, addressing the unsustainable growth in overtime and addressing

⁹ Please see the initiative section of this chapter for more information.

¹⁰ "Reading, Pennsylvania Police Department Operations Analysis," Management Partners, Inc., Cincinnati, Ohio, April, 2006.



remaining inefficiencies. Please note that the Workforce Chapter has other initiatives for the same purposes.

The question is not whether the City should rescale its public safety operations – that matter has largely been predetermined by the severity of the City’s financial distress – but where it can do so. The Department has already begun making decisions according to that reality, by referring new child abuse cases to the Berks County District Attorney and disbanding the VIPER unit, both valuable services that the City no longer afford.

Some initiatives focus on opportunities for shared services where operations could be handled by another entity entirely or in cooperation with the City. Improved service efficiency and coordination is one benefit to this strategy. However, in some cases shared services are presented as an alternative to eliminating the operation entirely to bring the City’s finances into balance.

Service consolidation/regionalization

PD01.	Continue discussions with the County regarding the transfer of emergency 911 dispatch functions	
	Target outcome:	Cost reduction; improved efficiency; regional cooperation
	Five year financial impact:	N/A
	Responsible party:	Managing Director and Police Department

The City shall continue discussion with the County and other stakeholders regarding the potential shift of its Emergency 911 (E911) and police dispatch operations to Berks County. Berks County maintains centralized dispatch services for most municipalities within the County and is the initial point of contact for E911 calls from Reading now. All emergency calls made in Berks County are first routed to the Berks County dispatch center, where the caller’s location is provided to the operator by the ALI/ANI (Automated Location Identification/Automated Number Identification) call tagging system. The caller is asked what services he or she requires (Police, Fire, or EMS) and, if it is a call for police services in the City, it is transferred to the City’s dispatch center. If it is a call for fire or EMS services in the City, the County handles dispatch. The City could transition its police dispatch responsibilities to the County which would dispatch police officers according to whatever protocol the City already has in place. As noted above, the County already performs this function for most Berks County municipalities.

Furthermore, this is an efficiency that many other cities in the Commonwealth and other parts of the country have achieved. Lancaster County handles this service for the City of Lancaster. Erie County handles it for the City of Erie, and Allegheny County for the City of Pittsburgh. Lackawanna County handles it for all 42 of its municipalities, including the City of Scranton. In Lackawanna County some of the same concerns were initially expressed that now exist in Reading – lack of a customized response to meet the City’s needs or lack of County capacity to handle the additional calls. One Lackawanna County municipality’s Assistant Police Chief who had reservations about centralized dispatch now agrees that the service has worked well.¹¹

The County and City raised issues related to whether the City would pay the County for these dispatch services. Because the nature and size of this service payment would exceed the savings that the City would receive, the City and County shall address this issue in subsequent discussions. While Berks County apparently charges other municipalities for dispatch services – and charges the City \$400,000 annually to dispatch fire and EMS calls – such a service charge is not a common practice in the

¹¹ Brendan Lewis. “Pennsylvania County officials rave about their regional dispatch center.” *GateHouse News Services*.



Commonwealth. For example, Lancaster does not pay Lancaster County to provide this service, nor does Pittsburgh pay Allegheny County.

During conversations with the Coordinator, the County expressed willingness to discuss this transition with the City. Along with the service charge issue, others that need to be addressed include making the City and County Computer Aided Dispatch (CAD) and Records Management System (RMS) software compatible; the City's need to replace its communications equipment; and the County's interest in using the City's 800 Mhz frequencies. The City's weak financial condition creates an imperative for Reading to pursue efficiency wherever possible. Currently Reading residents effectively pay for police dispatch services twice – once when they pay a monthly surcharge on their phone bills, the revenue from which funds Berks County's dispatch operations and once when they pay taxes to the City. The City cannot afford this duplication given the need to use limited resources, including those committed to public safety, to provide core services that are not provided by other governments. In addition, sharing EMS dispatch functions with the county was suggested at the public meetings held by the Act 47 Coordinator.

PD02.	Reduce headcount in 2012	
	Target outcome:	Cost reduction
	Five year financial impact:	\$2,658,000
	Responsible party:	Finance Director, Police Chief

While Reading's level of police staffing is not out of line with other cities of the third class and the police perform a critical function, the City must rescale all operations, including public safety. Given overall finances and revenue limitations, the City will not be able to maintain the same number of employees. Therefore, the City shall reduce its sworn officer headcount by ten beginning in 2012. The projected cost for an entry level police officer in 2012 including benefits is approximately \$89,000.¹² The ten-position reduction thus generates \$886,000 in savings each year.

To pursue this initiative, the City will have to appeal to the federal government to modify the terms of its \$1 million ARRA COPS Hiring Recovery Program (CHRP) grant that funds four rehired officers from July 1, 2009 through June 30, 2012.¹³ Under the grant terms, the City must retain a sworn headcount equal to the four ARRA-funded officers plus "the number of locally-funded positions that would have existed in absence of the grant" for 12 months after the grant ends. The grant allows the City to appeal this restriction due to changes in its fiscal situation. If the City's appeal is not approved, it shall proceed with the position reduction at the earliest date it is permitted to do so.

Since this reduction is driven by fiscal constraints, the City shall also pursue opportunities to alleviate the impact that this cut will have on service levels and individual employees. The City may be able to reduce its headcount but maintain the same level of patrol coverage in the following ways:

- Transitioning more investigative duties to the County:** The City has already reduced the size of its Vice Unit, eliminated its VIPER unit and transferred child abuse cases to the District Attorney. The City shall engage in dialogue with the County District Attorney and the County Chief Financial Officer to explore whether other investigative functions can be shared with or shifted to the County. This approach has the added advantage of eliminating a double charge on City residents who pay once for County detectives through County taxes and again for City detectives through City taxes. For other Berks County municipalities that do not have detectives on their municipal police force, the County provides this coverage.

¹² Benefits includes health, dental and vision coverage; premium pay; City pension contributions; and payroll taxes.

¹³ Four of the officers who were laid off in 2009 were rehired through this grant.



- Joining regional consortia for special services:** As described in the bomb squad initiative below, certain special services may be required more frequently in Reading, but occur countywide. By taking part in County policing consortia, the City can continue to have coverage while sharing the cost and burden of training, equipment and response time with other professionals in Berks County. The City shall explore the option of eliminating its separate bomb squad, emergency response (SWAT) team, and accident reconstruction unit and instead participate in regional and/or County organizations that provide those services.
- Eliminating administrative or support positions:** The Department has already moved some officers from administrative and support positions to more traditional police duties, like patrol. To the extent the City can reduce the number of sworn positions allocated to these “back office” functions and assign its limited resources to patrol, it shall do so. Similarly, the Department shall not assign more patrol officers to new or existing positions that can be performed by civilians. In particular the Department shall not assign any police officers beyond a supervisor to the Video Surveillance Unit.

Given the concerns about the large numbers of officers potentially retiring in coming years, the City should be able to reduce its headcount through attrition. If the City’s tax revenues outperform projections or other funding sources are identified, like additional federal or Commonwealth grants, the City shall revisit the reduction to determine if positions can be restored in areas that will directly enhance daily crime response capacity.

Financial Impact

2010	2011	2012	2013	2014	Total
0	0	886,000	886,000	886,000	2,658,000

PD03.	Explore regional alternatives to City bomb squad	
	Target outcome:	Cost reduction; regional cooperation
	Five year financial impact:	N/A
	Responsible party:	Police Chief

The Police Department operates a Bomb Squad consisting of 15 members (four FBI Certified Technicians, 10 Assistants, and one Tactical Medic). The Bomb Squad is a part-time function; all members have other full-time assignments in the Department. It is the only Bomb Squad within the seven county region covered by the East Central Pennsylvania Terrorism Task Force of regional public safety responders that includes agencies in Berks, Columbia, Luzerne, Montour, Northumberland, Schuylkill and Wyoming Counties.

The collective bargaining agreement provides a \$500 annual stipend for bomb technicians. The squad receives approximately \$8,800 annually from the Department and approximately \$8,250 annually from Berks County Department of Emergency Management. During the past five years, the squad has received approximately \$1.4 million in equipment and training

The Bomb Squad responds to an average of sixty calls per year with the Task Force, the majority of which are in the City of Reading. It also conducts support operations for Reading Vice, Berks County Detectives, FBI, ATF, Secret Service, US Army, the Berks County Emergency Response Team and a number of public demonstrations at the request of the Mayor, Chief and Command Staff.



Although it is a valuable resource for the City and the surrounding area – and the cost in budgeted dollars is not enormous – the extensive training required of technicians is a drain on resources that could be utilized more efficiently in the Department’s core crime reduction efforts, as well as a limiting factor on the availability of training to other personnel. Moreover, if the Squad responds to incidents in outlying counties, it may contribute to the City’s high overtime costs by pulling staff away from the City and subsidizing other units of government.

In view of these factors, the City shall explore alternate means of accomplishing the squad’s mission, including engaging in discussions with the County about regional alternatives.

PD04.	Other intergovernmental cooperation	
	Target outcome:	Regional cooperation; cost reduction
	Five year financial impact:	N/A
	Responsible party:	Finance Director, Police Chief

In 2009 the Police Executive Research Forum (PERF) completed a study of regional police options for the Berks County Board of Commissioners. The study highlighted cooperative efforts between the 35 municipal police departments in Berks County, including contractual arrangements where one municipality’s police department provides service to another community. Reading has such an arrangement with the Borough of Kenhorst, which previously contracted with the Borough of Cumru. Reading also serves other Berks County communities through its Police Academy that provides training to police recruits from other municipalities for a price.

Reading’s Police Academy is a good indicator of the changing possibilities for municipal cooperation. City Police Department staff point to the City’s Academy as an asset through which Reading can provide a valuable service to other municipalities that cannot afford to run their own academy. Reading’s Academy has reportedly generated annual revenue between \$167,000 and \$268,000 to help offset its own operating expenses. Plus it allows the Department to train its own officers within City limits instead paying to send them to another Academy outside Reading.

However, the economic arguments for Reading to operate its own Police Academy may be changing. In dealing with its own financial problems, the Commonwealth has eliminated the funding that helped cover tuition and police trainee’s salary costs. This will make it more expensive for municipalities like Reading to train their own officers. It may also reduce the training activities of other municipalities.

At this point the Act 47 Coordinator does not recommend that the City close its Police Academy and send its officers to another site for training. However, the City shall monitor the costs and benefits of operating its own facility closely. More broadly, the Police Chief or the Chief’s designee shall seek opportunities for regional cost sharing and intergovernmental cooperation related to the Department’s services. This may involve changing how services are provided, such as the first initiative in this chapter, capitalizing on opportunities to provide service to other municipalities, as the Department is doing in Kenhorst, or sharing assets, such as jointly operating a firing range with other departments.



Cost reduction and recovery

PD05.	Discontinue leasing patrol vehicles	
	Target outcome:	Cost reduction
	Five year financial impact:	\$262,000
	Responsible party:	Finance Director, Police Department

The Department leases undercover vehicles for its Vice Unit, which allows undercover personnel to drive vehicles other than the easily identified models typically used by police. Leasing also allows the City to replace those vehicles with some frequency to preserve their anonymity.

However, the City also leases patrol vehicles. These vehicles are the workhorses of a police department, and are subject to rugged use. The Police Department replaces vehicles based on joint assessment of their mechanical condition by its staff and Department of Public Works personnel. Generally, patrol cars are replaced at or above 95,000 miles of service.

According to a 2008 lease document provided by the City, the Department leased vehicles – six patrol cars and one sport utility vehicle – for a five year period with total payments of \$337,000 and a purchase price of \$0 at the end of the lease. This translates to an average purchase price of \$48,143. State contract cost for the purchase of a Ford Crown Victoria police vehicle is approximately \$22,000, a fully equipped vehicle is estimated at \$33,468,¹⁴ yielding a difference of \$14,675. The estimated purchase of five cars per year would result in an annual savings of \$73,375. In consultation with the Police Chief, the Finance Director shall review this leasing practice and, if the benefits do not outweigh the financial costs estimated above, end it. The City is already taking steps in this direction.

Financial Impact

2010	2011	2012	2013	2014	Total
0	37,000	73,000	75,000	77,000	262,000

PD06.	Improve cost recovery for extra duty overtime	
	Target outcome:	Cost recovery
	Five year financial impact:	\$592,000
	Responsible party:	Finance and Police department staff

The Department spends approximately \$340,000 per year on “extra duty overtime” that is paid to officers who provide security or work traffic details at events or venues outside of their regular schedule. This includes officers who work at the Sovereign Center, Reading Phillies games, the IMAX Theater, and school district events. Although many of the events are reimbursed, most of the Sovereign Center events are not. In 2009 the City received \$170,000 in revenue from the event organizers to offset some of these

¹⁴ Based on a 2009 Ford Crown Victoria with a PA System, siren control box, siren, console, prisoner security screen, push bumper, light bar, shotgun mount, first aid kit, fire extinguisher, measuring tape, leg irons/restraint belt, evidence processing kit, slim jim (door opening tool) and trunk equipment box.



expenses. Attendees at the public meetings held by the Act 47 Coordinator suggested more aggressive pursuit of payments due to the City. In light of its fiscal condition, the City shall aggressively pursue reimbursement of all extra duty details.

Beyond receiving payment for the overtime that officers work, the City should recover all its costs so that it is not providing service to a narrow portion of the community using resources that are broadly funded by the general tax base. Full cost recovery should include materials and supplies (e.g. uniforms, radios, occasionally police cruisers); fringe benefits; administrative overhead; and any liability coverage. The City of Pittsburgh was liable for \$200,000 in damages to settle a police brutality claim arising from an officer working extra duty. Even beyond these liabilities, Reading incurs risk when its officers engage in an activity that could result in injury, workers' compensation costs and any overtime needed to fill the injured officer's shifts.

In 2009, MAXIMUS conducted cost analysis that showed the full hourly cost of Patrol Division's work is \$88.51.¹⁵ The City's current rate (\$46.14) is based on a 2007 calculation, and is only slightly more than half of the MAXIMUS rate. The City shall review its policy for officers working extra duty overtime and adjust charges to cover its full costs. The City shall also evaluate whether it should apply an additional liability premium with the revenue set aside in a contingency fund to address any issues that arise during these extra duty shifts.

Assuming the level of extra duty overtime usage remains the same, the cost of that overtime will increase by 4.0 percent next year to \$353,600 when police base salaries increase (\$340,000 x 104%). If the City begins recovering 90 percent of its costs in 2011 (leaving a 10 percent discount for non-collection), it will recover \$318,240 (\$353,600 x 90%). That level of revenue is \$148,240 more than the \$170,000 collected in 2009.

Financial Impact

2010	2011	2012	2013	2014	Total
0	148,000	148,000	148,000	148,000	592,000

PD07.	Full cost recovery for officers assigned to Reading Housing Authority properties	
	Target outcome:	Cost recovery
	Five year financial impact:	\$520,000
	Responsible party:	Finance and Police department staff

The Reading Housing Authority (RHA) reimburses the City approximately \$100,000 annually for coverage provided at its properties by three Reading police officers. While the officers may occasionally support City operations, the majority of their time is spent providing coverage to the RHA properties. In the public meetings held by the Act 47 Coordinator, attendees suggested more aggressive recovery of payments due to the City.

The \$100,000 contribution is helpful, but does not cover the full cost associated with three police officers. Starting salaries alone for three officers will be \$173,000 in 2011.¹⁶ Once the City applies costs related to materials and supplies, fringe benefits, administrative overhead and any liability coverage, the City's annual costs will be well in excess of \$200,000.

¹⁵ City of Reading, Pennsylvania Police Department Patrol and Investigations Divisions Hourly Rate Study.

¹⁶ The starting salary for a police officer training in 2011 will be \$57,675.



The City shall negotiate an arrangement with the RHA that recovers all of the costs associated with providing this coverage. The negotiations will determine the final amount to be paid based on actual hours worked by the officers at RHA properties. Multiplying the MAXIMUS hourly rate of \$46.16 by the 6,240 hours of patrol coverage¹⁷ gives \$288,000 per year in costs. A conservative 20 percent discount for the time these officers spend outside the RHA properties gives \$230,000 per year, \$130,000 more than currently received.

Financial Impact

2010	2011	2012	2013	2014	Total
0	130,000	130,000	130,000	130,000	520,000

PD08.	Burglar alarms	
	Target outcome:	Cost recovery
	Five year financial impact:	N/A
	Responsible party:	Finance and Police department staff

The City charges false alarms fees on a rising scale, starting at \$35 each and increasing to \$80, depending on the type and frequency of the false alarm. In addition, every alarm system must be registered for a one-time fee of \$25 and all alarm companies must be registered for an annual fee of \$50. Residents over 65 years of age and governmental entities are exempt from the fee.

Billing for burglar alarms was handled by the Police Department; however, the part-time position responsible for billing was eliminated. The City shall resume billing for burglar alarms and transition this responsibility to the Finance Department as soon as possible. This is consistent by comments in the public meetings held by the Act 47 Coordinator, as attendees suggested more aggressive recovery of costs incurred by and payments due to the City.

Internal cooperation

PD09.	Establish Arson Investigation Task Force with Fire Department	
	Target outcome:	Improved efficiency
	Five year financial impact:	N/A
	Responsible party:	Police and Fire Department staff

Arson remains a significant cause of structural fires within the City of Reading.¹⁸ In addition to the obvious safety impact, arson has a longer-term effect on crime, quality of life, property value, and economic development. However, it is not an investigative priority for the Police Department.

¹⁷ This is based on a 2,040 hours worked per year by each officer multiplied by three officers. Officers will work less hours in reality due to sick leave, vacation, etc. But it is assumed that the City still provides some coverage to RHA properties on those days, potentially at an even higher cost if it uses officers on overtime.

¹⁸ The reported arson rate is discussed in the Fire Department chapter.



This is partly because the legal definition of arson is limited, making it difficult to secure convictions. Fires set in dumpsters, trash or involving property valued at less than \$5,000 do not meet the definition, so they are classified as criminal mischief. Additionally, the number of potential arson incidents is very small compared to the overall level of Police calls for service, making it hard for Police to commit resources to a small part of overall call volume. At one time the Department assigned a detective to fire investigations, but in light of other priorities and the limited effectiveness of the assignment, that assignment was discontinued.

Given the importance of conducting arson investigations, the City shall consider establishing an arson task force that gives the Fire Department more investigative responsibilities. Under this model, the City would assign primary responsibility for arson investigation to the Fire Department and cross designate police officers and fire fighters as arson investigators.¹⁹ The National Fire Academy offers a two week training course that would prepare firefighters to handle this duty and the Pennsylvania State Police fire marshal that covers Berks County may be able to provide additional insight on available resources. The Police Department would assist in investigations as necessary particularly for major cases. The Property Maintenance Inspection (PMI) unit, now within the Police Department, may also provide useful resources through its code enforcement work.

Performance management

PD10.	Track overtime expense by category	
	Target outcome:	Cost Reduction; reduced Overtime usage
	Five year financial impact:	N/A
	Responsible party:	Finance and Police Department staff

The City spent more than \$1.9 million on police overtime in 2008 and 2009. To put that in a broader context, the City spent more on police overtime in 2009 than it did on code enforcement (\$1.4 million) or the Library (\$1.4 million). Despite the large volume of overtime expenditures, there is not much quantitative information available on what causes overtime. Department management and staff provided helpful insight into overtime cost drivers, but the City needs better detail so that it can monitor and respond to trends as they develop. The Police Department previously tracked overtime spending by category on the City's old mainframe, but that system was removed eight years ago. While the City's new payroll system will not have the same capabilities as the old mainframe system, the Department may be able to track overtime by category through Access or another common program.

The City shall implement a process to track overtime spending with a higher degree of specificity. Categories to be tracked should be determined jointly by Police Department and Finance Department staff, but should include, at the minimum: court appearances; minimum staffing for sick leave replacement; minimum staffing for other leave replacement; investigative; operational; special detail; and crime reduction initiatives. The reports generated from this process shall be shared regularly with the Managing Director, Finance Director, Police Chief, Police command staff and the Act 47 Coordinator.

¹⁹ Please see initiatives FD01 and FD05 in the Fire Department chapter which relate to building the Fire Department's capacity in this area.



PD11.	Develop a performance management system	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A
	Responsible party:	Managing Director, Police Chief

One of the Department's strengths is its data-focused approach to tracking crime and adjusting resources in response to those trends. The practice of performance measurement and systematic reporting on performance against scheduled tasks and activities (including several listed below) which the Police Department does well needs to be adopted more broadly across the rest of City government. This initiative will add the Department's data to the new City Quarterly Performance Management.

As part of the broader effort to establish a performance management report, the City shall collect and report the following data points on a monthly basis:²⁰

- Number and type of calls for service
- Crime rate (major crimes per 1,000)
- Clearance rate (by crime type)
- Number of/Percent change in business crimes (e.g., commercial break-ins; commercial vandalism; shoplifting; commercial auto thefts)
- Number of/Percent change in juvenile crimes (e.g., reported crimes on school grounds; Police reports of incidents where suspect is under the age of 18)
- Number of/Percent change in vehicle-related incidents (e.g., Number of vehicle crashes; Number of vehicle crashes with serious personal injuries or fatalities; Number of DUI-related vehicle crashes; Number of drug-related crashes (non-alcohol); Number of annual traffic complaints received; Number of traffic-related pedestrian injuries or deaths)
- Ratio of recorded crimes to arrests
- Sworn officers per 1,000 residents
- Total hours of in-service training conducted
- Required accreditation standards in compliance
- Average leave time used per FTE (by type, e.g. vacation, sick)
- Percent change in leave time used per FTE
- Average overtime hours worked per FTE
- Percent change in overtime worked per FTE

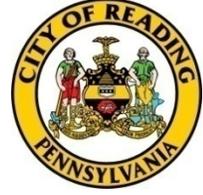
In some cases a department other than Police may be best suited to track and report the data points above. This data should still be provided to Police staff to monitor the department's overall performance. The data for some points will be more readily available and easier to track than others. Under the direction of the Managing Director, Finance Director and Police Chief, the City shall work to address technological, record keeping or other obstacles that arise. Department staff and City Council shall recommend other measures that it would like track with a brief explanation of what insight that measure would provide. For more information on the performance measurement, please see the Plan Implementation Chapter.

Additional initiatives

The Property Maintenance Inspection (PMI) division is addressed in a separate chapter. The Workforce chapter also contains initiatives that are pertinent to the Police Department.

²⁰ Source: Police Executive Research Forum (PERF), *"Implementing an Agency-Level Performance Measurement System: A Guide for Law Enforcement Executives,"* 2006.





VII. Public Works

Department of Public Works

Overview

The Reading Department of Public Works (DPW) is responsible for a wide range of functions, several of which relate to the care and maintenance of the City's physical infrastructure. Organizationally, the Department is led by the Director of Public Works and divided into two major operating divisions—Utilities and Operations – each led by a division manager. Solid Waste and Engineering are also identified as separate operating groups, each with its own supervisor. Each operating division is then further defined along functional lines and budgeted accordingly. Units within the Department are:

- **Administration**, which includes the Director and one secretarial position, is responsible for the Department's management and planning functions and liaison with the Administration.
- **Engineering** provides permitting and review of construction projects built within the City right-of-way. In conjunction with Administration and other divisions within Public Works, Engineering works with consultants retained to design and inspect the construction of Public Works capital projects. The City's engineering design services are almost exclusively performed by consultants.
- **Fleet Management** is responsible for maintaining the City's fleet of vehicles and pieces of heavy equipment at a modern garage located at the Public Works facility at 530 North Sixth Street. Garage personnel perform the majority of vehicle maintenance and routine repairs and contract out specialty work and major repairs.
- **Highways** provides maintenance of the public right-of-way, including street maintenance and repair, snow and ice control, and other road and infrastructure related services.
- **Parks** is charged with the maintenance of City parks and park facilities. DPW has responsibility for 59 City Parks ranging from 0.04 acres to 117.11 acres. The largest City Park is Angelica Park, followed by Bernhart's Park (over 62 acres).
- **Public Property** (Property Maintenance) provides general maintenance services for City facilities. This division also manages the contracts for HVAC maintenance, fire protection (sprinkler systems), generators, and roofing systems. Public Property also maintains part of the Reading Municipal Memorial Stadium, which is leased to the Reading Phillies Baseball Club through 2014.
- **Recreation** provides youth programming at two City recreation centers and various playgrounds and public spaces throughout the City. In addition to managing the two recreation centers, the division manages the City Pool.
- **Recycling and Solid Waste Management** is administered by the City, but actual pickup is a contracted service. Recycling is provided to all residential properties with four or fewer units per building. The City's solid waste vendor serves approximately two-thirds of this customer base, competing with 15 other private waste haulers for customers. Much of the division's staff effort is concentrated on education, enforcement, and planning.
- **Traffic engineering** consists of one employee with responsibility for creating and placing street signs. The City's traffic signals, streetlights, and line painting are maintained through contracts with private vendors.
- **Sanitary Sewers** cleans, maintains and repairs the sanitary and storm sewer networks throughout the City. The division also maintains infrastructure, including sewers, manholes, and storm inlets (catch basins). Waste Water Treatment Plant personnel maintain lift stations.



- **Wastewater Treatment Plant (WWTP)** treats wastewater and reduces pollutants to acceptable standards before treated water is discharged. The Utilities Manager, located at the WWTP, has supervisory responsibility for both sanitary sewers and the WWTP. Major improvements to the wastewater treatment plant are in progress in response to a federal consent decree, which resulted from past facility performance deficiencies (discussed later in this chapter).

The Reading Area Water Authority (RAWA) operates the City's water system. RAWA is funded by user fees and budgeted separately as a City enterprise fund. RAWA is governed by a board whose five members are appointed by the Mayor; most of RAWA's operating and supervisory staff are City employees. RAWA handles billing for the water and wastewater utilities.

The Department of Public Works does not have a mission statement, but it prepares general work plans for each division outlining major initiatives for the year. The initiatives for 2010 are:

- Administration
 - Creation and implementation of a stormwater utility;
 - Replacement of Penn Street crosswalks; and
 - Development and implementation of a Street Light Assessment program
- Operations
 - Improve operational efficiency and effectiveness in Recreation; and
 - Reduce fleet size
- Solid Waste
 - Solid Waste collection program;
 - New funding sources;
 - Litter abatement program;
 - Recycling program improvements; and
 - Neighborhood clean-ups
- Utilities
 - Wastewater treatment plant (WWTP) permit compliance;
 - Build a Lab/Administration/Sewers Building;
 - Storm sewer proactive cleaning and inspection;
 - Replace Sewer Unit's key mobile equipment;
 - Improve available sewer system mapping
 - Improve WWTP/Sewers operations through technology;
 - WWTP consent decree requirements;
 - Sewers consent decree requirements; and
 - WWTP influent routing

While Public Works' plans outline broad objectives for the year, stated performance measures are non-specific and can generally be characterized as "true or false" statements without required demonstrations of effectiveness. There are no existing performance measures for day-to-day operations.

Staffing

The table below shows DPW's budgeted positions across all funds. Some positions have responsibilities split across multiple units. For example, the Operations Manager had supervisory responsibilities in Highways, Parks, Property Maintenance, Fleet Management, Recreation and Traffic Engineering in 2007. In such cases, each unit includes an appropriate fraction of a position.



Budgeted Headcount – Department of Public Works

	2006	2007	2008	2009	2010	Change	% Change
Administration	2	2	2	2	2	0	0.0%
Engineering	2.6	2.6	4	4	2	(0.6)	-23.1%
Garage	11	11	11	11	10	(1)	-9.1%
Highways	20.3	18.6	19	15	16	(4.3)	-21.2%
Parks	14.7	16.6	18	17	10	(4.7)	-32.0%
Public Property	8.7	8.6	8	7	6	(2.7)	-31.0%
Recreation	5.3	4.3	4	3	2	(3.3)	-62.3%
Recycling	3	6	4	3	3	0	0.0%
Traffic Engineering	5.9	4.9	4	4	1	(4.9)	-83.1%
Sewers	18.5	17.5	17	20	14	(4.5)	-24.3%
Waste Water Treatment	52	52	54	54	53	1	1.9%
Total (rounded)	144	144	145	140	119	(25)	-17.4%

Public Works' total budgeted headcount has been reduced by 25 or 17.4 percent between 2006 and 2010. Traffic engineering was reduced to one Maintenance Worker/Signmaker in the FY2010 budget as a result of private contracting for traffic signal maintenance.

Some of the 119 Public Works positions are funded outside the City General Fund, supported by revenue associated with enterprise activities. Of the Garage's six Maintenance Mechanics in FY2010, two are funded through the Sewer Fund (one each allocated to the Wastewater and Sanitary Sewer divisions). One of the two Engineering positions is funded by the Sewer Fund. Five of the 15 Equipment Operators in Highways are funded by the Sewer Fund and another seven by the Trash/Recycling Fund.

Shifting personnel costs to enterprise funds has primarily been an effort to reduce the financial burden on the General Fund. The positions shifted from the General Fund to the wastewater division of the Sewer Fund are primarily associated with stormwater management. This function is only tenuously connected with wastewater treatment, and stormwater management costs are completely unrelated to the metered water usage on which wastewater bills are based. This cost shifting appears to anticipate the future development of a City stormwater utility.

The shifting of certain employee costs into the Trash and Recycling Fund seems solely an effort to reduce financial burden on the General Fund. These employee cost transfers into Solid Waste and Recycling change who pays for services provided by these employees, given that both serve only residential units in buildings of four or fewer units. Revenues generated through Solid Waste and Recycling completely exclude commercial/industrial and large-unit residential properties.

Public Property

The Public Property division, also referred to as Property Maintenance, is responsible for maintaining all 142 City-owned buildings and properties, including City Hall and the baseball stadium. The division also oversees more than 1,000 pieces of City-owned property, including information technology equipment,



traffic control boxes, and safety radios. Currently, the division contracts with private vendors to perform several maintenance functions, including HVAC (including maintenance), generators, and sprinkler systems. While public properties in the City are generally in good condition, the division lacks the resources to perform much preventative maintenance.

While the division handles maintenance across the City, it does not track the maintenance performed for each Department or division so almost all City maintenance costs come directly out of the Public Works, and specifically Public Property, budget. The City does use a chargeback system with the enterprise funds (sewer, water, and trash/recycling). The division also removes graffiti throughout the City, including on privately-owned property, and does not charge private property owners for the service.

Public Property also oversees energy management throughout the City. Over the last two years, Honeywell conducted an energy audit for the City and made energy saving and conservation improvements throughout 2009. Honeywell will be paid partly through energy savings, however, the Department Director expects these savings to be small partly because of the rampant use of space heaters in City-owned buildings. Further, in the next year, electric rate caps will be removed in the region and that will impact the price of electricity—possibly driving it higher. Initiatives which address energy management are included in the Finance chapter of this Recovery Plan.

Recreation

The Recreation Division provides youth programming at two City recreation centers and various playgrounds and public spaces throughout the City. The City also maintains an outdoor, public pool where the Recreation Division offers swimming lessons during summer months. The pool is also leased to other organizations for training and non-profit activities, such as water polo. In addition, the City runs a year-round tennis program, which is a physical education and after-school program in partnership with the Reading School District and several community sponsors.

The division has two permanent full-time employees, plus year-round and seasonal part-time employees and volunteers. The Division's two permanent employees are responsible for all programming, personnel and financial management, equipment and inventory management and cleaning and minor repairs at the two recreation centers and pool. The Property Maintenance division is responsible for major facility repairs.

Most of the Recreation Division's programs fulfill social service functions of the City, and it engages in a significant amount of community outreach and provides many volunteer opportunities to local residents. In addition to partnerships with local high school and college volunteer programs, the division recently established a volunteer partnership with local senior centers. The Greater Berks Food Bank donates daily dinners at the two City recreation centers, which feed about 60 children per night.

In 2009, the City's Tennis Program received the Program of the Year Award from United States Tennis Association's (USTA) National Junior Tennis and Learning network. The program is partially funded by Fromuth Tennis, a community partner headquartered in Wyomissing, which donates about \$20,000 annually. Additional funding is provided by the Berks County Community Foundation, which donates between \$7,000 and \$13,000 per year. The division is pursuing additional funding from the USTA.

The City pool generates revenue through leases with a water polo league and swim teams for access during non-operating hours. Other funding comes from Reading's federal Community Development Block Grant (CDBG), which supports one after school program at Pandora Park Field House (a City-owned facility). The majority of CDBG money allocated to the Recreation division is used for staffing costs. Any membership fees or other miscellaneous program revenue received is kept in the City Youth Fund (managed by the Finance Department), which is also the primary account for youth programming expenditures. The division also has a City Tennis Program Fund that is managed in a similar fashion.

The division has no cost recovery goals and is not self-supporting. Recreation staff considers broad access to facilities and programming a priority, and the majority of participants cannot afford to pay more



than a nominal fee. The City does not track attendance at all programs closely, however, the winter tennis program had 102 participants over 41 days and the summer tennis program averages 353 participants over 39 days. Last year's pool attendance was approximately 13,000. Other than the tennis program, few other programs have ever expanded. In fact, program reductions are generally due to budget constraints, not lack of participation.

The Division does not charge differential program registration fees for City residents and non-City residents. Facility and equipment rental fees, however, are more expensive for non-City residents. The MAXIMUS Fee Study conducted last year showed potential to increase some facility and equipment rental fees, however, the Division made only modest increases to ensure that facilities and equipment were still widely affordable and accessible.

Mayor McMahon recently convened a municipal recreation work group to explore forming new community partnerships to share the cost of providing high-quality, accessible youth programming in Reading. In February 2010, the work group released a preliminary report recommending that the City pursue the establishment of a Reading Recreation Commission in partnership with the Reading School District, and with participation from the Olivet Boys and Girls Club. There is also potential for the partnership to expand to include adjacent municipalities and local colleges and universities.

As a possible model, the group considered the Lancaster Recreation Commission, an intergovernmental, nonprofit agency with 501(c)(3) status. The Commission is a partnership, based on a cooperative agreement, between Lancaster City, Lancaster Township, and the School District of Lancaster, which provides funds to support the many recreation programs offered throughout the community.¹ Those programs include traditional youth sports, but also adult classes, senior activities, and youth classes and dance. Modest fees are charged for most activities.

Less than 20 percent of the Lancaster Recreation Commission's \$2.0 million annual operating budget is funded by taxes. Lancaster City and Lancaster Township contribute approximately 15 percent of the Commission's total budget, based on their population, and the Lancaster School District contributes a set dollar amount for each student. Additional funding is derived from fees, donations, business sponsorships and grants. To increase recreation program opportunities for all citizens, cooperative relationships are established with community agencies and businesses.

The Lancaster Recreation Commission does not own property. Instead, it utilizes tax-supported resources by holding recreation programs at City and Township parks and playgrounds and at School District buildings and grounds. Funding partners are responsible for facility maintenance. The Lancaster Recreation Center, owned by the City of Lancaster, houses the Commission's administrative offices and many recreation programs.

Fleet Management

The Garage is responsible for maintenance of the City's motor vehicles and motorized equipment. Each City department independently establishes fleet additions and replacements through departmental budgets, but there are no clear, uniform replacement standards or schedules. Each City department establishes its own vehicle usage policy, however, there is a City-wide take home vehicle policy administered by the Managing Director's office. There are 18 authorized take home vehicles, with 17 currently being used. Among those 18 vehicles, 13 are allocated to the Fire Department.

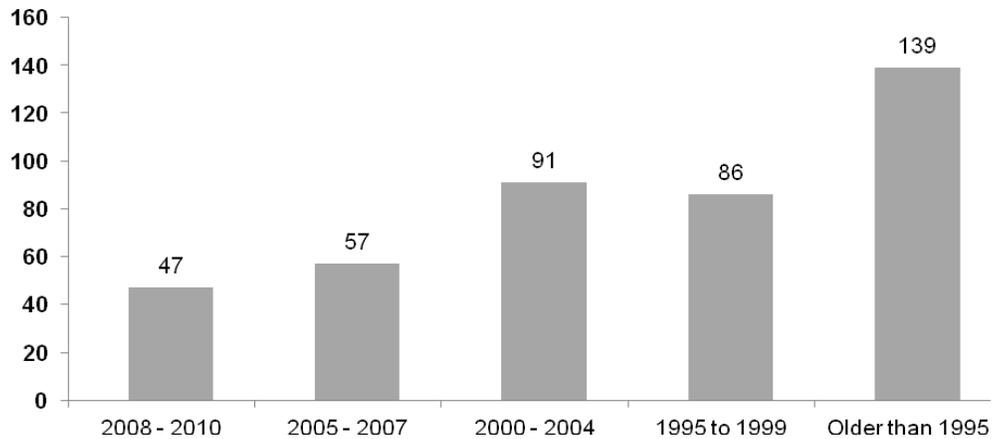
The City believes it has between 400 and 450 vehicles, but does not have an updated, reliable, and comprehensive list, nor does the City maintain a comprehensive list of which vehicles are owned and leased. The inventory listing shows Public Works to have the largest departmental fleet, followed by the Police and Fire Departments. Throughout the City, many vehicles are at least fifteen years old, and in

¹ Source: http://www.lancasterrec.org/about_us.wvi?id=49



some cases departments list sedans that are more than twenty years old. The Business Analyst is currently evaluating the City's fleet program and reviewing its vehicle inventory.

City of Reading, Number of vehicles by Model Year



Source: City of Reading

City Fleet by Department

Department	Number of Assigned Vehicles/Equipment
Mayor	1
Public Works	240
Police (including Property Maintenance)	141
Fire (including EMS)	49
Community Development	12
Reading Redevelopment Authority	1
Libraries	2
TOTAL	446

Source: City of Reading Department of Public Works

Finances

The first table below shows the expenditures for the units budgeted within the General Fund. Expenses related to sanitary sewers, wastewater treatment, solid waste and recycling are not included in the General Fund. The Contract & Consulting Services category includes expenses related to Traffic Engineering and other functions that are provided by private contractors. Repair costs sharply increased in FY2008 because the City moved to a private provider for streetlight repairs. Despite significant private contracting relationships, salary expenditures in the Department have not declined markedly and overall Department spending has increased. While Department spending decreased by \$389,000 in FY2009,



this was largely driven by the Department transferring street lighting expenses to a different fund, rather than personnel or operational savings.

Historical Expenditures – Department of Public Works (General Fund Only)

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	2,570,871	2,653,962	2,719,099	2,677,564	2,542,201	-1.1%
Fringe Benefits ²	758,340	808,899	1,044,458	885,219	959,872	26.6%
Temporary Wages	517,429	491,791	586,776	566,338	505,711	-2.3%
Overtime	86,497	75,531	101,420	78,798	75,257	-13.0%
Pension	328,115	323,191	0	113,022	151,944	-53.7%
Social Security	130,136	246,428	260,678	254,187	238,922	83.6%
Penny Fund	1,771	1,831	1,846	1,759	853	-51.8%
Uniforms	7,338	9,713	10,010	8,135	6,726	-8.3%
Training & Education	2,700	3,794	5,749	3,775	1,685	-37.6%
Utilities	1,684,182	1,661,782	1,630,087	1,801,663	1,553,418	-7.8%
Equipment	343,583	451,506	425,095	508,914	458,013	33.3%
Repairs	110,958	79,883	94,419	292,592	247,657	123.2%
Supplies & Postage	219,100	166,021	197,591	238,690	219,950	0.4%
Rentals	967	253,954	993	320,953	318,839	32857.0%
Contract & Consulting Services	256,758	379,518	379,951	410,644	490,328	91.0%
Programs & Events	11,048	13,950	17,391	27,940	38,416	247.7%
Fees	96,336	106,471	145,748	87,128	69,356	-28.0%
Miscellaneous	143,469	4,873	23,517	5,612	14,640	-89.8%
Total	7,269,597	7,733,098	7,644,827	8,282,932	7,893,788	8.6%

While budgeted in a separate enterprise fund, Sewer Fund expenditures (including sanitary sewers and the wastewater treatment plant) are closely tied to Public Works operations. Personnel costs include fringe benefit (health insurance) costs, and include some positions which are housed in Public Works divisions normally budgeted through the General Fund. The Capital Expense line item in 2009 represents expenditures related to planning for the new wastewater treatment plant. Typically, capital expenses and depreciation should not be included in an operating budget because they are not operating expenses. All capital-related expenses should appear in a separate, capital budget. Depreciation is an expense for accounting purposes, but is not normally treated as such for budgeting purposes.

² The “fringe benefits” category is the cost of employee health care insurance.



Historical Expenditures – Sewer Fund

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries/Personnel Costs	3,494,004	3,735,986	3,960,920	4,435,643	5,001,001	43.1%
Utilities	1,251,471	1,455,908	1,383,359	1,451,764	1,215,298	-2.9%
Operating Costs	5,345,473	4,981,169	4,671,461	5,542,143	6,730,958	25.9%
Transfers	6,012,451	5,536,892	4,754,384	4,015,908	3,905,000	-35.1%
Debt Service	1,172,740	1,113,279	569,985	798,021	1,997,269	70.3%
Sewer Depreciation	2,024,535	2,046,801	2,122,873	2,127,377	0	-100.0%
Capital Expense	0	0	0	0	9,760,772	N/A
Total	19,300,675	18,870,036	17,462,983	18,370,855	28,610,299	48.2%

Spending in the Trash/Recycling Fund increased by more than 50 percent between FY 2006 and 2007 because the City re-issued both its trash collection and recycling contracts. The bids the City received were significantly higher than the previous contract. The final cost was \$1.2 million more than the previous year (\$550,000 more for recycling and \$670,000 more for trash collection). Revenues from collection fees increased at the same rate. Salaries in the Trash/Recycling Fund increase consistently, even though the number of budgeted positions specifically dedicated to Trash and Recycling programs has remained steady. The increases in salaries and personnel costs is because other Public Works positions not directly related to Trash and Recycling were allocated to this fund over time, as discussed earlier.

Historical Expenditures – Trash & Recycling Fund

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries/Personnel Costs	119,358	138,515	214,837	261,103	268,813	125.2%
Operating Costs	2,618,761	2,700,822	4,268,298	4,615,551	4,456,634	125.2%
Total	2,738,118	2,839,337	4,483,135	4,876,653	4,725,447	72.6%

Assessment

Given the wide range of services that Public Works provides, there are several factors that drive demand for those services and the Department's workload. The workload for Public Property, Highways, and the Garage is driven by the condition of the City's infrastructure, facilities, and fleet; weather; and regulatory requirements. Public Works also must respond to service requests generated by other City departments which use the buildings and vehicles that Public Works services. Other units in the Department respond to service requests from private citizens and businesses ranging from maintenance of recreation facilities to sewage treatment. Over the last three years, resident calls related to public works have steadily increased, comprising 40 percent of all calls to the Reading Call Center in FY2009. The majority of these service requests were related to general public works tasks (1,471 in FY2009) or solid waste (1,199 in FY2009). It is not clear why the City is responding to such a high volume of Solid Waste service requests even though trash collection (the primary solid waste service) is provided by outside contractors.



The Department has had success in meeting some of the diverse demands it faces. The Solid Waste and Recycling program believes it has successfully grown its share of the total City customer base for solid waste, however, it is difficult to determine exact progress because data around the total customer base (including occupancy and building ownership) is weak. The preferred option is for the City to conduct all solid waste pickups, and recycling is already performed solely by the City. Having a single party responsible for pick-up improves operational efficiency, limits confusion on which buildings have paid for services, and reduces impact on the roads because fewer pieces of heavy equipment will need to access streets. Additional efforts are being made through joint management-labor teams to achieve cost savings and service improvements, such as providing cost-effective recycling services to the Reading School District.

Beyond the service demands that are unique to its operations, Public Works faces some of the same pressures and challenges as other City departments. An effective infrastructure program requires significant investment in preventive maintenance, rehabilitation and replacement; however, the substantial pressure to reduce costs due to the City's fiscal crisis has in some cases led to postponing or reducing maintenance or rehabilitation work. Specifically, the staff and budget dedicated to engineering (which is involved in infrastructure construction and maintenance) has declined in recent years, and there has been a marked lack of construction programming.

In addition to larger capital projects, the City's street improvement efforts have also lessened because of the lack of available revenues. The street paving program has been virtually eliminated, except for state or federally funded projects. In addition to the short-term impacts of neglecting street repairs, there are long-term effects. Infrastructure has a defined life span, which is considerably shortened when preventive and major maintenance efforts are neglected. At a minimum, annual capital investment in streets should be in the range of three to seven percent of replacement value. Based on Reading's street system of approximately 350 lane miles, an estimated 25 lane miles per year should receive significant maintenance, rehabilitation or replacement programming.

The City has tried also to reduce General Fund expenditures by shifting certain Public Works costs to enterprise funds that are supported by charges for service instead of taxes. In some instances, the City has shifted program expenditures to fee-supported funds, regardless of the program's relationship to the premise for the fee. For example, several equipment operator positions were transferred from the Highway division into the Trash and Recycling Fund. As explained previously, the Recycling Fund only collects fees from a portion of the City, excusing commercial, institutional, industrial and multi-family properties from contributing. While in many cases user fees can result in more equitable cost recovery from beneficiaries, the design of this system precludes that possibility.

Along with these financial challenges, the Public Works Department faces related management challenges. Public Works relies on other units of City government, such as Finance and Information Technology, to deliver services, but appears to have weak or strained relationships with those units. In one example, Public Works management indicated it does not have access to accurate, real-time financial information. Finance staff counters that the data is readily available, but Public Works management does not know how to use the system. Regardless of fault, this conflict makes it difficult both to perform basic functions, such as ensuring the Department does not overspend its budget, and to accomplish more complicated functions, like analyzing cost-of-service to determine fees.

Public Works faces many additional management challenges: The Department lacks any sophisticated data analysis tools; develops limited work plans; suffers from poor internal communication; operates with obsolete job descriptions; lacks measurable employee goals, objectives or review processes; and employs no meaningful performance measurement systems. Further, Public Works appears to lack a strong advocate within the City organization.



Other challenges include:

- Billing services for Utilities are managed by the local water authority, and billing process information transfer is in need of improvement. The water authority software is not compatible with City systems, therefore the Utilities group is unable to access collections, revenue, and key operating data.
- Citywide expenses for gas and electric service, fuel, phones and vehicle maintenance are budgeted within Public Works. A chargeback system is only in place for utilities and other revenue supported functions, such as recycling and solid waste. Otherwise, departments are not charged for the expenditures they generate, such as vehicle fuel or cell phone usage. Without chargebacks, there is no information on department-specific spending and no incentive for user departments to control these costs. Public Works could monitor other departments' expenditures, but lacking the authority to affect meaningful change with such information, the Department does not make the effort.
- While much of the base data infrastructure in the City's Geographic Information Systems (GIS) is complete, the data required for system analysis and infrastructure map layers are not in place. Currently, GIS mapping is available, but the system is not yet useful as an effective analysis tool because of the missing data. In addition to serving as a central mapping system, GIS can, and should be, the source for City asset management of streets, sewers, sidewalks, and other physical infrastructure.

Despite its challenges, the Department can contribute significantly to Reading's financial recovery. Expansion of user fee and assessment systems (e.g., new stormwater utility, street lighting assessments) have the potential both to generate revenues that offset general fund expenditures and provide funding for reasonable support services. These measures should also help to restore capital spending that maintains or improves the quality of the City's infrastructure. Improved management of physical assets, such as fleet and equipment, can prolong useful service life and effectiveness of equipment.

Future Expenditures

Based on recent historical expenditures, the FY2010 budget, and likely trends, the Public Works budget is projected to grow by more than 14 percent in the next four years. Growth is led by personnel-related costs. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.

Projected Baseline Expenditures – Public Works Department

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	1,575,011	1,631,711	1,690,453	1,751,309	1,814,356	15.2%
Fringe Benefits	669,116	729,336	794,977	866,525	944,512	41.2%
Temporary Wages	259,220	268,552	278,220	288,236	298,612	15.2%
Overtime	76,700	79,461	82,322	85,285	88,356	15.2%
Pension	135,169	0	0	0	0	-100.0%
Social Security	143,874	149,053	154,419	159,978	165,738	15.2%
Uniforms	8,100	8,303	8,510	8,723	8,941	10.4%



Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Training & Education	8,500	8,713	8,930	9,154	9,382	10.4%
Utilities	1,544,343	1,590,673	1,638,393	1,687,545	1,738,172	12.6%
Equipment	476,850	488,771	500,991	513,515	526,353	10.4%
Repairs	147,000	150,675	154,442	158,303	162,260	10.4%
Supplies & Postage	212,790	218,110	223,562	229,152	234,880	10.4%
Rentals	331,000	339,275	347,757	356,451	365,362	10.4%
Contract & Consulting Services	492,800	505,120	517,748	530,692	543,959	10.4%
Programs & Events	5,500	5,638	5,778	5,923	6,071	10.4%
Miscellaneous	10,580	10,845	11,116	11,394	11,678	10.4%
Total	6,096,553	6,184,236	6,417,618	6,662,184	6,918,633	13.5%

Initiatives

The Department of Public Works initiatives are organized into four categories: Fleet, Parks and Property, General Department, and Non-General Fund. Those initiatives in the Non-General Fund category impact the Sewer and Liquid Fuels funds. Initiatives fall into several categories, including new revenue sources; disposition of assets; improved use of technology; and consolidation/improved use of existing services.

Fleet Initiatives

PW01.	Review City fleet policies, practices, and needs	
	Target outcome:	Optimal fleet configuration
	Five year financial impact:	N/A
	Responsible party:	Director of Public Works; Purchasing; Managing Director

In conjunction with the implementation of fleet software and examination of fleet service provision opportunities (PW03 and PW07), the City shall conduct a comprehensive examination of its fleet policies, practices, and needs. The City should review the take-home vehicle policy, including the need for each authorized take-home vehicle and compliance with personal use reporting. In this review, the City shall develop an Annual Purchasing Plan for vehicles and review of all vehicles to determine the optimal fleet configuration.

Unnecessary vehicles shall be disposed in accordance with PW04. The modest costs to perform this review should be covered by savings in the first year of implementing new policies and fleet configurations.



PW02.	Create a comprehensive vehicle list	
	Target outcome:	Improved accountability; Risk management
	Five year financial impact:	N/A
	Responsible party:	Public Works Director

The Department shall be responsible for creating, maintaining, and providing to the appropriate City departments a comprehensive list of all City-owned and City-leased vehicles and equipment. The City Business Analyst has begun collecting these details. This list shall include, at a minimum, the following:

- Make, model, and vehicle identification number
- Whether the vehicle is leased or purchased
- Condition of the vehicle, including whether it is operable
- Date of purchase or lease and end-of-lease date
- Loan and/or Lease terms (including interest rate, term of loan/lease, monthly payment, mileage limits, and cost to purchase at the end of the lease)
- Primary vehicle storage location
- Department responsible for vehicle, including maintenance and, if applicable, the employee responsible for the vehicle
- Insurance status of the vehicle

The Department shall provide this list to the Act 47 Coordinator and the City Solicitor no later than 30 days after the adoption of this Recovery Plan.

PW03.	Explore opportunities for fleet maintenance contracts with neighboring jurisdictions	
	Target outcome:	Cost savings and improved efficiency
	Five year financial impact:	\$548,000
	Responsible party:	Director of Public Works; Garage

The City shall explore opportunities to contract on fleet maintenance with other entities, such as the School District, Muhlenberg Township, City authorities and the County. The Department shall determine expenses associated with providing maintenance and set rates for service which reflect the operating and personnel costs for the services provided. As part of this effort, the City shall conduct a competitive contracting process for which the City garage can develop a bid.

The City shall also explore other cooperation/coordination options including a public option/competitive contracting version and assistance from the County to explore a County-wide fleet consortium. Such arrangements are likely to generate better pricing, spread the cost of roadside assistance, and achieve savings from economies of scale.

Financial Impact

2010	2011	2012	2013	2014	Total
0	137,000	137,000	137,000	137,000	548,000



PW04.	Initiate auction/E-Bay sale of surplus vehicles and equipment in-lieu of trade-in	
	Target outcome:	Increase financial return on disposed vehicles
	Five year financial impact:	\$600,000
	Responsible party:	Director of Public Works; Purchasing

City vehicles are currently traded-in when replacement is scheduled. While convenient, this policy generally results in the lowest possible cost recovery for the used vehicle. The City shall initiate either auction or direct sale of used vehicles on e-Bay (or a similar auction website); both approaches have offered significantly improved returns in other local jurisdictions and can be structured to comply with local surplus property decommissioning requirements. This method of disposal shall be used for all rolling stock and major pieces of equipment.

In conjunction with PW01, the City shall identify and dispose of surplus fleet and equipment. One of many disadvantages of paper-based management systems and decentralized control is the accumulation of infrequently used vehicles and equipment. While the Department certainly has surplus equipment available to dispose, any disposal of surplus shall include an optimization effort to define how best to share equipment and avoid future accumulation of surplus fleet and equipment.

It is difficult to determine the exact value of surplus vehicles because the City's tracking of such equipment is limited, however, it is estimate that the City could generate an additional \$125,000 per year between cost savings and sales revenue.

Financial Impact

2010	2011	2012	2013	2014	Total
75,000	150,000	125,000	125,000	125,000	600,000

PW05.	Develop a multi-jurisdictional vehicle and equipment organization	
	Target outcome:	Continued operational savings
	Five year financial impact:	\$51,000
	Responsible party:	Director of Public Works; Purchasing; Managing Director

A reality for any public works department is the need to procure access to a large variety of heavy equipment, much of which is needed only for a single, specific task. The City shall pursue equipment sharing and joint work planning with surrounding communities to maximize the use of such equipment. This cooperation will require the development of trusting relationships with surrounding communities, and has the potential to benefit all participants. Agreements will be required with regard to maintenance, operators, and other details, but there are numerous examples of comparable successful cooperative agreements between other jurisdictions in Pennsylvania and across the country.

This initiative is in addition to PW03. It involves the sharing of actual equipment, and is a collaborative effort to maintain and operate that specific equipment. Initiative PW03 addresses general fleet maintenance, and any contracts or partnership developed would be separate from the heavy equipment consortium.



Financial Impact

2010	2011	2012	2013	2014	Total
1,000	5,000	10,000	15,000	20,000	51,000

PW06.	Initiate second shift at Garage for routine maintenance	
	Target outcome:	Improve customer service; reduce need for "extra" vehicles
	Five year financial impact:	N/A
	Responsible party:	Director of Public Works

To promote efficiency and effectiveness, in most organizations fleet maintenance employees routinely works the same hours as the departments they support. The Garage shall add a second shift for routine maintenance, such as oil and filter changes or full maintenance, which will improve customer service and reduce vehicle time out of service. The expansion to a second shift will also support current efforts to provide service to new customers, such as the Reading School District and surrounding Townships (see next initiative). The addition of a second shift will considerably expand shop capacity and better utilize shop space. There is a small cost from shift differential payments to AFSCME unit members that will be offset by the reduction in extra vehicles and increased availability of cars during regular hours. The intent of this initiative is not to add employees to the Department to cover the second shift, but rather to implement the second shift with existing staff levels.

PW07.	Purchase and implement use of fleet management software	
	Target outcome:	Improved accountability, improved quality of fleet, improved repair/replace decisions
	Five year financial impact:	\$125,000
	Responsible party:	Director of Public Works; Information Technology

The City shall purchase and implement fleet management software and mandate its use throughout the organization. Fleet management is currently paper-based, which is challenging for effective management. Fleet management software will, at a minimum, allow effective scheduling of preventive maintenance; provide accessible repair and service histories; identify low use vehicles; and cost jobs by service type (e.g., oil changes, brakes, etc.) to assist cost-effectiveness evaluation. The City may have already purchased fleet management software with Hansen, but, if so, it has never been implemented. If the module exists and the City owns it, the Department shall use this software. Implementation and training on the fleet management software shall be a priority.

Financial Impact

2010	2011	2012	2013	2014	Total
25,000	25,000	25,000	25,000	25,000	125,000



PW08.	Charge back of all fleet expenses to all Departments; create service agreements	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A, with possible reductions
	Responsible party:	Managing Director; Finance; Public Works

The Reading City Garage currently manages the maintenance budget for all City vehicles and, with the exception of utilities and fee-supported divisions, does not charge other departments for vehicle repair or fuel usage costs. This approach eliminates accountability for user departments. Issues such as vehicle idling policies and replacement of high maintenance vehicles become owner decisions, often made without regard to cost of maintenance.

The City shall implement chargebacks of fleet-related expenses to all departments and departments shall be responsible for including such expenses in annual budgets. Budgeting maintenance within the user departments may restore accountability and lead to more effective management of inventory. In conjunction with this practice and other initiatives in this chapter, service agreements shall be established between the Garage and City departments that set performance expectations and commitments.

PW09.	Explore a public works apprenticeship program	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A, with possible reductions
	Responsible party:	Human Resources Director; Public Works staff

The City shall explore opportunities to develop an apprenticeship program for fleet maintenance and other aspects of the Department's work with local vocational programs, including those at the Reading-Muhlenberg Career and Technology Center and Reading Area Community College. An apprenticeship program can be a low-cost way to create a pipeline of well-trained fleet maintenance staff while students benefit from on-the-job training and exposure. This idea was suggested during the public meetings held by the Act 47 Coordinator.

Parks and Property Initiatives

PW10.	Evaluate possible contract maintenance of all parks	
	Target outcome:	Reduce maintenance costs
	Five year financial impact:	\$100,000
	Responsible party:	Director of Public Works

The City shall pursue contracts for all maintenance of all City parks. Maintenance may include mowing, snow removal, facilities, planting, and tree-trimming. The Department shall prepare specifications for this work and compare bids to internal costs of service. Park maintenance, particularly mowing, is a relatively simple service to contract. Currently, the Department's parks maintenance costs are not easily quantified. Traditionally, summer parks maintenance has been supplemented by seasonal help at relatively low cost,



however, this option is not financially viable if labor contract provisions require that laid-off City employees be returned to work before hiring seasonal staff. Contracting these services may also allow the City to dispose of associated equipment. Since the parks maintenance crew currently handles snow removal in the City, the City shall also pursue contracts for snow removal and other related tasks.

Financial Impact

2010	2011	2012	2013	2014	Total
10,000	20,000	20,000	20,000	20,000	90,000

PW11.	Evaluate minor park use and consider alternative management, use, or disposal of underutilized parks	
	Target outcome:	Park maintenance cost reduction or outside support
	Five year financial impact:	\$112,500
	Responsible party:	Managing Director; Director of Public Works

Parks are part of community character and add distinctly to livability and quality of life, but they must be adequately maintained to avoid becoming liabilities. The City has a number of small neighborhood parks, some of which may be poorly maintained and no longer benefit neighborhoods. The City shall evaluate all small, neighborhood parks through an open, inclusive public process (e.g. public meetings, online polls, or public comment periods). The goal is finding valid uses for the properties that provide the greatest benefit for the surrounding neighborhoods. Solutions may include:

- Seeking park sponsorship (e.g., "Adopt a Park") for partial or full maintenance and improvement.
- Park clean-up programs involving volunteers.
- Conversion of parks to community gardens, allowing neighbors to plant flower or vegetable gardens
- Sale of property to adjacent property owners or others.

The Public Works Department shall work with the City's Zoning division to address any zoning which may arise from the transfer of park ownership.

In addition, the City shall open discussions with the Berks Conservancy about the future management and maintenance of the Angelica Park environmental center.

The City shall also reach out to the Commonwealth Department of Conservation and Natural Resources for expertise and assistance in carrying out this initiative.

Financial Impact

2010	2011	2012	2013	2014	Total
12,500	25,000	25,000	25,000	25,000	112,500



PW12.	Combine the Parks and Property Maintenance divisions	
	Target outcome:	Cost savings; improved efficiency
	Five year financial impact:	\$401,000
	Responsible party:	Public Works Director

Currently, the Public Works Department has both parks maintenance and property maintenance staff. There are currently 10 positions in Parks and six in Public Property, including two supervisors in each. Parks serves as the “year-round catchall” and performs mostly general labor tasks, such as moving furniture, during the off-season. During the outdoor season, Parks staff are primarily responsible for maintaining the City’s parks. Property Maintenance handles maintenance tasks for City properties, with work performed by four skilled laborers.

The City shall combine the Parks and Property Maintenance divisions. Combining these divisions will help the Department achieve efficiencies on equipment, supplies, and productivity. If parks maintenance is privately contracted, the remaining functions of that division shall be combined with Property Maintenance. Through combining these divisions, the Department should aim to reduce spending by \$30,000, including temporary staff costs.

In combining these divisions, the City shall reduce the supervisory staff by two positions. The Department may implement this reduction through attrition. By not filling these positions, the Department will save more than \$113,000 annually.

Financial Impact

2010	2011	2012	2013	2014	Total
0	30,000	85,000	143,000	143,000	401,000

PW13.	Transfer the Engineering division to the Administration division	
	Target outcome:	Improved efficiency
	Five year financial impact:	N/A
	Responsible party:	Public Works Director

The manager position in the Engineering division was eliminated in FY2009 budget cuts, leaving the division with only two employees and no direct supervisor. The division now reports to the Director of Public Works, which City Charter requires also serve as the City Engineer. The Engineering division shall be transferred to the Administration division, with the Director of Public Works serving as the division manager. No additional positions shall be created by this transfer.



General Department Initiatives

PW14.	Maintain transfers from the Sewer Fund	
	Target outcome:	Continue current level of General Fund contributions
	Five year financial impact:	N/A
	Responsible party:	Finance Director; Director of Public Works; City Solicitor

For the duration of this Recovery Plan, the Sewer Fund shall continue to transfer at least \$3.0 million annually to the City's General Fund for the costs and risks associated with the Wastewater Treatment Plant being located in the City, and in recognition of the City's ownership of the facility. The City shall not negotiate an annual transfer from the Sewer that is less than \$3.0 million at any point in the duration of this Recovery Plan. Because the \$3.0 million transfer is already incorporated in the City's baseline budget projection, there is no additional impact calculated here.

PW15.	Establish and enforce a utility cut permit program	
	Target outcome:	Recover program management cost and ensure proper right-of-way repair
	Five year financial impact:	\$85,000
	Responsible party:	Director of Public Works; Engineering

Underground utilities operate on a permit basis and are responsible for any street restoration required after underground work. This program is currently understaffed and utility cut repairs made by outside utilities are not consistently inspected.

The City shall implement permit fees that fully fund necessary staffing to assure that proper repairs are made. A fee study was conducted for this program, but it was flawed due to the assumption that existing costs represented the system's needs accurately. There are several major benefits to an inspection program, including construction monitoring capability and the assurance that utilities are properly located at specified depths and restoration is done correctly. This helps to minimize the likelihood that future repair and/or relocation will be required. Furthermore, any permit fees or repair standards that are implemented shall be designed to discourage (e.g., charging penalty fees) work in areas of new (i.e., less than ten years old) pavements. This idea was also suggested at the public meetings held by the Act 47 Coordinator.

Financial Impact

2010	2011	2012	2013	2014	Total
0	10,000	25,000	25,000	25,000	85,000



PW16.	Improve department use of technology	
	Target outcome:	Improved efficiency; improved services
	Five year financial impact:	N/A
	Responsible party:	Managing Director; Public Works Director; Finance Department staff

Like other departments in the City, Public Works could improve its operations through better use of the City's technology resources.

The Public Works Director or his designee, Managing Director, Finance Director, Business Analyst and Information Technology Division Manager shall jointly produce a prioritized list of DPW related needs and opportunities for improvement that require Information Technology Division support. DPW staff will bring familiarity with its day-to-day needs and the Administration will bring a helpful perspective for integrating those needs with others throughout City government.

In assembling this list, the Coordinator encourages the Department to focus on ways to improve its use of the Hansen management software and changes that will support the implementation of other Recovery Plan initiatives. In prioritizing the list of needs and opportunities, the City shall consider, among other relevant factors, whether and to what extent the benefit of reduced costs and improved services will outweigh the costs involved in making the change; the level of additional training that will be necessary for staff to use the new technology; and the time frame for implementation.

The Managing Director, Public Works Director or his designee and Information Technology Division manager shall jointly provide the list of prioritized projects and a proposed schedule for implementation to the Mayor, City Council and Act 47 Coordinator no later than 60 days after the approval of this Recovery Plan. After that list is provided, the Public Works Director will assign staff with responsibility for drafting any standard operating procedures related to the change. That will help the Department think through what service improvements or cost reductions it is specifically trying to achieve and help the Information Technology staff develop the best tool to achieve that end. The Managing Director, Public Works Director or his designee and Information Technology Division manager shall jointly provide the Mayor, City Council and Act 47 Coordinator with monthly written updates on its progress toward addressing the list of priority needs and opportunities. While it is anticipated that project related obstacles and other demands on the City's attention will impact implementation, the monthly updates will provide a mechanism for communicating those developments to others.

To reflect the shared responsibility for this process, there is a parallel initiative in the Information Technology chapter.

PW17.	Continue to explore establishing Reading Recreation Commission	
	Target outcome:	Cost savings; Strengthened community partnerships
	Five year financial impact:	N/A
	Responsible party:	Mayor; Managing Director; City Council

The municipal recreation work group convened by Mayor McMahon released a preliminary report in February 2010, recommending that the City pursue the establishment of a Reading Recreation Commission in partnership with the Reading School District and the Olivet Boys and Girls Club. The work



group recommended that the Commission should obtain 501(c)(3) status and assume responsibility for all youth recreation programming. The report further suggested that all facility ownership be held by Berks County or the Reading School District (rather than the Commission) to ensure accessibility for all citizens. The City shall continue to explore the option of creating a Reading Recreation Commission. This idea was also suggested at the public meetings held by the Act 47 Coordinator.

PW18.	Develop a performance management system	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A (May yield cost savings as a result of improved efficiency in service delivery)
	Responsible party:	Public Works Director

The City shall develop a performance management system for the Department of Public Works. The system shall include work planning and data collection for the purposes of managing staff and other resources. Systematic reporting on performance against scheduled tasks and activities is essential to effective and efficient management of limited resources. Specific performance measures shall include, but not be limited to, the following:

Administration:

- Cost per project managed
- Percent of allocated funds expended
- Percent of projects completed within budget
- Average project completion time in months
- Number of projects managed per FTE

Engineering:

- Cost per project managed
- Number of reviews completed per FTE
- Average number of calendar days to complete first review
- Percent of projects completed as scheduled

Garage:

- Cost per vehicle maintained
- Total maintenance expenditure per mile driven (by vehicle type)
- Percent of preventative maintenance completed as scheduled
- Hours billed per vehicle or piece of equipment
- Percent of vehicles exceeding replacement criteria

Highways:

- Cost per repair completed (by type)
- Road rehabilitation expenditures per paved lane mile
- Snow and ice control expenditures per capita compared with inches of snow
- Average number of calendar days required to complete work (by type)
- Percent of preventative maintenance completed as scheduled
- Percent of streets cleared within 24 hours of a snow event

Parks:

- Cost per park maintenance activity (by type)
- Number of parks maintained per FTE
- Net Parks and Recreation revenues per capita
- Percent of preventative maintenance completed as scheduled



Recreation:

- Cost per program provided
- Number of programs provided per FTE
- Cost recovery rate for Recreation Division (by program)
- Percent change in program enrollment (by type)

Public Property:

- Repair expenditures per square foot
- Average energy costs per facility
- Repair requests per 100,000 square feet maintained
- Percent of preventative maintenance completed per month

Recycling and Solid Waste Management:

- Cost of recycling per household
- Cost of solid waste services per household
- Percent of waste stream that is recycled
- Average waste per household
- Recycling materials collected per capita

Traffic Engineering:

- Cost per sign fabricated

Sanitary Sewers:

- Cost per linear foot of pipe maintained (sanitary and storm)
- Number of linear feet maintained per FTE
- Percent of inspections completed as scheduled (sanitary and storm)
- Percent of preventative maintenance completed as scheduled (sanitary and storm)

Wastewater Treatment Plant (WWTP):

- Cost per pound of pollutants removed
- Percent change in number of avoidable sewer overflows
- Percent of WWTP consent decree requirements met
- Percent of preventative maintenance completed as scheduled

Some data points will be more readily available and easier to track than others. Under the direction of the Managing Director and the Public Works Director or his designee, the City shall work to address technological, record keeping or other obstacles that arise. Department staff and City Council shall recommend other measures that it would like tracked with a brief explanation of what insight that measure would provide.

Non-General Fund Initiatives

PW19.	Create a City Stormwater Utility	
	Target outcome:	Fully fund stormwater operations, capital construction and associated administrative overhead with a user fee system
	Five year financial impact:	N/A
	Responsible party:	Director of Public Works; Finance; Managing Director

The Department has begun preparations for the creation of a stormwater utility by centrally budgeting all related program costs within the wastewater utility. This approach is useful for identifying the specific expenditures allocable to stormwater management. However, since there is little, if any, relationship



between the basis for developing sanitary sewer charges and the development of stormwater charges, the revenue to support these costs should come from fees from stormwater system users and beneficiaries rather than the Sewer Fund.

The City shall expedite the establishment of the stormwater utility and treat wastewater funds expended during this process as a loan to be repaid from stormwater funds as they become available. The City stormwater utility shall cover all related costs of operation, and include a capital budget designed to provide for effective system upgrades and replacements. The utility shall also reserve funds for required compliance with future stormwater regulations. This initiative will not impact the General Fund because the City currently budgets stormwater costs in other funds.

PW20.	Evaluate special assessment charge system to recover street expenditures	
	Target outcome:	Establish an independent fund for the integrated provision of streets-related services; increase available funding in Liquid Fuels Fund
	Five year financial impact:	\$3.5 million
	Responsible party:	Director of Public Works; Finance; Managing Director

The City shall evaluate the efficacy of establishing a special assessment district for all streets costs, including street lighting, snow removal, and general repairs. The special assessment will be a service-related fee with all City beneficiaries sharing the cost, not just those who are assessed property taxes. At a minimum, the assessment should cover the costs of the Streets and Traffic Engineering divisions, as well as a portion of the Administration division's costs.

The City shall also consider expanding this assessment to include additional functions, such as trash removal. While multiple haulers is not the most efficient system, it is clearly important to Reading residents. After releasing the Draft Plan, the Coordinator received several public comments emphasizing the value residents place on having a choice of trash haulers. This viewpoint is further supported by the two City-wide referendum votes rejecting a single hauler system. Including trash removal in the special assessment district would provide the City the option to reduce the fee for residents opting for non-City provided trash hauling services.

There will be modest costs to implement the utility, but once developed, ongoing administrative costs will be nominal. The City shall consider whether RAWA could issue streets utility bills or include these fees on Reading water bills. Additional staffing will be less than one full-time employee and will be fully recoverable through the assessment charges.

Financial Impact

2010	2011	2012	2013	2014	Total
0	825,000	850,000	875,000	900,000	3,450,000



PW21.	Resolve public/private ownership of street lighting system and apply uniformly	
	Target outcome:	Minimize program costs
	Five year financial impact:	\$175,000
	Responsible party:	Director of Public Works

The Department indicates that approximately half the City's street light network is City-owned, with the balance being leased from the local electric utility. Running two separate systems is not a cost-effective solution, however, there has been no effective effort to compare the costs of these two approaches. The City-owned street lights pay an energy charge to the electric utility and the City has responsibility for all maintenance costs. For utility-owned street lights, the City pays a lease fee, including all power and maintenance costs, to the electric utility. The dual system is confusing, and the relative merits and costs of each must be analyzed.

The City shall carefully assess the cost/benefit of each method and the most beneficial ownership arrangement shall be applied uniformly throughout the system. The City may consider using the *Streetlight Services* Program offered by the Pennsylvania League of Cities and Municipalities. The program assists cities in determining the costs and/or benefits from managing their streetlight systems.

A concurrent consideration shall include the potential availability of grant funds to upgrade city owned lights to high-efficiency lighting systems. It is doubtful that the two alternatives will be competitive, particularly when considering the ownership and maintenance costs of the special equipment required to maintain the system. Regardless of the final determination, costs related to the street lighting system shall be included in the street utility described in PW20.

Financial Impact

2010	2011	2012	2013	2014	Total
0	41,500	43,000	44,500	46,000	175,000



Public Authorities

Overview

The City of Reading, like many other cities, relies on authorities to provide critical services. The Pennsylvania Municipal Authorities Act of 1945 provided for the creation of authorities as independent agencies to engage in variety of local projects and services. Authorities in Pennsylvania have power over rate-setting and may be established by a single government or several municipalities. Communities commonly form authorities around services which require large-scale infrastructure and have high barriers to entry, such as expensive start-up costs. There are two main authorities in Reading: the Reading Parking Authority (RPA) and the Reading Area Water Authority (RAWA).

Reading Parking Authority

The RPA oversees parking structures, parking meters, special event parking, and parking enforcement for the City of Reading. It was established in 1953 with a five-member board appointed by the Mayor. The parking authority pays the City \$400,000 annually to lease parking meters throughout the City. Historically, the City has assisted the RPA in acquiring property, and recently the RPA cleared its debt to the City related to these acquisitions. In 2009, the RPA paid the City \$4.0 million, \$2.7 million of which was to clear property acquisition debt. The remaining \$1.3 million was treated by both entities as a donation. The RPA has previously transferred funding to the City for debt or for general budget support, and has engaged in other eleemosynary activities such as donating land for the IMAX theater, supporting operations at the Sovereign Center and cooperating with various economic development initiatives.

Reading Area Water Authority

RAWA was established in 1994 to serve Reading and surrounding communities. The Mayor appoints all five board members, with approval from City Council. In addition to Reading, RAWA provides water services to 11 communities through more than 200 miles of water lines. Lake Ontelaunee, a man-made lake eight miles outside the City limits, serves as the area's main water resource. The lake has a capacity of more than 3.8 billion gallons and is owned by the City. The City receives annual payments from RAWA and is also reimbursed for overhead services to the Authority.

Employees and operations are paid for through the Water Fund, an enterprise account separate from the City's General Fund. Since RAWA staff are City employees, they receive access to the same benefits and union representation City workers. In return, RAWA provides an annual payment to the City for the costs associated with these employees.

City Receipts from RAWA

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Transfer	4,010,261	3,742,723	3,945,260	3,945,260	4,605,000	14.8%
Meter Surcharge	0	0	0	850,008	1,275,012	N/A
Meter Surcharge, Prior Year	0	0	0	0	1,275,000	N/A
Water Bureau Fees, Prior Year	(561,213)	(438,385)	(566,947)	(706,885)	0	-100%
Total	3,449,048	3,304,338	3,378,313	4,088,383	7,155,012	107.4%

Sale of Authorities

Jurisdictions around the nation are reviewing the sale or lease of authority assets to generate funds for a variety of initiatives. The City of Pittsburgh has received responses to a request for qualifications for an operator for its on- and off-street parking facilities, and hopes to conclude a transaction by year's end to



generate over \$200 million for a one-time payment to its ailing pension funds. The City of Los Angeles is also weighing a parking transaction, but for the purpose of filling an operating budget gap.

Reading’s water and parking authorities both are valuable capital assets that also generate significant recurring streams of operating revenue for the City’s General Fund. While these assets could be sold to generate one-time proceeds for the City, or operated privately in return for one-time payments, this Recovery Plan does not recommend that approach at this time.

First, a well thought-out, well-managed asset evaluation and lease or sale process would be costly and take many months to execute,¹ meaning proceeds would not be available when needed to address the City’s short-term cash needs. Moreover, the time of key staff needed to implement other aspects of this Recovery Plan would be diverted to this complex process for months. Next, this exchange of annual recurring revenue streams or significant capital assets for one-time operating budget solutions is a financial “worst practice” which is in part responsible for the City’s current financial situation. Also, the current market for transfer of assets is the weakest in years; this would be a particularly bad time to sell.

That said, the long-term status of the authorities should be the focus of a community discussion in Reading. In addition to City economic development, jobs and revenue considerations, water resources in particular play a key role in regional economic development plans. As discussed in the initiatives in this chapter, the City should decide how to best manage its regional assets, what return to expect, how to use their strengths to support like functions in the City and other jurisdictions. While any asset transfer at any time is anathema to some in Reading, there are many cities that function well with regionalized, leased or privatized local or regional parking systems and drinking water agencies. The most effective way to leverage those assets for a financially-strapped community like Reading should not be negotiated at a time of acute financial stress, however.

After the release of the draft Plan, the Act 47 Coordinator received many comments suggesting that there be a more focused process to review, evaluate and perhaps begin to implement these opportunities and other related structural changes. Accordingly, this Act 47 Recovery Plan includes a more developed approach reflected here and in the Plan Implementation chapter.

Initiatives

Beginning with the assumption that a quick asset sale or lease transaction is not desirable, how should the City look at the water and parking authorities in the context of its financial recovery and in the longer term? This section builds on suggestions from many participants in the Coordinator’s interviews and public meetings to provide specific ways the existing or future authorities can contribute to the City’s financial recovery

PA01.	Negotiate additional annual payment from RAWA	
	Target outcome:	New revenue
	Five year financial impact:	\$6.95 million
	Responsible party:	Managing Director; City Council; Finance Director; RAWA Director & Board

The Mayor and City Council shall work with RAWA to arrange for an additional annual payment to the City, separate from and in addition to any existing payments or any new payments discussed in other chapters of this Recovery Plan.

¹ Pittsburgh’s parking sale has followed a carefully-planned schedule of over one year from inception to projected consummation, and has involved the support of experts in the field at significant expense to the City.



The City shall work with RAWA to identify and implement various methods by which RAWA may generate the necessary resources to meet the negotiated payment amounts. To the extent that rate-related options are considered, the parties shall take into account affordability for customers and regional competitiveness. Given the City's current financial situation and the need to repay various cash transfers as soon as possible, the enhanced payment shall begin no later than November 2010. In conjunction with the Act 47 Coordinator, the City shall also consider the eventual transfer of wastewater operations to RAWA to create a combined water/wastewater utility to generate efficiencies that will improve service and support the transfer payment (see the Plan Implementation chapter for more discussion of this point).

Financial Impact

2010	2011	2012	2013	2014	Total
250,000	1,500,000	1,500,000	1,850,000	1,850,000	6,950,000

PA02.	Establish an annual payment from RPA	
	Target outcome:	New revenue
	Five year financial impact:	\$2.5 million
	Responsible party:	Managing Director; Finance Director; RPA Director & Board

The Mayor and City Council shall work with RPA to establish an annual payment of \$600,000 to the City, separate from and in addition to any payments currently made or discussed in other chapters of this Recovery Plan. Given the City's current financial situation and the need to repay various cash transfers as soon as possible, the enhanced payment shall begin no later than November 2010 and shall total \$100,000 in 2010.

The City shall work with RPA to explore various options by which the RPA may generate additional revenue to meet the negotiated payment amounts. Such options may include but are not limited to changes in the amount or structure of parking rates, changes in the amount of parking fines, improvement in the dismissal rate of parking fines, or others. When considering any revenue-generating action, both parties should aim to keep rates competitive, parking lots full, and maintain easy access to Reading. The continuation of affordable monthly parking rates for daily commuters was raised in multiple comments on the draft Plan, and should be one of the factors taken into account in this process.

Financial Impact

2010	2011	2012	2013	2014	Total
100,000	600,000	600,000	600,000	600,000	2,500,000

PA03.	Explore options for authority provision of services	
	Target outcome:	Cost savings; Improve efficiency
	Five year financial impact:	N/A
	Responsible party:	Finance Director; Department directors



The City shall explore various options for the possible authority provision of services. Potential partnerships include billing, personnel and purchasing services, and towing.

- **Billing:** Currently, City residents receive several bills from both the City and authorities at different points throughout the year. For example, trash bills are sent quarterly while recycling bills are sent once per year, and water bills are sent separately. This is inconvenient for residents and inefficient because of the duplicative processes, and some question billing accuracy. The City shall evaluate the costs and benefits of centralizing billing functions at RAWA, particularly those related to trash, recycling and wastewater. Other entities envisioned in this Plan might also join, including a stormwater utility and a streets utility, if formed.
- **Personnel and Purchasing:** The City shall consider seeking assistance from RAWA in human resources functions and procurement procedures. These functions and procedures are replicated and expanded with limited effort, so the City may consider transferring full responsibility to RAWA given its relatively high personnel complement and the potential transfer City employees to the authority. Other authorities or agencies could be added as well, or selected functions could be combined, such as materials and supplies procurement or payroll.
- **Towing:** Several community members have suggested that towing functions be transferred to a public entity, rather than using a private contractor. It is unclear whether the City has the capacity to provide a revenue-generating—or even cost neutral—towing service. If the RPA determines, however, that is willing and able to provide towing services, it is encouraged to do so and the City should work with it as necessary. This may require the RPA to transition into a multi-purpose authority. The RPA may also consider taking over the City’s street sweeping functions.

In addition to the above, the City shall consider Citywide (City and authorities) or regional (City, authorities, School District, County and/or suburbs) shared services organizations related to:

- Fleet, including maintenance.
- Streets services, including street sweeping and traffic engineering.
- Billing and invoicing.

The exploration of authority service provision described here shall be undertaken as part of the global review of structural change options for service provision described in the Plan Implementation chapter of this Act 47 Recovery Plan. Nothing in this initiative shall be interpreted to limit the ability of the City or its authorities to transfer functions to Berks County, whether explicitly directed in this Recovery Plan or not.

PA04.	Explore transfer of RAWA City employees to RAWA	
	Target outcome:	Cost savings; Improve efficiency
	Five year financial impact:	N/A
	Responsible party:	Human Resources Director; Finance Director

The City shall explore the possible transfer of City employees who work for RAWA to RAWA employment. This requires that the City consider potential transfer issues related to collective bargaining and union affiliation. The City and RAWA should also thoroughly review the benefits and costs of such transfer to ensure that it is a good decision for Reading residents and RAWA customers.





VIII. Community and Economic Development

Community Development

Overview

The Community Development Department is responsible for the following specific functions that guide development and planning activity in the City:

- Review of proposed development activity to determine compliance with City regulations for subdivisions, land development, historic preservation and zoning.
- Administration of the federal Community Development Block Grant (CDBG), Home Investment Partnership (HOME) and Emergency Shelter Grant (ESG) programs. Activities funded by these programs within the City include a variety of infrastructure improvements, economic development initiatives and housing and planning activities.
- Enforcement of zoning and historic preservation ordinances, as well as enforcement of state and local building codes through inspection and approval of new construction within the City.

The Community Development Department does not have an official organizational chart; however, current Community Development staff provided an outline of the structure. The Department consists of three divisions - Administration, Planning and Zoning and Building/Trades Inspections. The Department previously included a Property Maintenance Inspection (Code Enforcement) division, which was transferred to the Police Department in 2009. The Community Development Director reports to the City's Managing Director. Additionally, several Community Development staff members regularly make detailed reports to the U.S. Department of Housing and Urban Development (HUD) regarding the expenditure of federal grant funds. The specific activities of each division are described below:

- **Administration** oversees the financial and programming aspects of the Department. Specific tasks include managing and reconciling federal grant funds in both HUD's Integrated Disbursement and Information System (IDIS) and the City's General Ledger. The division also monitors compliance with federal, state and local regulations.
- **Planning and Zoning** is responsible for planning, historic preservation and zoning administration and enforcement in the City. The unit prepares and amends Reading's Comprehensive Plan and land use and zoning ordinances and provides support to the City Planning Commission, Zoning Hearing Board, and Historical Architectural Review Board (HARB). The division also prepares neighborhood and redevelopment plans, reports and maps; provides technical assistance to City departments on projects that have an impact on Reading's historical structures (particularly demolitions); reviews zoning plans and permit applications; performs inspections; and issues enforcement notices for noncompliance with the City's zoning ordinance.
- **Building/Trades Inspections** provides permits for building, electrical, mechanical and plumbing trades; reviews building plans; provides occupancy and use permit inspections; and issues trade licenses. The division also conducts pre-construction and design review meetings with citizens, builders, developers, and contractors to facilitate the development review and construction process. These "one-stop shop" meetings are managed by Building/Trades and conducted in close collaboration with Planning and Zoning, Public Works/Engineering and the Fire Marshal's Office. Meetings are held weekly, by appointment, and are intended to simplify and streamline applications by bringing predictability to the regulatory system and enhancing communication between all stakeholders at the beginning of the application process.

In addition to "one-stop shop" development review collaborations, Community Development also collaborates with the Finance Department to ensure that all federal grant funds are appropriately



monitored and accounted for within the General Ledger and the HUD IDIS system.¹ Additionally, the Finance Department must approve all federal grant draw downs scheduled by the Community Development Fiscal Officer, in accordance with HUD-required checks and balances.

The Commonwealth of Pennsylvania's Uniform Construction Code (UCC) standardizes code enforcement practices across the Commonwealth. As part of administering the UCC for the City, Community Development staff meets 15-day and 30-day thresholds for reviewing residential and commercial permits, respectively.

Goals and Objectives

Though the Community Development Department does not operate with a formal work plan or associated performance measurements, the staff shares an overarching goal to maintain existing programs and initiatives. Department operations are already significantly subsidized by federal formula grant funds, and the Department has pursued additional state and federal grant funding, such as the recently-awarded HUD Neighborhood Stabilization Program Grant for redevelopment of foreclosed and abandoned properties. If secured, further state and federal support will help the Department sustain operations through this period of fiscal distress.

It is also a priority for the Department to remain in good standing with HUD and continue to meet timeliness tests for the expenditure of federal grant funds. Department leadership has expressed an interest in exploring more innovative uses of the City's federal formula grant funds, such as investing in new lighting for the downtown Penn Avenue corridor, which is currently underway.

Staffing

As shown in the table below, frequent changes in the Department's structure make it difficult to determine whether the City has added or decreased capacity in particular areas. The most significant change involves code enforcement. In 2006, the "Code – Administration" and "Code - Development and Inspection" units handled code enforcement related to property maintenance and building/trades inspections. In 2008, the latter function was moved to its own unit called "Codes – Trades." Then, in 2009, property maintenance inspections were removed from Community Development entirely. The Police Department now oversees property maintenance inspections and Community Development has responsibility for building/trades inspections.

Budgeted Headcount – Community Development

	2006	2007	2008	2009	2010
CD - Administration	2.45	2.9	0	4	3
Neighborhood Development	N/A	1	1	0	N/A
CD - Planning	4	2	2	1	1
CD - Zoning	N/A	N/A	N/A	2	2
CD - HUD Funded	5.3	6.4	8	6	7
Codes - Administration	2	4	5	N/A	N/A
Codes - Development & Inspection	30	28	26	N/A	N/A
Codes - Trades	N/A	N/A	5	5	5
Total	43.8	44.3	47.0	18.0	18.0
Total without Codes	11.8	12.3	11.0	13.0	13.0

¹ Because the City's financial system and IDIS are configured differently, staff also must do regular reconciliations between the two systems.



The previous chart also indicates that the Community Development Department has relied heavily on funding from HUD, including CDBG funds, to support its positions. In 2006, the Department used federal money to support 5.3 of the 11.8 positions not associated with code enforcement. In 2010, the Department has seven of its 13 non-code positions supported by HUD – the Community Development Director, Confidential Secretary, Fiscal Officer, two Community Development Specialists, Rehab Specialist and Historic Preservation Specialist.

In addition to using CDBG funds to support staff, the City has recently used its allocation for public right-of-way improvements (e.g., sidewalks, curbing, handicapped-access ramps, etc.), acquisition and demolition of deteriorating buildings, street paving and the purchase of new fire apparatus. The City has historically had difficulty meeting the HUD "timeliness test" for expenditure of federal funds. To meet the HUD-mandated schedule for expenditure and avoid losing any federal funds, the City has made precipitous decisions to fund projects and/or capital purchases that may not reflect the most strategic, beneficial use of these funds, such as using CDBG funds for fire apparatus. Additionally, due to its financial constraints, the City has also used CDBG allocations to fund gaps in other departments, such as Police, Public Works and Property Maintenance. Community Development Department leadership expressed a strong desire to avoid these quick decisions in the future and to program CDBG and other HUD funding with the goal of long-term community stabilization and improvement.

The Community Development Department often collaborates with the Reading Redevelopment Authority (RDA), which is an independent entity focused on redeveloping blighted neighborhoods. The RDA is administered by a board whose five members are appointed by the Mayor. According to the City's 2008 Annual Financial Report, the City provides annual monetary support to RDA in the amount of \$120,000 for administrative expenses including the Executive Director's salary. However, Community Development staff only interacts directly with RDA operations if federal Section 108 loan guarantees are part of a project, in which case Community Development monitors the use of those funds.

The City is also served by the Reading Housing Authority (RHA), a public housing agency organized under the laws of Pennsylvania. The RHA's primary contract is with the U.S. Department of Housing and Urban Development (HUD). The agency was organized in 1939 under the U.S. Housing Act to meet the housing needs of residents who could not otherwise afford safe, quality housing.

Approximately 1,600 public housing apartments and townhouses are located in eight different developments throughout the City. Through the Housing Choice Voucher (Section 8) program, more than 600 city residents receive assistance to pay their rent to private landlords. RHA's Homeownership programs enable participants to purchase a house in the City of Reading by using short- and long-term assistance with budgeting and rent/mortgage payments. In two privately-owned (i.e. non-subsidized) locations, townhouses are available for those with moderate incomes. RHA currently maintains a 99 percent occupancy rate for its properties and is scheduled to open 59 new market/moderate rate income units next year as part of the Goggle Works development.

As a Commonwealth authority, the RHA is entirely supported by federal funds; no City funds are used for RHA operations. The RHA maintains a very limited relationship with the City, with minimal collaboration on housing projects, but does reimburse the City approximately \$100,000 annually for coverage provided by three police officers.²

Finances

The following table shows the Community Development Department's expenditures across all its units for the period from 2005 through 2009. The City transferred PMI functions to the Police Department in 2009, resulting in a large drop in expenditures that year.

² Please see the Police Department chapter for a related initiative.



Historical Expenditures – Community Development³

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	1,027,130	1,359,523	1,502,543	1,577,726	582,444	-43.3%
Fringe Benefits ⁴	425,855	388,228	544,588	478,854	112,307	-73.6%
Temporary Wages	32,692	69,229	55,049	86,917	23,895	-26.9%
Premium Pay	0	0	0	0	840	N/A
Overtime	12,119	18,351	23,524	32,901	473	-96.1%
Pension	17,479	177,832	0	65,265	27,109	55.1%
Social Security	79,625	112,530	120,302	129,862	46,084	-42.1%
Penny Fund	758	922	973	738	118	-84.5%
Training & Education	29,442	5,447	45,781	40,689	14,453	-50.9%
Equipment	0	49,450	38,385	11,573	0	N/A
Supplies & Postage	10,794	13,110	16,801	15,150	1,444	-86.6%
Contract & Consulting	0	44,003	69,325	119,008	41,210	N/A
Fees	6,504	11,821	0	15,527	19,577	201.0%
Miscellaneous	21,785	22,928	20,691	26,647	23,507	7.9%
Total	1,664,182	2,273,375	2,437,962	2,600,856	893,460	-46.3%

Along with its expenditures, the Department generates revenue by issuing housing and rental permits. The City budgeted \$1.7 million in permit revenue in 2010, after collecting an estimated \$400,000 in 2009, because rental permit bills for 2009 were sent in November 2008 with a February 2010 due date. The City plans to send its rental permit bills for 2010 early enough to receive revenues during 2010. As a result, the City will collect two years worth of rental permit revenues in a single year, causing the sharp increase in revenues.

Approximately \$32,000 in lost revenue is attributable to the City's rental housing permit backlog. Numerous personal checks (permit fee payments) dating back to 2007 were recently found attached to permit applications that had never been processed. The Zoning staffing situation is contributing to the City's worsening rental housing permit backlog and is discussed later in this chapter.

³ Most of the expenses shown here for 2006, 2007 and 2008 were budgeted in the Managing Director's office. The Managing Director had oversight of Community Development during those; Community Development returned to being a separate department in 2009.

⁴ The "fringe benefits" category is the cost of employee health care insurance.



The Department generates over a million dollars annually in other licenses, fees and permits exclusive of those related to rental permitting. These revenues fluctuate with activity in the local construction industry.

Other Revenue related to Community Development

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
New construction permits	291,874	294,329	164,945	614,177	517,055	77.2%
Remodeling permits	217,305	429,444	270,392	242,565	236,524	8.8%
Zoning fees	51,837	76,781	103,670	198,689	178,667	244.7%
Plumbing Permits	112,077	92,386	110,666	325,273	165,835	48.0%
Electrical Permits	97,256	71,993	133,875	338,749	156,645	61.1%
Trade Licenses	81,400	103,520	121,959	132,510	93,805	15.2%
Total	851,748	1,068,452	905,506	1,851,962	1,348,530	58.3%

Assessment

Enforcement of federal, state and local laws and ordinances that apply to development and land use throughout the City drive the demand for Community Development's services. Another primary driver is the obligation to spend federal grant funds in a timely and appropriate fashion throughout the year and to monitor and report those expenditures regularly.

Although Department staff levels have been steady or modestly increased in recent years partly through HUD funding, the Department lacks adequate staff to meet its workload. For example, there is only one staff person dedicated to full-time zoning enforcement in the field. Though Property Maintenance Inspections (within the Police Department) assists by alerting the Zoning Enforcement Officer of potential or confirmed violations, the Officer is solely responsible for inspections and issuing notices of noncompliance.

The same is true of the Historic Preservation Specialist who, by enforcing the City's Historic District Ordinance, is solely responsible for inspections and noncompliance issues in the field (though the Zoning Enforcement Officer assists when possible). As new ordinances are enacted, the lack of adequate staffing severely hampers the Department's ability to enforce those new regulations.

The City's recent rental housing permit problem highlights the Department's challenges with staff support and oversight in Zoning and PMI. Over 2,000 properties were in potential violation of the City's rental housing permit requirements. In some cases, the property owner did not possess a rental housing permit. In other cases, the property was not zoned for rental use, and the owner had not gone through the required process to obtain a special exception, conditional use approval or variance.

As PMI issued hundreds of violation notices, the Zoning Office received an equally high volume of rental housing permit applications and permit fee remittances in response. At the time, the established process in the Zoning Office was to hold all checks until the Property Maintenance inspection was complete. Once approval was provided by Property Maintenance, Zoning would process the application and deposit the check. However, due to the backlog in Property Maintenance inspections, many uncashed checks were held in Zoning. In total, \$32,000 in uncashed checks was held over a two-year period.



The policies and processes in Zoning have been changed to prevent a similar situation from occurring in the future. Now, checks are deposited as soon as they are received with a rental housing permit application. A refund is issued to the property owner if Zoning determines that the requested use is not allowable (and thus the application is rejected) following their review.

Though the City Council enacted an expedited housing/rental permit issuance process to keep pace with the application volume, there was not adequate staff in Community Development to successfully manage the increased workload. Last year, part-time staff was hired to review the backlog of applications for zoning compliance. That position was eliminated last year due to financial constraints. Currently, one temporary worker and one intern have been hired to clear the backlog. The Zoning Administrator estimates that, at the current pace, it will take approximately four to six weeks to process all of the applications deemed to be allowable. It will take several years to process non-allowable uses, as those require a special hearing before the Zoning Board. Currently, only one special hearing is held per month.

Limited resources have also impacted the City's planning program, which has all but ceased to exist, and a Zoning Division has been installed instead. There is only one Planner on staff and very limited (if any) long-range planning occurs. The Planner is consumed with providing technical and administrative assistance to the Planning Commission and guiding citizens, builders, developers and contractors through the plan review process. Staff noted that the City's comprehensive plan is due for review in 2010, but any review would have to be performed by an outside consultant since the Department does not have capacity for assignments beyond day-to-day administrative processing. Similarly, with the support of Commonwealth DCED grant funding, the City has retained an outside consultant to update its Subdivision and Land Use Ordinance (SALDO). That update is scheduled to take place in 2010 after the Zoning Ordinance update is complete.

Beyond the lack of line staff, Community Development has suffered from a lack of consistent leadership. In January, the City hired its seventh new Community Development Director in ten years. As a result, the Department has not had stable management direction. While individual directors may have been quality managers, their short tenure inhibited their ability to affect change.⁵ The Department does not have a clear direction, work plan or management system. Instead division managers and staff have tried to respond to the lack of leadership and coordination by building relationships across units on their own as much as possible. The successful "one-stop shop" pre-construction and design review meetings demonstrate the value of those relationships and the potential for improved operations through stronger coordination. One staff member referred to the meetings as a "bright light," citing the improved efficiency in the plan review process since they began.

Improved use of technology is another challenge for the Community Development Department in its efforts to improve efficiency. The City's Information Technology Division installed laptops in the Building/Trades vehicles and was working on the Virtual Private Network (VPN) and printer installation facets of the project at the time of publication of this Recovery Plan. Once complete, this will expedite the inspection and permit issuance processes. The Department has access to Hansen, the City's operations management software, but uses it inconsistently. The system has the capacity to help the Department manage plan review, permitting and inspection activity, reducing the reliance on paper based processes that are inefficient and more likely to result in error.

Projections

The following table shows the Department's budgeted expenses for 2010 and projected expenses through 2014. The projections are based on the growth rates explained in the Plan Introduction. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.

⁵ The revolving door is due in large part to the City Charter's restrictive residency provision for Department directors. The inability to hire a highly-qualified technical professional, especially in the current economic environment, is a good illustration of the well-intentioned but impractical nature of this Charter provision.



Projected Baseline Expenditures – Community Development

Category	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	562,429	582,676	603,653	625,384	647,898	15.2%
Fringe Benefits	127,018	138,450	150,910	164,492	179,296	41.2%
Pension	24,116	0	0	0	0	-100.0%
Social Security	42,224	43,744	45,319	46,950	48,641	15.2%
Training & Education	24,800	25,420	26,056	26,707	27,375	10.4%
Supplies & Postage	2,000	2,050	2,101	2,154	2,208	10.4%
Fees	18,000	18,450	18,911	19,384	19,869	10.4%
Miscellaneous	35,260	36,142	37,045	37,971	38,920	10.4%
Total	835,847	846,932	883,995	923,042	964,206	15.4%

Initiatives

The Community Development Department relies heavily on outside funding to support its administrative operations. The functions that are fully General Fund supported – Zoning and Building/Trades – generate revenue that more than covers their operating expenses. Enhancements to the department’s financial status will be achieved through improved management and accountability.

CD01.	Schedule additional Zoning Board hearings to eliminate backlog this year	
	Target outcome:	Improved service
	Five year financial impact:	N/A
	Responsible party:	Community Development staff

As noted earlier, Community Development was not able to process the large volume of requests for housing/rental permits generated by a Council ordinance. The Zoning Administrator estimates that it would take four to six weeks to process all the applications deemed allowable. That review was underway at the time of publication of this Recovery Plan. For those applications that are not allowable, the applicant can appeal to the Zoning Board for a special variation or exception. Since the Zoning Board only holds one hearing per month, it could take several years to complete those appeal reviews, depending on their volume. Once the City determines how many applications are non allowable and may be appealed, it shall schedule additional Zoning Board meetings as needed to review the appeals. The Board shall meet as necessary to eliminate the backlog by the end of calendar year 2010. The City shall consider whether to reallocate CDBG funds or adjust Zoning Board fees temporarily to meet the cost of this additional activity since it will likely require additional staff support.



CD02.	Close out unpaid Community Development loans	
	Target outcome:	Increased revenue (outside General Fund)
	Five year financial impact:	N/A
	Responsible party:	Community Development Director and Finance Director

In the past, the City issued loans to businesses and individuals using CDBG funds. The program has been discontinued, but many loans have yet to be repaid in full. A number of loans defaulted, but there was no proactive effort to recoup the total principal and interest due or write off the defaulted loans until recently. As of December 31, 2009, the outstanding loan balance was \$15,441,862, which reduces the amount of CDBG funding the City can access now.

The City shall take steps to collect the outstanding balances where possible or write-off the uncollectables in order to close out these accounts. A thorough evaluation of open accounts shall be conducted and, in instances where success in collecting outstanding balances seems likely, the City shall persistently seek repayment. The City shall offer flexible payment plan options, but, when establishing such payment plans, must also commit to regular enforcement of payment due dates. Due to limited staff resources to dedicate to this task, the City shall contract with a collection agency to complete this work.

Where the balance is deemed uncollectable, the loan shall be closed out. By the end of 2010, the Department shall provide the Managing Director, City Council and Act 47 Coordinator a full report on the unpaid loan balances, the plan for collecting the balance on accounts where cost effective and the balances that should be closed out and why.

Any money collected or loans closed as uncollectable will enable the Department to undertake other activities eligible for CDBG funding. The Department shall use the CDBG funding in line with priorities identified in its housing and economic development planning process.⁶ Since the money cannot directly support General Fund operations, there is no projected impact shown here.

CD03.	Improve department use of technology	
	Target outcome:	Improved efficiency
	Five year financial impact:	N/A
	Responsible party:	Community Development Director, Finance Department staff

Like other departments in the City, Community Development could improve its operations through better use of the City's technology resources. Department staff expressed frustration with the slow response of the City's Information Technology Division staff during the installation of mobile data terminals, while the IT Division reported it was not aware of some of the Department's concerns (such as the incompatibility between the federal IDIS and the City's financial management program). Some of these frustrations may stem from the Department's frequent turnover at the Director level, which could hamper how quickly projects are completed and reduce interdepartmental communication and coordination.

Whatever the reason for problems in the past, the Community Development Department and the Finance Department (which houses Information Technology) shall work together to address Community Development's technology related needs. Given the range of needs across all departments and the

⁶ Please see the Housing and Economic Development chapter for more information.



limited IT resources, the Community Development Director and Managing Director shall prioritize the changes that require improved technology with input from the Finance Director. With the input of Information Technology staff, the Managing Director and Community Development Director shall establish a schedule for acting on those priorities. The Managing Director and Community Development Director shall provide that list and schedule to the Act 47 Coordinator and City Council no later than 30 days after the approval of this Recovery Plan. The Managing Director and Community Development Director shall provide the Act Coordinator and City Council with monthly progress updates.

While the priority changes may involve the use of systems managed by Information Technology, the Department shall take an active role in making these changes, whether that involves establishing the standard operating procedures that will guide the Information Technology Division's technical work or attending training to use the systems that are already in place.

CD04.	Update comprehensive plan	
	Target outcome:	Improved coordination of City activities
	Five year financial impact:	N/A
	Responsible party:	Community Development Director; Finance Department (Grants Coordinator)

A Comprehensive Plan is a long-range planning document that serves as a blueprint for a municipality's land use over a period of time, typically five to 10 years. Municipal governments regularly adopt and revise this document to identify the goals for how the community should grow and develop; establish strategies and guidelines for the pursuit of those goals; make decisions about land allocation and zoning changes; direct infrastructure investments for transportation, social services and other purposes; cultivate or preserve green and open space; and prioritize economic and community development programs and incentives. During public meetings held by the Act 47 Coordinator, attendees suggested that updating the City's comprehensive plan be a priority.

Although the City has zoning regulations that guide development within specific zoning districts, the comprehensive plan is due for review and update in 2010. Given the Department's limited resources, the City would likely need an outside consultant to handle this work. Otherwise the City is in danger of having inefficient, contradictory or uncoordinated development that leads to disparate and uncoordinated growth. The City shall update its comprehensive plan and seek external funding to do so. Another possibility is to reallocate CDBG funds or use money retrieved under initiative CD02 for this purpose.

CD05.	Develop a performance management system	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A
	Responsible party:	Community Development Director

This Recovery Plan establishes a performance management report that tracks activity and achievement across all departments.⁷ For Community Development, this shall include work planning and data collection for the purposes of managing staff and other resources. Systematic reporting on performance against scheduled tasks and activities is essential to effective and efficient management of limited

⁷ Please see the Plan Implementation Chapter for details.



resources. As part of the broader effort to establish a performance management report across all departments, the City shall track the following data points on a monthly basis:

Administration:

Cost per project managed (by CDBG, HOME, ESG)
Percent of allocated funds expended (by CDBG, HOME, ESG)
Percent of projects completed within budget (by CDBG, HOME, ESG)
Average project completion time in months (by CDBG, HOME, ESG)

Planning

Cost per plan review completed
Percent of existing plans reviewed or updated as scheduled
Average number of calendar days to complete initial plan review (by type of application)

Zoning

Cost per inspection completed
Cost per zoning permit review completed
Percent of zoning permits issued at time of initial meeting
Average number of calendar days to complete an inspection (from time of complaint)
Number of zoning violations cited (by type)
Historic/Backlogged rental housing permit applications cleared as a percent of total rental housing permit applications completed
Number of permit applications older than 30 days to be reviewed

Building/Trades:

Cost per inspection completed (by trade)
Number of inspections completed per FTE (by trade)
Average number of calendar days to complete an inspection (by type)
Average number of calendar days to issue a commercial building permit
Average number of calendar days to issue a residential building permit

Some data points will be more readily available and easier to track than others. Under the direction of the Managing Director, Finance Director and Community Development Director, the City shall work to address technological, record keeping or other obstacles that arise. Department staff and City Council shall recommend other measures that it would like tracked with a brief explanation of what insight that measure would provide.

Additional initiatives

Please see the Housing chapter which has other initiatives related to the Community Development Department's structure and responsibilities, including the requirement that the City review how it allocates its CDBG funds. Other initiatives relevant to Community Development include:

- Implement systematic two-year permitting and inspection program for rental housing (Property Maintenance Inspection chapter)
- Cross-train Fire and Safety Inspectors (PMI chapter)
- Assemble and systematically deploy code enforcement teams (PMI chapter)
- Designate Housing Coordinator (Housing chapter)
- Evaluate use of Community Development Block Grant (CDBG) funding to ensure it supports the housing strategy (Housing chapter)



Property Maintenance Inspection

Overview

The Property Maintenance Inspection (PMI) Division in the City's Police Department works with other units of City government to preserve and enhance the aesthetic quality and integrity of residential and commercial properties in Reading. Property Maintenance Inspectors conduct routine, required inspections and also respond to complaints, which may be received by the Division or through the City's Citizen Services Center. Inspections performed by Property Maintenance include, but are not limited to:

- Illegal rental properties
- Tenant complaints
- Blighted properties
- Unsafe conditions
- Abandoned or junk cars
- High grass or weeds
- Health inspections
- Improper storage of trash
- Exterior maintenance (e.g. condition of paint, shutters, roof, gutters)

Staffing and activities

In 2006 the unit that was responsible for property maintenance inspections also handled building and trades inspections in a unit called "Development and Inspection" within the Community Development Department.¹ In 2008 the City moved building and trade inspections into a separate unit (called "Trades") in the Community Development Department. In 2009 the City shifted property maintenance inspections from Community Development to Police in a unit called Property Maintenance Inspection, which had three fewer inspectors than in 2008. That structure remains intact for 2010 with 22 budgeted positions – one Administrator, one Chief Clerk, three Supervisors, three Health and Safety Clerks and 14 Property Maintenance Inspectors (one fewer than in 2009). The allocation of duties among the clerks and inspectors is described in greater detail below.

Budgeted Headcount – Property Maintenance Inspection²

2006	2007	2008	2009	2010
30	28	26	23	22

The Division's Chief Clerk and three other Development/Inspection Clerks are responsible for all scheduling, including health inspections, rental housing inspections and all re-inspections (required after the identification of code violations); tracking the Division's court appearances in cases of severe or repeated code violations or when fees are not paid; and managing the Division's paper and electronic files and fees.

PMI conducts mandatory annual health inspections and issues permits (for which an annual fee is assessed) for any food-service establishment in Reading, including restaurants, cafes, grocery stores and wholesalers. Rental housing in Reading also requires a permit with a one-time registration fee and subsequent annual fees. City ordinances require the property to be inspected every three to five years. The Division's clerks issue and maintain all health and housing permits and update the relevant property

¹ Historical documents indicate a second unit called Codes Administration was also involved in these functions. The staffing from that unit is not included in the budgeted headcount table below.

² This table shows the staffing for the City's Development and Inspection unit (2006 – 2008) and the Property Maintenance Inspection unit (2009 and 2010). Additional information can be found in the Community Development chapter of this Recovery Plan.



records in hard-copy. The Division is currently transferring all files and paper-based work processes to the City's Hansen system. Staff expects this process to be completed in June 2010.

Clerks process fees assessed for routine inspections, re-inspections, no-shows (assessed when property owner fails to appear for a scheduled inspection), repeated cancellations of scheduled inspections and annual permit renewal. Clerks issue fee notices, record receipts of payments and issue citations for non-payments, which are resolved in magisterial court hearings. All of these processes are paper-based systems until PMI begins using Hansen in June 2010.

Clerks also review rental housing permit applications for completeness and accuracy, create or update property files and liaison with the Zoning Office in the Community Development Department on rental housing permit application processing. If a rental housing property is discovered to be operating without a permit, City ordinances authorize PMI to placard the property, notifying the owner of the violation and/or requiring that tenants immediately vacate.³ Clerks process all placard requests generated by inspectors and maintain paper files on all placarded properties.

In 2007, after discovering a high volume of rental housing properties operating without permits, the City dramatically increased enforcement efforts. Increased enforcement (mainly through the previously described placard process) prompted the submission of thousands of first-time rental housing registration applications. The City could not process such a sizable volume of applications and a large backlog quickly developed. PMI is still working through this backlog today, with applications from 2007 currently being reviewed. At present, the City has approximately 14,000 legal, registered rental housing units, and approximately 2,500 rental properties awaiting City review and approval. Staff noted that these totals fluctuate daily as registrations are completed and new illegal rental properties are discovered (a notice of violation is issued immediately when an illegal rental property is identified). Due to the very long wait times for rental housing property owners seeking to register their units, the City has begun immediately issuing rental housing permits upon receipt of application. The permit is issued on a contingent basis, pending the completion of a full review by the City. If any problems arise in the course of the review, City staff works with property owners to resolve them. If the property owner does not address problems cited by the City, the rental housing permit is revoked.

Rental housing inspections are performed to ensure that the property is being adequately maintained, which includes without limitation the placement of functioning smoke detectors on every level, acceptable wiring throughout the unit, grounded electrical sockets in kitchens and bathrooms, legal sewer connections and street numbers clearly displayed on the exterior of the property.⁴ PMI has one Rental Housing Inspector Supervisor and six Rental Housing Inspectors. Each inspector is scheduled to perform five inspections per day with afternoons set aside for required re-inspections. Given the unit's current level of productivity, a minimum of 12 inspectors would be required to perform routine rental housing inspections alone. City law requires that rental housing properties be inspected routinely no less than every three years and no more than every five years, or as part of a planned inspection undertaken pursuant to a systematic or concentrated code enforcement program.⁵

In addition to the Division's regular Rental Housing Inspectors, there are two Illegal Rental Housing Inspectors who respond to complaints. When an illegal rental property is identified, an inspector conducts an exterior inspection. Upon completion, the inspector then attempts to contact the property owner. If the owner fails to respond, the property is placarded with a yellow notice instructing the property owner to contact PMI immediately. If the owner fails to respond, the property is again placarded with a red or orange notice requiring that tenants immediately vacate the building. PMI staff reports that property owners usually respond quickly to red or orange placards. Staff has noted that property owners who do not respond usually own rental properties that are not in livable condition.⁶ If an owner fails to respond to the red or orange placard, the case is escalated to Magisterial District Court.

³ City of Reading, Pennsylvania, Codified Ordinances, Chapter 11

⁴ City of Reading, Pennsylvania, Codified Ordinances, Chapter 10

⁵ City of Reading, Pennsylvania, Codified Ordinances, Chapter 5

⁶ Reading City Council Work Session Minutes, March 16, 2009



PMI has one additional Inspector Supervisor; two "complaints" inspectors who conduct follow-up inspections on any complaints received from the public, elected officials or City staff; two "floating" inspectors assigned to inspections as needed; and one Health Inspector who conducts mandatory annual health inspections for food-service establishments.

Though not formally assigned as staff support, PMI assists in identifying properties for review by the City's Blighted Property Review Committee. The Committee is composed of representatives from the City Council, Planning Commission, and Redevelopment Authority, along with two at-large citizen members and a member representing the Mayor. The Committee directs the City's efforts to rehabilitate vacant and blighted properties in Reading.

Reading has adopted the International Property Maintenance Code (2003 edition with local amendments) and PMI is charged with enforcement of those standards. Inspectors issue citations with recommended fines as applicable. Complaints are not an uncommon starting point for a code enforcement investigation. If a complaint is received, the relevant inspector goes into the field to conduct property/site research and a formal inspection. If the inspector identifies a violation in the course of the inspection, a notice of violation is immediately issued. The property owner is then given the opportunity to correct the violation before a re-inspection is conducted. The amount of time property owners are given before re-inspection varies by property type (e.g. rental housing owners are given thirty days). If the inspector identifies a problem, but a notice of violation is not applicable – usually because the problem is severe and a notice of violation is insufficient – the inspector issues a citation and an order to abate. Citations are also issued to property owners who fail to address compliance issues identified in a notice of violation before the re-inspection is completed and to those who fail to pay required fees. Once a citation and order to abate is issued, the local Magisterial District Judge (MDJ) holds a hearing and decides the outcome of the investigation.

PMI also conducts safety inspections of private homes in the City after a sale is completed, usually within six months. In 2008, the City attempted to move the inspections to pre-sale, but area realtors filed a lawsuit opposing the move. Faced with such opposition, the City chose to allow the inspections to remain a post-sale function. City inspectors evaluate the general safety of the home, including without limitation functional wiring throughout the structure, grounded electrical sockets in kitchens and bathrooms, legal sewer connections and street numbers clearly displayed on the exterior of the home. Currently, these inspections are only performed if the property owners or real estate agents notify the City of a sale. Once the City's Hansen system is fully implemented in the Division, however, staff will be able to automatically track sales throughout the City and whether owners contact the City to schedule an inspection within six months of the sale's completion.

Other resources

As noted above, PMI's processes are primarily paper based. PMI is currently working with the City's Information Technology Division to bring Hansen into all its work processes, which staff projects to be completed in June 2010. Hansen will be the system of record for, among other things, permitting, fee issuance and collection and code violations. Hansen will also allow the Division to receive complaints in real-time instead of waiting for messages to be delivered by the Customer Service Center.

Code enforcement in Reading is a collaborative effort between the Police, Fire and Community Development Departments. Strong, productive working relationships are already in place between these groups, particularly between PMI in the Police Department and the Building/Trades Division in the Community Development Department. Collaborations such as these are an asset to the City and should be strengthened. Staff should be empowered with knowledge and authority to strategically and proactively strengthen enforcement efforts. The Initiatives section of this chapter has recommendations to achieve these ends.



Finances

The table below summarizes the expenditures for the unit that had primary responsibility for property maintenance inspections in each year (i.e. Development and Inspections for 2005 through 2008 and PMI in 2009). In 2008 the City moved building and trades inspection responsibilities into a separate unit, resulting in the drop in expenditures that year.

Historical Expenditures – Property Maintenance Inspection⁷

Category	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimate	% Change
Salaries	910,380	1,033,034	1,055,288	865,712	927,849	1.9%
Fringe Benefits ⁸	361,118	330,223	455,019	303,608	298,991	-17.2%
Temporary Wages	32,692	26,603	11,437	12,890	29,620	-9.4%
Overtime	12,119	16,937	14,133	12,775	645	-94.7%
Pension	0	138,750	0	41,388	0	N/A
Social Security	70,694	82,358	82,679	68,190	73,296	3.7%
Penny Fund	689	855	907	466	324	-53.0%
Uniforms	0	0	0	0	20,974	N/A
Training & Education	28,213	1,988	45,666	39,955	10,430	-63.0%
Equipment	0	39,800	38,385	11,573	74,130	N/A
Supplies & Postage	10,794	13,110	16,789	4,677	4,200	-61.1%
Contract & Consulting	0	44,003	69,325	119,008	4,575	N/A
Abatement	0	66,049	939	70,320	91,808	N/A
Fees	0	0	0	659	0	N/A
Miscellaneous	9,868	8,806	19,261	1,229	1,973	-80.0%
Total	1,436,564	1,802,516	1,809,827	1,552,450	1,538,815	7.1%

Assessment

Much as in other Commonwealth cities of the third class in the region, 85 percent of Reading's housing stock was built prior to 1970 (see chart below). By contrast, 61 percent of housing stock throughout the Commonwealth of Pennsylvania was built before 1970, and slightly more than half of Berks County's housing stock is of similar age. Aging properties such as those dominating Reading's housing stock require continual maintenance and sometimes sizable repairs, which have not occurred on properties

⁷ Historical documents indicate a second unit called Codes Administration was also involved in these functions. The expenses from that unit are not included in the budgeted headcount table below.

⁸ The "fringe benefits" category is the cost of employee health care insurance.



throughout many sections of the City. This lack of preventive maintenance and upkeep has created a chronic problem of blight and contributes to the challenge of effective code enforcement in Reading.

Total Housing Stock: Percent Built Before 1970

% Housing Built Before 1970			
	2000	2008	Growth/Decline
Allentown, PA	80.5%	77.7%	-3.5%
Bethlehem, PA	78.3%	71.2%	-9.1%
Easton, PA	87.7%	88.4%	0.8%
Harrisburg, PA	87.4%	90.6%	3.6%
Lancaster, PA	86.2%	88.2%	2.3%
Scranton, PA	87.9%	85.8%	-2.4%
York, PA	90.3%	85.6%	-5.2%
Reading, PA	88.9%	85.1%	-4.3%
Median (excluding Reading)	87.4%	85.8%	-1.9%
Variance	1.7%	-0.8%	127.7%
Average (excluding Reading)	85.5%	83.9%	-1.8%
Variance	4.0%	1.4%	134.2%

% Housing Built Before 1970			
	2000	2008	Growth/Decline
Berks County, PA	62.4%	55.9%	-10.4%
Reading, PA	88.9%	85.1%	-4.3%
Variance	42.6%	52.2%	-58.6%

% Housing Built Before 1970			
	2000	2008	Growth/Decline
Pennsylvania	65.9%	61.5%	-6.7%
Reading, PA	88.9%	85.1%	-4.3%
Variance	34.8%	38.2%	-35.7%

Source: U.S. Census 2000, U.S. Census 2006-2008

In another similarity to regional peer cities, slightly more than half of Reading's housing stock is renter-occupied (see chart below). Additionally, about 38 percent of Reading's total housing stock is comprised of properties with multiple units. Total housing stock in Berks County as well as the Commonwealth of Pennsylvania is a little more than 25 percent renter-occupied and about 20 percent multiple-unit. These statistics frame the challenge faced in registering and routinely inspecting all rental housing properties throughout the City.



Total Housing Stock: Percent Renter Occupied and Multiple-Unit

	% Renter Occupied			% Housing with Multiple Units		
	2000	2008	Growth/Decline	2000	2008	Growth/Decline
Allentown, PA	47.0%	49.1%	4.5%	39.3%	38.7%	-1.4%
Bethlehem, PA	41.9%	41.4%	-1.3%	31.7%	30.1%	-5.0%
Easton, PA	51.5%	50.0%	-3.0%	39.8%	38.9%	-2.2%
Harrisburg, PA	57.7%	59.1%	2.5%	41.8%	41.0%	-1.9%
Lancaster, PA	53.4%	55.7%	4.3%	38.0%	38.7%	2.0%
Scranton, PA	45.5%	47.9%	5.4%	49.5%	48.2%	-2.6%
York, PA	53.2%	55.2%	3.8%	38.3%	39.0%	1.8%
Reading, PA	49.0%	55.6%	13.5%	38.1%	37.9%	-0.5%
Median (excluding Reading)	51.5%	50.0%	-3.0%	39.3%	38.9%	-0.8%
Variance	-4.9%	11.2%	-555.5%	-3.0%	-2.7%	-34.1%
Average (excluding Reading)	50.0%	51.2%	2.3%	39.7%	39.2%	-1.3%
Variance	-2.1%	8.6%	473.7%	-4.2%	-3.4%	-60.3%

	% Renter Occupied			% Housing with Multiple Units		
	2000	2008	Growth/Decline	2000	2008	Growth/Decline
Berks County, PA	26.0%	26.3%	1.2%	19.4%	18.7%	-3.8%
Reading, PA	49.0%	55.6%	13.5%	38.1%	37.9%	-0.5%
Variance	88.5%	111.3%	1019.1%	95.9%	102.5%	-86.0%

	% Renter Occupied			% Housing with Multiple Units		
	2000	2008	Growth/Decline	2000	2008	Growth/Decline
Pennsylvania	28.7%	28.6%	-0.5%	22.3%	21.4%	-4.1%
Reading, PA	49.0%	55.6%	13.5%	38.1%	37.9%	-0.5%
Variance	70.7%	94.7%	-2845.0%	71.0%	77.4%	-87.3%

Source: U.S. Census 2000, U.S. Census 2006-2008

Compared with regional peer cities, Reading is near the high end of total vacant housing stock (see chart below). In 2008 only Harrisburg (20.9 percent) reported a higher vacancy rate than Reading (15.5 percent). Reading's vacancy rate is more than double that of Berks County as a whole. An abundance of vacant properties in a community often correlates with crime and blight. Prevention strategies, such as proactive code enforcement, are an essential part of any plan for reversing the cycle of property deterioration and abandonment. The implementation of a successful approach for addressing vacant property issues in Reading will substantially benefit the economy of the city and its neighborhoods. Recognizing this, in 2004 the City commissioned a comprehensive study of the problem, including a remediation plan, discussed in detail in the Housing chapter of this Recovery Plan.⁹

⁹ *Vacancy Inventory and Reinvestment Strategies for Reading, PA*, Fels Institute of Government, University of Pennsylvania, July 2004



Total Housing Stock: Percent Vacant

	% Vacant Housing		
	2000	2008	Growth/Decline
Allentown, PA	8.5%	8.5%	-0.2%
Bethlehem, PA	5.1%	5.0%	-1.3%
Easton, PA	9.5%	13.2%	39.0%
Harrisburg, PA	15.4%	20.9%	35.6%
Lancaster, PA	9.1%	9.0%	-0.6%
Scranton, PA	11.4%	12.9%	13.1%
York, PA	12.9%	13.4%	3.9%
Reading, PA	12.2%	15.5%	26.9%
Median (excluding Reading)	9.5%	12.9%	35.7%
Variance	28.4%	20.1%	-24.5%
Average (excluding Reading)	10.3%	11.8%	15.3%
Variance	18.8%	30.7%	75.6%

	% Vacant Housing		
	2000	2008	Growth/Decline
Berks County, PA	5.8%	6.3%	8.5%
Reading, PA	12.2%	15.5%	26.9%
Variance	110.3%	146.2%	218.6%

	% Vacant Housing		
	2000	2008	Growth/Decline
Pennsylvania	9.0%	10.9%	21.4%
Reading, PA	12.2%	15.5%	26.9%
Variance	35.6%	41.7%	25.8%

Source: U.S. Census 2000, U.S. Census 2006-2008

In the face of such challenging statistics, Reading's code enforcement operations must be highly efficient to be effective. Inspections must be completed on time, inspectors must conduct a high volume of inspections per day, code enforcement violations and penalties must be strictly applied and enforced and all fees must be collected. PMI's current level of productivity does not appear to meet that description.

If the City has 14,000 registered rental units and another 2,500 pending approval, that translates to 5,500 inspections on a three year cycle (16,500/3) and 3,300 on a five year cycle (16,500/5).¹⁰ The City's target is five inspections per day¹¹ for six rental inspectors which, at 230 workdays per year,¹² translates to 6,900 inspections per year – more than enough to cover the City's rental properties in a three or five year cycle. Even if the 2007 Council ordinance triggered the submission of all 16,500 permit applications at one time, the City would have completed most of the backlog if it used six rental inspectors to achieve its 6,900 inspection annual target.

Instead the Division is struggling to process the backlog of rental permit inspections. This may be due to a reliance on paper based, non-automated processes. As noted earlier, PMI is currently working with the City's Information Technology Division to bring Hansen into all its work processes. To the extent that PMI uses Hansen now, it also maintains paper files. The Division must cease the maintenance of duplicate

¹⁰ The American Community Survey estimates that the number of renter-occupied housing units was 15,936 as of 2006 – 2008, which is close to the City's estimate.

¹¹ Five inspections in a day is a general target. Inspectors may exceed that daily target by inspecting many units in the same property or fall below it if they are waiting for property owners to attend their inspection appointment. The latter scenario is addressed later in the chapter.

¹² An employee with a Monday through Friday schedule works 260 days per year. The 30 day reduction (260 – 30 = 230) reflects estimated time off for holidays, vacation and sick leave.



files and utilize the City's Hansen system to the fullest extent possible. This includes using Hansen to schedule several properties in the same neighborhood for inspection at the same time to minimize inspector travel. If there are problems of system functionality or lack of training among staff, those problems should be proactively addressed with the City's Information Technology Department. The Information Technology Division is also working with PMI to provide mobile data terminals in inspectors' vehicles, which should expedite the review process.

While technology is an important tool for producing the results the City needs, those results will not automatically flow from technological advances. The Division must clear the current backlog of rental housing inspections, and then ensure proper productivity from inspections staff. Regular data should be kept on inspection time and volume of re-inspection, with the intent to increase productivity and the number of inspections per inspector per day. If total time spent per day on inspections could be reduced to 45 minutes, 15 minutes would still be available for drive time. Increasing the daily number of inspections to six would allow an additional 1,300 inspections per year to be completed with the current Division staffing levels.

Projections

The table below shows PMI's budgeted expenses for 2010 and projected expenses through 2014. The projections are based on the growth rates explained in the Plan Introduction. Because the City's projected pension expenses for 2011 through 2014 are addressed for all departments in the Workforce Chapter, they are not shown here.

Projected Baseline Expenditures – Property Maintenance Inspection

	2010 Budget	2011 Projected	2012 Projected	2013 Projected	2014 Projected	% Change
Salaries	942,761	976,700	1,011,862	1,048,289	1,086,027	15.2%
Fringe Benefits	343,546	374,465	408,167	444,902	484,943	41.2%
Overtime	24,900	25,796	26,725	27,687	28,684	15.2%
Pension	47,939	0	0	0	0	-100.0%
Social Security	69,854	72,369	74,974	77,673	80,469	15.2%
Penny Fund	950	974	998	1,023	1,049	10.4%
Uniforms	12,000	12,300	12,608	12,923	13,246	10.4%
Training & Education	18,000	18,450	18,911	19,384	19,869	10.4%
Equipment	60,000	61,500	63,038	64,613	66,229	10.4%
Supplies & Postage	4,300	4,408	4,518	4,631	4,746	10.4%
Abatement	90,000	92,250	94,556	96,920	99,343	10.4%
Miscellaneous	20,600	21,115	21,643	22,184	22,739	10.4%
Total	1,634,850	1,660,327	1,737,999	1,820,229	1,907,343	16.7%



Initiatives

Broad, cooperative code enforcement helps improve the City's housing stock and quality of life, reduce crime and generate revenue for the City, all of which are critical to the City's recovery. The initiatives below outline a multi-faceted strategy for improving Reading's code enforcement.

CE01.	Clear rental inspection backlog	
	Target outcome:	Improved efficiency; improved service
	Five year financial impact:	(\$126,000)
	Responsible party:	Business Analyst; Division Staff

In assessing the backlog of rental inspections, the City's Business Analyst indicated that the Division will use Hansen to set up a schedule to complete inspections and eliminate that backlog. It is unclear whether the improved use of Hansen alone will enable the Division to accomplish that objective.

Working with the Codes Administrator and Division staff, the Business Analyst shall determine whether the City can complete the backlog of rental permit inspections and handle other workload demands by June 30, 2011. Among other strategies, the Business Analyst shall consider the temporary assignment of one or both "floating" inspectors, "complaint" inspectors and supervisors to the backlog reduction, possibly full-time on a temporary basis or one to two days per week.

The Business Analyst shall provide that determination no later than 30 days after the approval of this Recovery Plan. If the Business Analyst determines that the City can address the backlog using its own staff, the Business Analyst and Codes Administrator shall also provide the Act 47 Coordinator and City Council with a detailed plan for doing so no later than 30 days after the approval of this Recovery Plan. The Business Analyst and PMI shall provide biweekly updates on the City's progress toward completing that objective.

If the Business Analyst determines that the City cannot complete the backlog by June 30, 2011 while handling other workload demands or if the City does not stay current with the schedule as submitted, the City shall issue a Request for Proposal (RFP) for professional rental housing inspection services. The selected private provider shall clear the current rental housing registration backlog by June 30, 2011 or sooner. Using outside resources will free City staff to perform current inspections in line with the next initiative and promptly respond to complaints as received. The financial impact below is an estimate based on the price for one year of rental housing inspection services paid by another regional jurisdiction (Borough of Lansdale, Bucks County).

Financial Impact

2010	2011	2012	2013	2014	Total
(63,000)	(63,000)	0	0	0	(126,000)



CE02.	Implement systematic two-year permitting and inspection program for rental housing	
	Target outcome:	Improved service
	Five year financial impact:	\$295,000
	Responsible party:	Codes Administrator; Police Chief

As the current rental housing permit backlog is cleared, the City shall implement a two-year permitting and inspection process for rental housing. An established best practice in high-performing local governments across the country, the two-year inspection allows for the early identification of problems with interior and exterior property conditions, and also provides a systematic practice for ensuring a minimum level housing standard. The permitting program is the City's mechanism for controlling the safety and quality of rental housing.

Although previous studies have recommended a three-to-five year inspection cycle for the City's rental housing, aging housing stock in Reading demands more aggressive monitoring and enforcement. A two-year cycle ensures that problems are not only addressed, but also continuously improved by property owners. Until a dramatic improvement in the City's rental housing stock is achieved, City staff must undertake rigorous code enforcement efforts on a continual basis. Strengthening code enforcement was one idea suggested at the public meetings held by the Act 47 Coordinator.

The City shall add two full-time rental housing inspectors first by reallocating responsibilities among current staff, then if necessary through hiring, to keep pace with the number of rental housing inspections that must be performed on a two-year inspection cycle. After accounting for the cost of these additions, it is estimated that a two-year inspection cycle will generate approximately \$295,000 in additional rental housing permit fee revenue over four years beginning in 2011, while improving the overall quality of rental housing in the City. This revenue is *in addition* to the baseline revenue projection for rental housing permit fee revenue, assuming the current three-to-five year inspection cycle.

Financial Impact

2010	2011	2012	2013	2014	Total
0	75,000	77,000	69,000	74,000	295,000

CE03.	Consider expanding shift coverage to evenings and weekends	
	Target outcome:	Improved service
	Five year financial impact:	N/A
	Responsible party:	Managing Director, Police Chief, Codes Administrator

City Council has suggested that the City change Property Maintenance Inspectors' schedules to expand code enforcement coverage to include early evenings and weekends. This is a valuable idea worthy of consideration. At the time of publication of this Recovery Plan, the Business Analyst was drafting a proposal for presentation to Council to make this change. If the City decides to move forward with extending this coverage, any schedule change shall be through regularly scheduled shifts, not periodic coverage with overtime. Management shall have the discretion to leave unfilled shifts open.



CE04.	Improve department use of technology	
	Target outcome:	Improved efficiency; improved services
	Five year financial impact:	N/A
	Responsible party:	Managing Director; Codes Administrator, Finance Department staff

Like other departments and divisions in the City, PMI could improve its operations through better use of the City's technology. The Codes Administrator is taking a leadership role in expanding the Division's use of Hansen and the Division is working with the City's Information Technology Division to install mobile data terminals in PMI vehicles.

To build on this progress, the Police Chief or his designee, Codes Administrator, Managing Director, Finance Director, Business Analyst and Information Technology Division Manager shall jointly produce a prioritized list of PMI related needs and opportunities for improvement that require Information Technology Division support. The Codes Administrator will bring familiarity with the Division's needs and the Administration will bring a helpful perspective for integrating those needs with others throughout City government.

In assembling this list, the Coordinator encourages the Division to continue to focus on ways to expand its use of the Hansen management and identify other changes that will support the implementation of other Recovery Plan initiatives. In prioritizing the list of needs and opportunities, the City shall consider, among other relevant factors, whether and to what extent the benefit of reduced costs and improved services will outweigh the costs involved in making the change; the level of additional training that will be necessary for staff to use the new technology; and the time frame for implementation.

The Managing Director, Codes Administrator and Information Technology Division manager shall jointly provide the list of prioritized projects and a proposed schedule for implementation to the Mayor, City Council and Act 47 Coordinator no later than 60 days after the approval of this Recovery Plan. After that list is provided, the Codes Administrator will assign staff with responsibility for drafting any standard operating procedures related to the change. That will help the Division think through what service improvements or cost reduction it is specifically trying to achieve and help the Information Technology staff develop the best tool to achieve that end. The Managing Director, Codes Administrator and Information Technology Division manager shall jointly provide the Mayor, City Council and Act 47 Coordinator with monthly written updates on its progress toward addressing the list of priority needs and opportunities. While it is anticipated that project related obstacles and other demands on the City's attention will impact implementation, the monthly updates will provide a mechanism for communicating those developments to others.

To reflect the shared responsibility for this process, there is a parallel initiative in the Information Technology chapter.

CE05.	Cross-train Fire Safety and Trades Inspectors	
	Target outcome:	Improved efficiency; increased revenue
	Five year financial impact:	N/A (increased fee revenue may be possible over time)
	Responsible party:	Codes Administrator; Police Chief; Fire Chief; Community Development Director; Chief Building Official

With increasingly limited resources and an ever-growing workload, more efficient use of staff time is required across all City positions and departments. The City shall implement a code enforcement cross-



training program for Fire Prevention Inspectors and Trades Inspectors. Ensuring that these employees have the required skill set and authority to perform any code enforcement inspection allows inspectors to work more efficiently on individual site visits. Increasing the number of inspections performed contributes to increased safety, security and quality of life in Reading and will bolster fee revenue.

Under the supervision of the Police Chief and the Codes Administrator, the City shall conduct code enforcement cross-training sessions (led by City staff) for Fire Safety Inspectors and Trades Inspectors. These two groups will receive in-house training on code enforcement procedures and be authorized to issue notices of violation and citations. Property Maintenance Division staff do not need to be cross-trained on Fire Safety or Building/Trades inspections, which require specialized training and ongoing certification maintenance. Cross-training the Property Maintenance Inspectors in these areas would not be cost effective.

CE06.	Assemble and systematically deploy code enforcement teams	
	Target outcome:	Improved efficiency
	Five year financial impact:	N/A (increased fee revenue may be possible over time)
	Responsible party:	Codes Administrator; Police Chief; Fire Chief; Community Development Director; Chief Building Official

As discussed in the previous initiative, decreasing resources and increasing workload require a reexamination of traditional service delivery to ensure the most efficient use of staff time. The City shall assemble and systematically deploy enforcement teams to target crime "hot spots" throughout the City and address the most egregious code violations through enforcement and public safety partnerships.

Preparing the teams for their work will require training police officers and fire inspectors to recognize the top code violations on which they can take action, and training property maintenance and trades inspectors to see how their work relates to law enforcement. Similar to the in-house training described in an earlier initiative, City staff will provide this training to their peers.

The Police Chief shall act as commander for the enforcement teams and will be responsible for all staffing and deployment decisions. The Codes Administrator, Fire Chief, Community Development Director and Chief Building Official shall offer their input when called upon by the Police Chief to provide guidance on enforcement team management. The Police Chief shall report regularly to the Managing Director on the development and implementation of this initiative.

This multi-agency code enforcement model has been implemented successfully in other state and local jurisdictions, particularly New York City.¹³ An example of the multi-agency approach: if a corner store in the City is drawing a disorderly crowd, is possibly the site of low-level drug sales and generally sees a high volume of crime and violence in the area, a multi-agency enforcement team would be deployed. The Police Department would provide strict public drinking and drug enforcement. Buildings/Trades and Fire Safety would issue citations for safety hazards, possibly necessitating the temporary closure of the store and payment of fines. Property Maintenance would issue notices of violation for any exterior maintenance issues. If possible, the team would also work with the proper County or Commonwealth authorities to issue pricing violations, licensing violations, or sales tax violations. By targeting every aspect of the chronic crime problem simultaneously, the City can more efficiently and effectively address conditions that negatively impact residents' quality of life in the identified area.

¹³ References to MARCH (Multi-Agency Response to Community Hotspots) in New York City: New York City Department of Health and Mental Hygiene (<http://www.nyc.gov/html/doh/html/inspect/comm-san.shtml>); New York State Liquor Authority (www.abc.state.ny.us/system/files/CB_Q-n-A.pdf)



CE07.	Increase "no-show" penalty fees for property owners' absent at scheduled inspections	
	Target outcome:	Improved efficiency
	Five year financial impact:	\$68,000
	Responsible party:	Codes Administrator; Police Chief

According to Division staff, Property Maintenance inspectors currently experience a significant obstacle to efficient service delivery: out of town ownership of many rental properties. According to Property Maintenance staff, it is not unusual that rental housing inspection appointments are made, but the property owner fails to meet the inspector at the scheduled time. As a result of the high "no-show" rate, the inspector often must walk the block and to conduct random, *ad hoc* inspections while waiting for the owner to appear, if the owner appears at all.

City ordinances currently mandate that any property owner residing outside Berks County may not own rental housing in Reading without designating a local agent. As Property Maintenance works through the current backlog of rental housing registration applications, staff strictly enforces this portion of the rental ordinance. Notices of violation are immediately issued and, if owners do not respond, the property is placarded as described earlier.

The City shall increase the current "no-show" penalty fee for property owners that fail to appear at the mutually agreed-upon time for property inspections from \$50 to \$150. If the same property owner is a "no-show" for a second time, the fee shall increase to \$250. If a third "no-show" occurs, the City shall take the case to the Magisterial District Court. Assuming very few repeat "no-shows," the City could potentially increase fee revenue by \$85,500 over the next five years, while improving quality of life. This revenue is *in addition* to the projected baseline revenue from the City's current \$50 "no-show" fee.

Financial Impact

2010	2011	2012	2013	2014	Total
0	17,000	17,000	17,000	17,000	68,000

CE08.	Consider adding pre-sale housing inspections	
	Target outcome:	Improved service
	Five year financial impact:	N/A
	Responsible party:	Managing Director; Police Chief; Codes Administrator

As noted above, PMI conducts safety inspections of private homes in the City after a sale is completed, usually within six months. In 2008, the City attempted to move the inspections to pre-sale, but area realtors filed a lawsuit opposing the move. Faced with such opposition, the City chose to allow the inspections to remain a post-sale function. During the Act 47 Coordinator's review period, a group of realtors indicated an interest in adding pre-sale housing inspections.

The City shall consider conducting pre-sale housing inspections and discuss this possibility with area realtors. Given the City's limited resources and the need to focus those resources on current duties, the



City shall also determine whether it can make this change using its current staffing level. If not, the City shall explore opportunities to contract with other municipalities that provide this service in a way that is cost neutral to the City.

CE09.	Develop a performance management system	
	Target outcome:	Improved accountability
	Five year financial impact:	N/A
	Responsible party:	Codes Administrator; Police Chief

This Recovery Plan establishes a performance management report that tracks activity and achievement across all departments. The system shall include work planning and data collection for the purposes of managing staff and other resources. Systematic reporting on performance against scheduled tasks and activities is essential to effective and efficient management of limited resources. As part of the broader effort to establish a performance management report across all departments, the City shall track the following data points on a monthly basis:

- Percent of code complaints initiated by:
 - Staff
 - Residents
- Percent of code complaints resulting in a violation
- Percent of code violations remedied voluntarily
- Percent of code violations related to rental housing
- Percent of backlogged rental housing registration applications cleared
- Average number of calendar days from
 - Code complaint until first inspection
 - Enforcement inspection until notification
 - Notification until compliance
- Number of enforcement inspections completed per FTE
- Code enforcement expenditure per capita
- Average cost per enforcement inspection

Some data points will be more readily available and easier to track than others, particularly as the Division integrates Hansen into its operations. Under the direction of the Managing Director, Finance Director and Codes Administrator, the City shall work to address technological, record keeping or other obstacles that arise. Department staff and City Council shall recommend other measures that it would like track with a brief explanation of what insight that measure would provide. For more information on the performance measurement, please see the Plan Implementation Chapter.

Additional initiatives

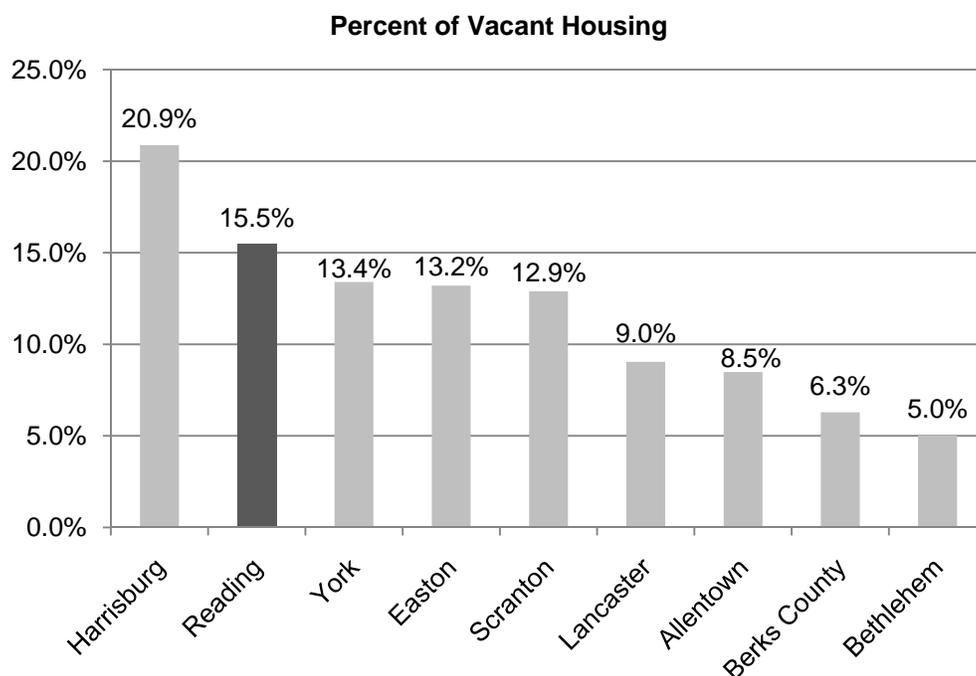
The Community Development and Housing Chapters have initiatives relevant to the Property Maintenance Inspection Division.



Housing

Throughout the Act 47 Coordinator's review process, elected officials, community leaders and individual citizens spoke about the critical need for Reading to address its "housing issues." Some were referring to improving code enforcement and following proper zoning and permitting processes for rental housing. Others were talking about the need to provide attractive, quality housing for rent and purchase to sustain the City's tax base. Some were focused on removing blight while others were focused on removing administrative hurdles by streamlining the permitting and plan review processes.

The City's housing issues are partly a result of the actual housing structures themselves. As discussed in the Property Maintenance Inspection chapter of this Recovery Plan, Reading faces challenges similar to those of other Pennsylvania cities of the third class in the region. Houses in Reading are more likely to be older, renter-occupied and have multiple dwelling units compared to the houses in neighboring cities, in Berks County and in the Commonwealth as a whole. Reading also has a high vacancy rate in comparison to the rest of Berks County and other cities of the third class.



Source: US Census Bureau. American Community Survey, 2006-2008.

In 2004 the University of Pennsylvania's Fels Institute published a study entitled *Vacancy Inventory and Reinvestment Strategies for Reading*. That study charted the location and condition of the City's vacant buildings and lots, but it also highlighted the strengths of Reading's housing stock and living conditions, noting that:

Despite past setbacks, the city and its neighborhoods have an attractive appearance and "curb appeal" that many other cities lack. These appealing characteristics can be promoted effectively to encourage more people to move to, work in, and stay in the city during coming years – provided that some of Reading's most serious problems are addressed at the same time.

The study offered a wide range of recommendations to address vacant and abandoned properties, including several for action by the City of Reading. However, within City government, there is not a specific department or division charged with addressing all housing issues. The Property Maintenance Inspection Division handles code enforcement to ensure residential properties meet the City's adopted



quality and aesthetic standards. The Community Development Department oversees zoning, planning and historic preservation. The Blighted Property Review Committee brings together members from City Council, the Planning Commission, the Reading Redevelopment Authority (RDA) and the citizenry to focus on issues related to vacant and blighted property. The RDA – which is separate from the City but related to it by virtue of the Mayor appointing members of its Board – touches on issues that have an impact the City’s housing stock through its redevelopment and blight removal activities. Outside City government, the Reading Housing Authority (RHA) administers programs to support low and moderate income home ownership and oversees public housing apartments and townhouses.

Viewed even more broadly, each of the City’s departments plays a role in the decisions people make whether to live, rent or build housing in the City. So does the City’s overall financial condition. A city that cannot afford to provide basic public services will not attract new or retain current residents—nor will a City whose services are inefficient or duplicative—and result in a higher tax rate than necessary. Therefore, much of this Recovery Plan supports a successful housing strategy by focusing on the crucial near term objective of bringing the City’s finances into balance and reducing costs where possible.

This Recovery Plan also has initiatives specifically intended to address the housing issues identified above. Since housing-related responsibilities are spread across City government, these housing initiatives are also distributed throughout the Recovery Plan, which includes the following:

- Clear rental inspection backlog (Property Maintenance Inspection chapter)
- Implement systematic two-year permitting and inspection program for rental housing (PMI chapter)
- Assemble and systematically deploy code enforcement teams (PMI chapter)
- Consider adding pre-sale housing inspections (PMI chapter)
- Schedule additional monthly Zoning Board hearings (Community Development chapter)

This section provides other initiatives to help address the City’s housing issues through improved coordination and strategic use of limited resources.

Initiatives

HS01.	Designate a Housing Coordinator	
	Target outcome:	Improved accountability and resource coordination
	Five year financial impact:	N/A
	Responsible party:	Mayor; Managing Director

Within 60 days of the approval of this Recovery Plan the Mayor shall designate a specific person as the City’s Housing Coordinator. She or he shall have responsibility for coordinating the City’s resources and activities in the pursuit of a housing strategy (see initiative HS02). The Housing Coordinator will also be responsible for coordinating the City’s housing related activities with the Reading Redevelopment Authority and the Reading Housing Authority; building relationships with local lending institutions, realtors, developers and community groups; and integrating City housing efforts with Countywide marketing, development and housing initiatives.

There are three options for structuring these duties:

- **Option A:** The City could establish a new position with these responsibilities and others, such as management of housing related functions – zoning, planning, historic preservation, building/trades inspections and property maintenance inspections. Under this option, the City



could move these functions from the Community Development and Police Departments into a new department. This option would require the City to find funding for the position, possibly by reallocating its Community Development Block Grant (CDBG) or other federal grant funds.

- **Option B:** The City could assign these responsibilities to an incumbent in an existing City position, such as the Community Development Director or Business Analyst. The Community Development Director oversees zoning, planning, historic preservations and building/trades inspections and the Department has a historic connection to property maintenance inspections. The Business Analyst has worked on issues related to Community Development and property maintenance inspections and does not have the day-to-day responsibilities of running a department.
- **Option C:** The City could pursue a “loaned executive” – an experienced professional from the academic, business or non-profit community who can help the City coordinate a housing strategy. In this model, another organization would provide a senior manager with relevant skills on a no-cost basis. The loaned executive would serve for a specific period of time (a minimum of six months and a maximum of two years in most cases) or for the period necessary to complete a specific project. There shall be no remuneration associated with this position.

HS02.	Develop a comprehensive housing strategy	
	Target outcome:	Improved accountability and coordination
	Five year financial impact:	N/A
	Responsible party:	Mayor; Managing Director; Housing Coordinator ¹

Once the City has designated a Housing Coordinator, the person in that position shall convene a working group to devise a housing strategy for implementation. The strategy shall include clearly defined objectives, steps to achieve those objectives and performance measurements to track the City’s success in pursuing those objectives. The performance measurements shall be integrated into the City’s performance report as described in the Plan Implementation chapter. The strategy shall also include assignment of responsibility to City staff and a schedule for action.

The working group shall include City staff as determined by the Managing Director, a representative from City Council as named by the Council President and a representative from the RDA. The RHA shall also be invited to participate in this process, as will other civic and community groups as identified by the Mayor and City Council, such as Our City Reading. While the working group will provide valuable advice in the preparation of the housing strategy, responsibility for its completion, presentation and tracking will remain the responsibility of the Housing Coordinator.

At a minimum the strategy shall include elements that address the following elements of the 2004 Fels study:

- **Developing new market rate housing:** The 2004 Fels study recommends that the City “identify an attractive site in a strong neighborhood real estate market where new construction sales housing can be developed within eighteen months. This housing could be mixed-income in character with some units priced to be affordable to low- and moderate-income homebuyers, but the majority of units developed should be priced ambitiously to attract middle-income buyers to

¹ Please see the prior initiative.



Reading.”² The City cannot fund or drive that development unilaterally, but it can be a partner in bringing it to successful completion. Development plans in the “Buttonwood Gateway” section of Reading may meet these criteria, but the City might also designate an additional area for development.

- **Property assembly and demolition:** The Fels study notes, “[Demolition] that is random and not linked to investment on the resulting cleared sites will only produce a new generation of unsightly lots and reduce the prospects for repopulating the city’s existing housing inventory with a larger population of middle-income residents.”³ Given the likelihood that there is more demand for property demolition than there is money to meet that demand, the City shall establish a process for prioritizing demolition and coordinating it with redevelopment or site assembly activity.
- **Preserving and providing quality affordable housing:** The Fels study includes ideas such as strengthening housing counseling services and “working with lending institutions to forestall foreclosure when feasible.”⁴ The RHA will also be able to provide valuable insight on what the City can do to support this objective. This portion of the Fels recommendations is particularly important given the economic downturn since the study was complete.

It is understood that the Housing Strategy Coordinator will not have authority to direct all the City staff who will participate in implementing the housing strategy, nor will the Coordinator be able to force cooperation from outside entities. As noted above, a successful housing strategy will require the cooperation of many participants in and out of City government. However, the Housing Coordinator will keep the City focused on using its limited resources to achieve its stated objectives, track progress toward those objectives and report obstacles to the Coordinator, City Council and Commonwealth Department of Community and Economic Development. The Housing Coordinator shall present the housing strategy to the Coordinator, City Council and the Commonwealth Department of Community and Economic Development no later than March 31, 2011.

The Coordinator has requested \$25,000 in funding to update the Vacancy Inventory and Reinvestment Strategies or provide other analytical support for designing a housing strategy as requested by the Administration or City Council.

HS03.	Evaluate use of Community Development Block Grant (CDBG) funding to ensure it supports the housing strategy	
	Target outcome:	Focusing resources on stated objectives
	Five year financial impact:	N/A
	Responsible party:	Managing Director; Community Development Director Housing Coordinator ⁵

The Fels study noted, “In past years, Reading has devoted very little of its CDBG funding to support affordable housing activities, such as real estate acquisition, housing development and home repair.” The study shows the City using just 2.4 percent of its CDBG funds for “housing activities” in 2001 and none in 2002.⁶ As noted in the Community Development chapter of this Recovery Plan, the City relies on federal funding, including CDBG money, to support an increasing number of positions (seven in 2010) that would otherwise be funded from the City’s very limited General Fund. Some of those positions, such as the Rehab Specialist and Historic Preservation Specialist, certainly have a role in the City’s housing

² Page 43.

³ Page 32.

⁴ Page 3.

⁵ Please see initiative HS01.



activities and the others may be vital to the Department's operations. However, the more the City commits CDBG funds to covering personnel costs, the less money there is to pursue other priorities, such as development initiatives and other programs that strengthen the City's tax base. Moreover, Community Development staff noted that the City has occasionally made precipitous decisions to meet HUD's "timeliness test" for expenditure of federal funds to avoid losing them, resulting in non-strategic investments.

Given the multitude of needs and shortage of resources, the City has to ensure that those resources are used strategically and effectively. With the oversight of the Managing Director, the Community Development Director shall review the City's use of CDBG funds over the past five years and report on their use to the Coordinator, City Council and the Commonwealth Department of Community and Economic Development. That report shall include any recommendations for future changes that would better support the City's housing strategy. Those changes shall be included in the housing strategy discussed in initiative HS02 and subsequent annual community development plans submitted to the Commonwealth and HUD.

Additional initiatives

As noted above, the chapters on Property Maintenance Inspection and Community Development are also relevant to the City's housing issues. Other initiatives related to housing include:

- Develop a local economic development partnership and comprehensive strategy (Economic Development chapter)



Economic Development

Overview

The short-term focus of an Act 47 Recovery Plan is on fiscal stabilization, and this Recovery Plan includes many initiatives to ensure that the City of Reading remains a going concern. However, the long-term focus of a Recovery Plan must be on economic development – the steps the City must take now and in coming years to grow its economy. Reading has important physical attributes – at the center of a vibrant county and region, with riverfront and access to the major population centers of the northeastern United States.

However the City also has other advantages that are not merely happenstance. There are four institutions of higher learning in or adjacent to the City (Albright College, Alvernia University, Penn State Berks, and the Reading Area Community College), as well as a local office of Kutztown University's Small Business Development Center. In addition, there is an active regional economic development community that has been moving to increase collaboration and integrate its activities (see Current Status, below). The City also has a 500-acre Keystone Opportunity Zone (KOZ) that allows developers to forgo many taxes, and the City is eligible to offer tax increment financing in some blighted areas. Finally, as an Act 47 city, Reading moves to the head of the list when applying for Commonwealth economic development funding.

City Organization

The City's economic development efforts are centered in two agencies, the Redevelopment Authority (RDA) and the Community Development Department (CD). The RDA has only two full-time employees, and focuses primarily on matching existing and new businesses with federal, state and private financing. The RDA:

- Arranges low-interest fixed rate loans, loan guarantees, tax incentives and creative financing packages to bridge financing gaps and increase access to capital for small and mid-size businesses;
- Offers customized real estate development services to act as a catalyst for new investments in areas where such economic activity otherwise would not occur; and
- Makes customized training grants available to entrepreneurs who create jobs within the City of Reading.

CD supports and enhances these efforts by providing overall leadership and direction of the City's strategy (CD's other functions are discussed in the Community Development chapter of this Recovery Plan). Its economic development role includes review of proposed development activity to determine compliance with City regulations, and formal responsibility for administration of the Community Development Block Grant (CDBG), Home Investment Partnership (HOME), Section 108 loans and other development programs.

Recent efforts

Working individually and in concert with regional economic development agencies, the City has had some success in recent years, including bringing Sun Rich Fresh Foods and Habasit to the City, while helping Quaker Maid Meats and Hydrojet expand in Reading.

A major focus of activity has been the "Buttonwood Gateway" site, a 14-acre former industrial site now available for business expansion. Like several other development sites in the City, Buttonwood Gateway



is in the KOZ, providing a variety of tax exemptions to development in the area. Other recent developments include:

- An IMAX theater and ten-screen cinema complex at the foot of Washington Street;
- The nearby Goggleworks Center for the Arts, a community arts and cultural center including galleries, studios, and classrooms; and
- Renovation of over 360 homes for sale to low- and moderate-income homeowners in conjunction with the Our City Reading initiative led by local business leader Albert Boscov;
- Improved lighting in the Arts District and along Penn Street to encourage evening patronage of downtown amenities;
- A new hotel with substantial parking adjacent to the Sovereign Center.

Current status of regional economic development efforts

This is an opportune time to capitalize on recent developments, though. Three important regional business and development agencies – the Greater Reading Chamber of Commerce and Industry, the Berks Economic Partnership, and the Greater Berks Development Fund – are now co-located along with affiliated groups like the Latino Chamber of Commerce and Ben Franklin Technology Partners.

As a member of a group of eight regional institutions, the City recently participated in the development of “Ride to Prosperity,”¹ a draft economic development strategy for Greater Reading’s economic development over the next three to five years. The report is particularly worth considering in some detail since it represents the current thinking of the regional economic development leadership, including that of the City; it proposes measures that include the City and overlap with the timeframe of this Recovery Plan; and comments are currently being sought on the draft.

The strategy proposes five priorities: entrepreneurship and innovation; workforce/talent development; business clusters; sites and infrastructure; and quality of place. Specific portions of the draft report that are relevant to the City’s economic development efforts include:

- A recommendation to build a local “entrepreneurial culture” regionally, with a specific action item for a downtown Mercado that will serve as a hub for Latino entrepreneurs and a farmer’s market at 8th & Penn Streets in Reading;
- Increasing the high school completion rate, especially at Reading High School;
- Linking local development efforts with the Berks County Comprehensive Plan;
- Expanding programming at Berks County colleges and universities – including nightlife, internships, training and other programs – to help retain graduates; and
- Developing the Penn Corridor, especially building upon initial success to the 400-500 blocks of Penn Street in Reading.

Assessment

The City’s economic development efforts have been varied and extensive, but its successes appear to be somewhat unconnected. While the City has been the victim of heavy turnover in the post of CD director

¹ Ride to Prosperity: Strategies for Economic Competitiveness in Greater Reading (Progress Report, Final Draft, May 2010), Berks Economic partnership, Greater Reading Chamber of Commerce and Industry, et al.



(in part due to the City’s residency requirement), its problems are more systemic. First, the City has multiple agencies with responsibility for economic development with no leadership structure for unifying and driving policy. This is particularly problematic because the agencies are very small and would ideally share office space, resources and personnel, which would facilitate joint working. Also, the City lacks an updated comprehensive economic development strategy that would establish City priorities and align them with other regional plans (including Berks County’s strategy).

As a result of the lack of structure and direction, support has necessarily flowed to those agencies most able to produce results. Our City Reading (OCR) has been particularly effective at securing state and federal grants, and has had repeated success in executing its projects, from the IMAX theater to the Goggleworks to housing rehabilitation. The City has not integrated the capacity and mission of OCR into its planning, so that some of the most dynamic projects that have occurred in the City do not appear to be coordinated with overall City efforts.

There is a tremendous opportunity to reverse this situation now with a new City CD director; the release of the Ride to Prosperity strategy and a unified County economic development approach; and the alignment of current OCR priorities with several important local and regional initiatives (including Penn Street lighting and development and further efforts at Buttonwood Gateway).

Initiatives

ED01.	Develop a local economic development partnership and comprehensive strategy	
	Target outcome:	Coordinated development activities
	Five year financial impact:	Increased development
	Responsible party:	Mayor; Community Development; Redevelopment Authority; Diversity Officer

Reading’s successful recovery depends on its ability to develop its tax base by attracting and retaining residents and businesses within City limits. The Coordinator recognizes that Reading’s tax burden is high relative to that of outlying municipalities and that some initiatives in this Plan may exacerbate that competitive disadvantage in the short term. For that reason, the Coordinator focused much of its efforts on reviewing opportunities to reduce expenditures and bring the City’s operations into balance. While high taxes are an obstacle to economic development, an insolvent City that cannot provide basic services will also not retain existing residents and businesses or attract new ones.

As noted above, there are several organizations and individuals already focused on developing the City’s tax base, though those efforts are not always coordinated. The City cannot drive all development activity but it can help coordinate the efforts of others, including those in the private sector.

To improve coordination, the Mayor shall convene an economic development partnership that brings together key stakeholders to address the core question, “What policies can Reading put into place to strengthen the city’s tax base and attract investment and people?” The partnership shall include without limitation the City’s Community Development Department and Redevelopment Authority; the Downtown Improvement District (DID); representatives of the Chamber; regional economic development agencies; Our City Reading; local foundations; the Act 47 Coordinator; and others who wish to participate. With the support of the City’s diversity officer, the partnership shall also reflect the City’s socioeconomic and demographic diversity to give all members of the community the opportunity to contribute to this dialog.

Among the issues the partnership shall discuss include:



- How can City policies and economic development projects support efforts to reduce poverty, provide job opportunities to City residents and build Reading's middle class?
- How can the City encourage the development and success of small businesses and minority-owned businesses?
- What can the City do to coordinate the work of its agencies, particularly the Community Development Department and RDA, with Berks County economic development agencies and the existing County Comprehensive Plan?
- How does the City's housing strategy² align with its economic development activities?
- How can the City implement the Ride to Prosperity action items related to its operations?
- How can the City align its efforts with local economic development initiatives already in place, including Our City Reading and those pursued by regional foundations and other for-profit and non-profit entities?

As suggested by the Act 47 Community Committee, the dialog fostered by this process will be more constructive if it moves beyond general discussion and considers specific projects. The Committee's comments recommended that the proposed downtown Mercado provides a good opportunity to focus on a specific, tangible project. Other projects may emerge as the City focuses on a housing strategy or as progress is made on the Ride to Prosperity initiatives. Where possible, the partnership described above shall include these specific projects in its discourse to provide a more tangible set of action items for the City to follow.

In addition to answering these questions, the report shall clearly establish what the City's priority actions are for a one-year, three-year and five-year horizon with responsibilities assigned to specific departments and timelines for completion. The Mayor shall provide this report to City Council, the Act 47 Coordinator and the Commonwealth's Department of Community and Economic Development by February 1, 2011. Though a verbal presentation is possible, the Mayor shall also provide a written document that can be reviewed and discussed by the City as a whole.

Additional initiatives

The Act 47 Community Committee's report on Economic Development includes other ideas worth undertaking, such as conducting a detailed study of trends in family incomes or compiling an inventory of state and local economic incentives that consider results produced and how they align with Reading's needs. Such studies are beyond the capacity of the City to execute or fund in the short term, but to the extent they can be funded by other community groups (including private foundations or the local colleges), they would provide valuable insight that would enrich economic development efforts. The institution of Community Impact Reports would provide a structure for evaluating whether the projects being considered for public funding are well-aligned with and contribute to the City's housing, economic development and other goals. Despite the City's lack of staff focused on economic development, other organizations such as the Reading Housing Authority and Reading Redevelopment Authority could integrate the CIR or a related assessment tool into its efforts.

² Please see the Housing chapter for more information.





IX. Revenue

Revenue

Overview

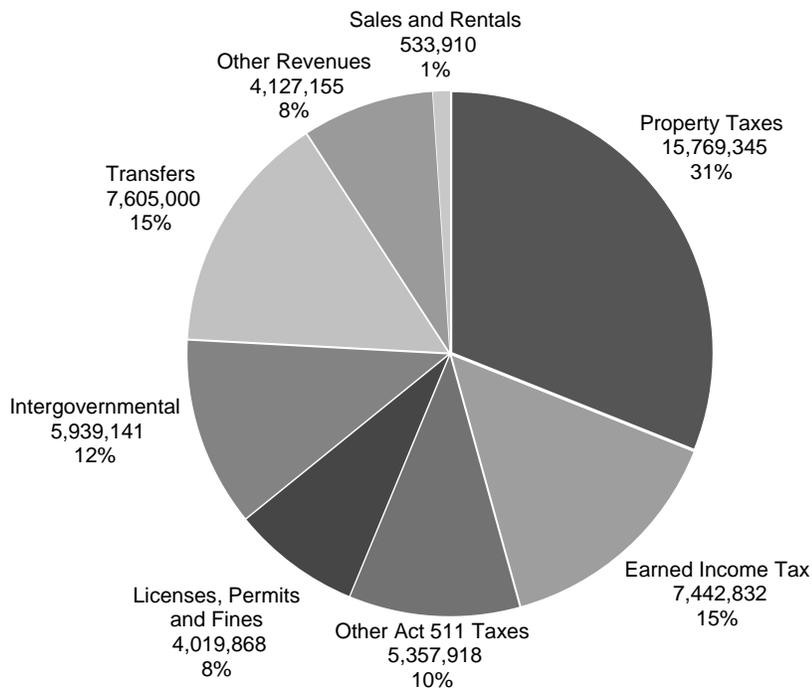
Like all local governments, the City of Reading requires stable revenue sources with moderate growth to fund services to residents, businesses and visitors. Both factors are important because so much of a local government's expenditures are related to recurring and regularly-increasing costs for personnel and benefits. However, for years Reading's tax base has been stagnant or declining. City revenue streams have been unable to cover the growing costs of City services, leading to tax increases and nonrecurring revenue actions in ongoing attempts to balance the General Fund operating budget. Given these challenges, this chapter will consider:

- The City's current General Fund revenue structure;
- Its revenue performance over time;
- Impact of current economic conditions on City revenues;
- Positive and negative aspects of the current revenue structure;
- Its future revenue outlook; and
- Initiatives to strengthen and expand the City's revenue base.

Revenue Profile

Historically, the largest component of City General Fund revenues has been the property tax. The City's other major sources of revenue include earned income taxes (EIT) and transfers from the Water and Sewer Funds along with other local taxes, support from other governments, and user fee revenues. The graphic below shows the estimated share of revenues by major category.

FY2009 Estimated General Fund Revenues¹



¹ FY2009 revenues shown above exclude \$22.4 million in one-time revenues as shown in the table on the following page in order to provide a more accurate depiction of Reading recurring revenue structure.



Revenue Sources

As the national economy has slowed since 2008, revenue growth has declined dramatically affecting cities across the country. The National League of Cities (NLC) projects municipal budget shortfalls will total between \$56 billion and \$83 billion from 2010-2012 due to declines in tax revenues, increasing service demands, and cuts in state transfer revenues.² The severe national economic downturn has put additional pressure on Reading's already strained revenue base. The City is projecting a decline of 11.3 percent in total General Fund revenue in FY2010, which comes on the heels of a 5.1 percent decrease in FY2009. The following table details the City's General Fund revenue sources over the last five fiscal years.

General Fund Revenues, 2005 – 2010

Revenue Source	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimated	2010 Budget
Local Taxes	32,281,007	34,079,085	34,916,529	31,302,015	28,570,095	34,373,792
Property Taxes	14,995,914	15,154,040	15,384,219	15,221,298	15,769,345	17,141,240
Earned Income Tax	8,714,240	8,058,263	8,850,005	8,645,185	7,442,832	11,773,719
Real Estate Transfer Tax	4,377,962	6,883,139	6,715,624	4,003,296	2,340,473	2,500,000
Business Privilege Tax	1,739,720	1,625,072	1,677,233	1,617,757	1,437,142	1,472,833
Local Services Tax	1,759,611	1,747,730	1,654,183	1,175,307	1,075,567	945,000
Admissions Tax	540,587	563,918	543,077	553,315	421,423	450,000
Per Capita Tax	152,972	46,923	92,189	85,858	83,313	91,000
Licenses, Permits & Fines	3,973,086	4,611,067	4,462,427	5,376,345	4,019,868	5,676,687
Sales and Rentals	890,644	717,140	1,261,313	4,915,616	4,533,910	1,562,000
Intergovernmental	6,998,510	7,384,331	7,590,939	8,725,364	7,214,141	11,043,111
Transfers	9,359,661	8,286,662	7,755,631	6,990,562	7,605,000	7,055,000
Other Revenues	7,903,840	16,875,967	5,741,371	19,882,163	21,294,606	5,884,220
General Fund Total	61,406,747	71,954,252	61,728,209	77,192,065	73,237,619	65,594,810

While the City's General Fund revenues have grown by an average annual rate of 5.7 percent over the past five years, a significant portion of the City's revenue growth has been due to nonrecurring or one-time actions. From 2005 through 2009 the City's "natural" revenue base excluding nonrecurring revenues has declined by an average annual rate of 3.1 percent as shown by the following table.

² Christopher Hoene, "City Budget Shortfalls and Responses: Projections for 2010-2012," National League of Cities. December 2009.



Select Nonrecurring Revenues, 2005-2009

	2005	2006	2007	2008	2009
Proceeds from Interest Rate Swap	3,091,200	4,500,397	--	--	--
Debt Proceeds for Operations	--	6,475,000	--	13,856,749	17,167,451
Sale of Antietam Lake	--	--	--	4,000,000	--
Meter Surcharge Prior Year	--	--	--	--	1,275,000
Parking Authority Payment	--	--	--	--	4,000,000
Total One-Time Revenue Actions	3,091,200	10,975,397	--	17,856,749	22,442,451
Total General Fund Revenue	61,406,747	71,954,252	61,728,209	77,192,065	73,237,619
General Fund Revenue Minus One-Time Revenue Actions	58,315,547	60,978,855	61,728,209	59,335,316	50,795,168

Municipal bond rating agencies have traditionally seen continued reliance on nonrecurring revenues as an indicator of financial strain. These actions essentially delay and can often exacerbate the need for structural budget reforms including expenditure reductions or revenue increases. In Reading, the continued use of one-time revenue sources has masked the rising ongoing costs of providing municipal services with a series of short term solutions. The City cannot sell Antietam Lake again, and the City's financial condition will prevent it from using financial derivatives to support general operations as it has in the past.³ Clearly the use of nonrecurring revenue actions has worsened the City's current fiscal condition and contributed to the growing budget gap the City faces.

The current state of the national, state and regional economy suggests that revenues are unlikely to grow in the short run, placing additional pressure on City finances. The following pages provide a brief description of the City's major General Fund revenue sources in order to provide context for the recommendations in this chapter.

① Property Tax

FY2009 Revenues	\$15,769,345
% of Total Revenues	21.5%

Property taxes are levied on all real property in the City of Reading based on the value of the property and the local property tax rate. Reading's home rule charter limits annual increases in property taxes to five percent more than was actually collected in the previous year, and the Commonwealth limits Third Class cities to 25 mills for general revenue purposes.⁴ The City levies an 11.945 mill tax on the assessed value of land and buildings, an additional 16.46 mills are charged by the Reading School District, and 6.935 by Berks County. A home assessed at the City's recently estimated median value of \$65,300⁵

³ The provisions of the Local Government Unit Debt Act prohibit Act 47 communities from entering into swaps and similar interest rate structures.

⁴ Home Rule Charter, City of Reading. Section 907.

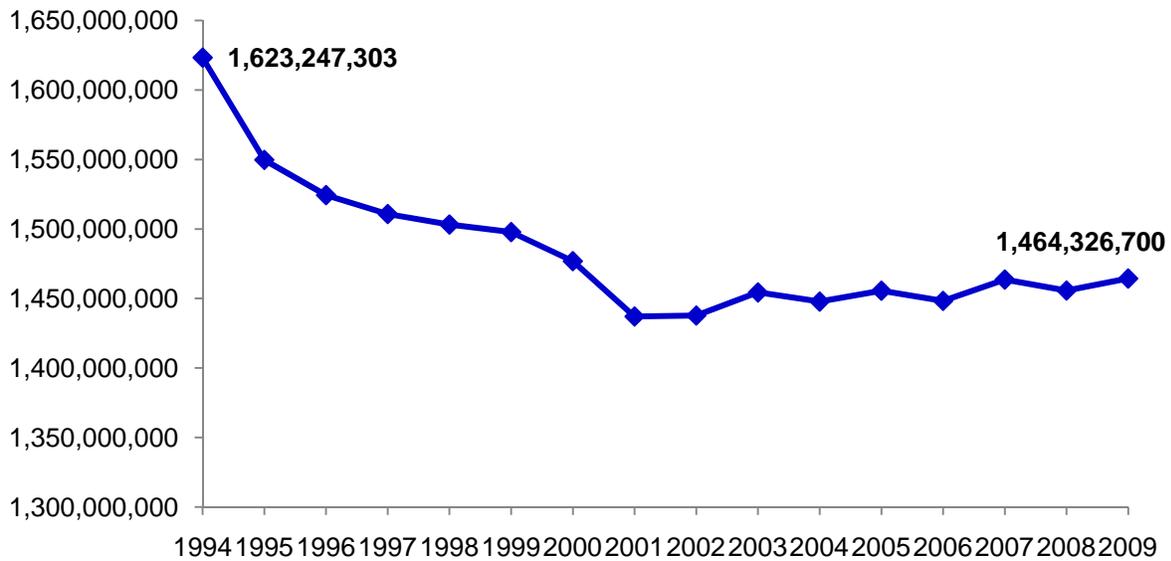
⁵ US Census Bureau. American Community Survey 2008.



would pay a City tax of \$780, a school district tax of \$1,075, and a County tax of \$453 for a total property tax of \$1,898.

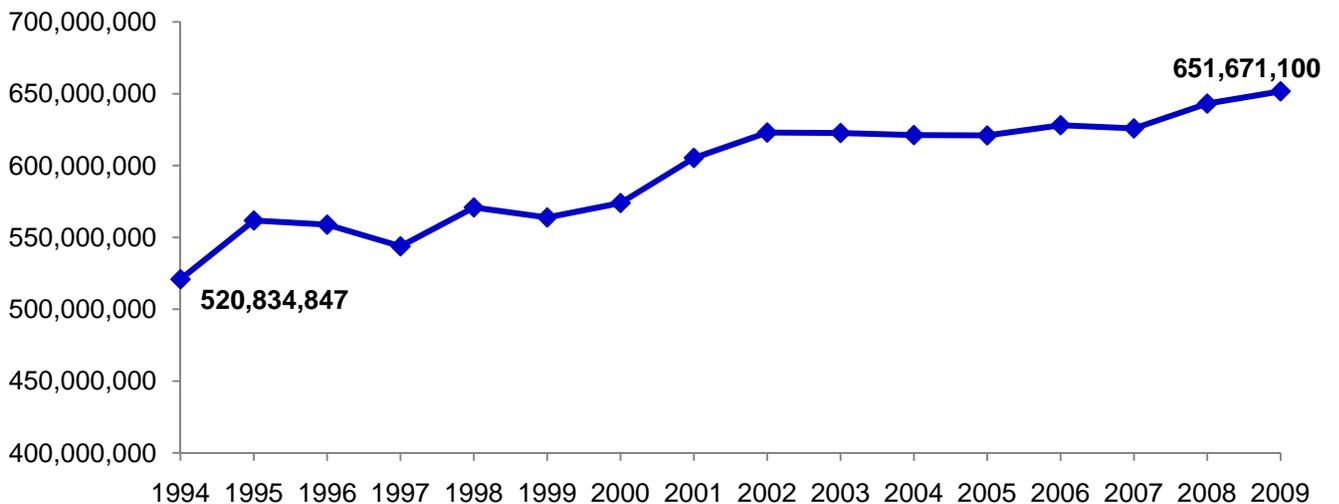
The Berks County Tax Assessment office assesses the property values for parcels in Reading, and the last countywide reassessment was completed in 1994. The City's total assessed real property value was \$1.46 billion in 2009.⁶ Overall the taxable assessed value in Reading has declined over the past fifteen years.⁷

Taxable Assessments 1994 – 2009



Tax exemptions and abatements have increased over this same period by \$130 million since 1994. Furthermore, exemptions and abatements now account for 30.8 percent of total assessments, an increase from the 24.3 percent of total assessments that this segment represented in 1994.

Exemptions and Abatements 1994 – 2009



⁶ DCED Consultative Evaluation.

⁷ Reading City Auditor Reports. March 9, 2009 and September 14, 2009.



Overall property tax revenues have grown modestly in recent years by an average annual rate of 1.3 percent, the highest of the City's major taxes; however, recent growth is primarily due to property tax rate increases in 2006, 2008, and 2009, and not steady growth in assessed value. A review of 2010 county-wide property tax rates in Berks shows that Reading has the highest local property tax rate, but also the lowest school district property tax millage. Reading voters passed Act 1 in 2007, which increased the Reading School District's EIT rate from 0.5 percent to 1.5 percent in return for a reduction in the school district property tax millage. The following chart shows the City's property tax rate compared with surrounding Berks County communities and comparisons to the County median and average.

2010 Berks County Property Tax Rates

Municipality	Local Tax	School Tax	Berks County	Total Rate
Reading	11.945	16.460	6.935	35.340
Alsace	1.000	23.820	6.935	31.755
Bern	3.116	24.430	6.935	34.481
Lower Alsace	6.680	31.600	6.935	45.215
Mount Penn	7.400	31.600	6.935	45.935
Muhlenberg	4.250	25.060	6.935	36.245
West Reading	7.100	27.108	6.935	41.143
Wyomissing	3.130	27.108	6.935	37.173
Local Average	4.668	27.247	6.935	38.850
Difference from Avg.	155.9%	-39.6%	N/A	-9.0%
Berks County Median	2.320	24.430	6.935	34.255
Berks County Average	2.773	24.853	6.935	34.551

Source: Berks County Treasurer

While property taxes historically have been resistant to economic downturns, recently many cities across the country have experienced real declines in property tax revenue due to the weak condition of the housing market. Given the state of the economy, housing market, and collection challenges, the City is not likely to see significant property tax growth in the near term absent continued rate increases or a countywide reassessment.

② Water and Sewer Transfers

FY2009 Revenues	\$7,605,000
% of Total Revenues	10.4%

The City receives revenue each year from its Water and Sewer Funds. The current arrangement is not unique; it is a practice used across the country for city-owned utilities such as the City's Water and Sewer Funds to pay the City's General Fund an annual payment as a return on investment (ROI), similar to the dividend to shareholders the utilities would pay if they were private companies. In some cities this is accomplished by applying a franchise tax to the gross receipts of the utility, or to individual utility bills. Additionally, the City's Wastewater Treatment Plant and the Reading Area Water Authority each provide service to regional jurisdictions, so this approach shares the burden of the City's provision of a significant regional utility service.

As part of the Consent Decree settlement executed in December 2004 with the federal and state governments, Reading agreed to reduce the size of its transfer from the Sewer Fund. At the time, the City was receiving over \$6 million annually from the Sewer Fund. The Consent Decree called for annual



reductions to the transfer and capped the transfer at \$3 million. The City reduced the transfer payment over a five year period and has received \$3 million annually since FY2008.

While current levels of transfer from the water and wastewater utilities are reasonable when compared to what other governments receive, substantial additional transfer payment amounts should not be drawn from the utilities at this time.

③ Earned Income Tax

FY2009 Revenues	\$7,442,832
% of Total Revenues	10.2%

The earned income tax is tax levied against residents' earned income and net profits from for-profit businesses. The City's FY2010 budget included a 0.5 percent increase in the City's portion of the EIT. The new EIT tax rate is 3.2 percent, with 1.7 percent dedicated to the City's General Fund and 1.5 percent collected for the Reading School District. The City also imposes an EIT tax of one percent on non-residents who work in Reading; however, the tax is only applicable if the non-resident's home municipality does not impose an EIT or the EIT is less than one percent, in which case Reading receives the difference. Historically, EIT revenue has been largely stagnant absent increases in the City tax rate (recent increases were from 0.5 percent to 1.0 percent in 2004 and from 1.0 percent to 1.2 percent in 2005). EIT revenue did decline by over \$1.2 million or 13.9 percent in FY2009, apparently as a result of the effect of the economic downturn on the number of jobs and amount of salaries covered by the tax.

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Estimated	2010 Budgeted
Earned Income Tax	8,714,240	8,058,263	8,850,005	8,645,185	7,442,832	11,523,719

The EIT is a reliable and necessary way for Reading to raise revenue, yet the City's current EIT rate outpaces surrounding municipalities in Berks County which have a total EIT rate of 1.0 percent, as well as other similar Pennsylvania cities.

EIT Tax Rates for Pennsylvania Cities

	City Tax	School Tax	Total Tax Rate
Reading	1.70%	1.50%	3.20%
Allentown	0.50%	0.50%	1.00%
Bethlehem	0.50%	0.50%	1.00%
Lancaster	0.60%	0.50%	1.10%
Erie	0.68%	0.50%	1.18%
Scranton	2.40%	1.00%	3.40%
Harrisburg	0.50%	0.50%	1.00%

Source: Pennsylvania Department of Community and Economic Development



④ Intergovernmental Revenues

FY2009 Revenues	\$7,214,141
% of Total Revenues	9.9%

Reading received over \$7.2 million in intergovernmental revenue in FY2009. The largest revenue source is state pension aid, which accounted for \$2.8 million. The remaining funding is composed of revenue from Berks County for the Reading Public Library and various transfer payments that are largely direct and indirect reimbursements for City services. Historically, the revenue source has experience strong growth before a decline of \$1.5 million FY2009 due to a decline in reimbursements. The City's 2008 figures show \$2.0 million in reimbursements from other funds (e.g. EMS, Recycling) to the General Fund. The City's 2009 figures show \$0 in the same category.⁸

⑤ Licenses, Permits and Fines

FY2009 Revenues	\$4,019,868
% of Total Revenues	5.5%

The City has generated increased revenues from licenses and permits as a result of recent increases to various fees. This revenue stream typically fluctuates based on the economy, especially the demand for construction and building permits. Increasing the costs of licenses and permits, increasing collection rates, and an improving economy would have a positive impact on the performance of this revenue source. The largest contributors to this revenue are usually fines from District Court summary offenses, cable franchise fees and rental unit permit fees.

⑥ Real Estate Transfer Tax

FY2009 Revenues	\$2,340,473
% of Total Revenues	3.2%

The City imposes a tax of 3.5 percent on the transfer of title of real property, the Reading School District has a rate of 0.5 percent, and the State of Pennsylvania has a rate of 1.0 percent, making the City's total real estate transfer tax 5.0 percent, the highest rate in the Commonwealth. The real estate transfer tax has been significantly impacted by the recent turmoil in the housing market. In FY2007 the City generated \$6.7 million from this source, but due to decline in the number and value of home sales the real estate transfer tax dropped to \$2.3 million in FY2009.

Other Revenue Sources

Revenue Source	Description
Business Privilege Tax (BPT)	The BPT is either a flat rate or a proportional tax on gross receipts. The tax has consistently produced approximately \$1.6 million annually. Growth in the revenue stream is subject to increases in business activity throughout Reading.

⁸ This may be related to the cash versus accrual issues discussed in the Plan introduction. In the past the City may have transferred money to the General Fund in the early part of the year but booked that revenue back to the prior year. For example, the City may have transferred money from the Recycling fund to the General Fund in early 2009 but booked that revenue to 2008. If the City did not make a similar adjustment in early 2010 before providing the 2009 numbers, it would create the appearance of a drop in revenue.



Revenue Source	Description
Local Services Tax (LST)	The LST is imposed on each individual who works in the City regardless of residency. The City retains \$47 per person with \$5 dedicated to the Reading School District. Revenues have fallen from \$1.7 million in FY2006 to \$1.1 million in FY2009 due to changes in the administration of the tax and an increase in income exemption levels.
Per Capita Tax (PCT)	The PCT is a flat \$15 tax on all City residents over the age of 18. The City share of the tax is \$5 and the Reading School District receives \$10. The PCT generated \$83,313 in FY2009 and is generally a difficult tax to administer and collect. The 2008 American Community Survey population estimate for Reading residents over the age of 18 was 56,928, which would generate approximately \$284,640; however, the City only collected \$73,695 in current collections during FY2008.
Sales and Rentals	The City has typically earned around \$1.0 million annually from property and equipment sales and lease and rental income such as the City's lease with the Reading Phillies for the use of FirstEnergy Stadium. In the last two years the City has generated an additional \$4.0 million annually due to the sale of Antietam Lake to Berks County and one-time revenue payment from the Reading Parking Authority.
Other Revenues	<p>The other revenues category is comprised of a variety of charges for services, fees, grants, and other miscellaneous revenue. Charges for services have been an increased area of focus for municipal governments nationwide; 45 percent of city finance officers recently reported increasing their city's level of fees and charges and 27 percent reported increasing the number of fees.⁹</p> <p>Aside from the use of one-time revenues from bond and interest rate swap proceeds, the revenue category grew steadily before a decline in 2009 due in part to a decrease in user fees and interest on investments.</p>

Impact of Current Economic Conditions

The current recession has had a significant impact on the fiscal outlook of cities nationwide. The sharp downturn has forced municipalities to confront budget challenges that have been intensified by declines in key economically sensitive revenue streams as well as demand for increased services and increasing costs in areas such as healthcare and pensions. This confluence of events recently led Moody's Investors Service to assign a negative outlook to the U.S. local government sector for the first time in history.¹⁰

Since 1985, the NLC has conducted an annual survey of city finance officers regarding the fiscal condition of cities. In the NLC's spring-summer 2009 survey, 88 percent of city finance officers predicted that their cities will be less able to meet needs, the most negative assessment of city fiscal conditions offered in the history of the survey.¹¹

As with its peers, the City of Reading has felt the impact of the decline in the economy. City unemployment increased from 7.7 percent in January 2006 to 14.2 percent in January 2010,¹² and

⁹ Michael Pagano & Christopher Hoene. "City Fiscal Conditions in 2009." National League of Cities. September 2009.

¹⁰ Eric Hoffmann. "Moody's Assigns Negative Outlook to U.S. Local Government Sector." April 2009. Geordie Thompson. "Moody's Annual Sector Outlook for U.S. Local Governments: 2010 Sector Outlook is Negative." February 2010.

¹¹ Pagano and Hoene.

¹² United States Bureau of Labor Statistics



economically sensitive revenue streams such as EIT and BPT have weakened. It is clear the current economic conditions will squeeze City resources from all angles in the near future and make it more difficult to fund critical services.

In addition, local government finances tend to lag the overall economy. In each of the last three recessions, growth in local government receipts have trailed growth in expenditures and continued to do so for one to two years following the end of the recession. As a result of the deteriorating economic conditions cities will likely feel the impact of the economic downturn through 2010 and likely into 2011.

Reading's Revenue Structure

Reading's revenue structure possesses some strengths:

- The City has a relatively diverse revenue base composed of property, income, and business taxes to fund City services.
- Reading is home to large governmental employers, such as the Reading School District, which often act as a stabilizing force during an economic downturn.

These positive aspects are offset by other factors:

- The City's revenue structure is not producing sustainable growth which has led to the use of operating transfers, tax increases, and the use of one-time revenue sources to fill operating needs in the last five years.
- Reading has a high tax burden when compared to other similar jurisdictions in Berks County and elsewhere in Pennsylvania. Over time, this will have an impact on the location decisions of residents and businesses and will also affect home values.
- The City is constrained in its ability to access other revenue sources, primarily the sales tax (which is currently reserved for the Commonwealth), and the City's Charter limit on property tax increases. In addition, the Commonwealth controls many of the City's Act 511 tax rates.

Future Outlook

The current economic situation has exacerbated economic and demographic factors that have had a negative impact on city budgets for a number of years. In many cities general employment has trended to move from the city to the suburbs. Reading has experienced a declining proportion of total county employment which impacts LST, BPT, and other revenues. Cities also tend to have lower household incomes than their suburban counterparts, which affects EIT and overall revenue performance. For example, Reading's median household income in 2008 was \$28,776 compared with \$54,210 for Berks County.¹³

In order to project current revenues, the Act 47 team consulted with City Finance staff and analyzed historical trends and current economic conditions to prepare a baseline revenue estimate. Each major revenue source was assigned an annual growth rate for each year over the Plan period to enable the Act 47 team to project the City's fiscal position. The baseline revenue estimate aims to determine the City's likely General Fund revenues if no action is taken to alter existing tax rates or improve collection rates. The table below shows the Act 47 team's forecast of Reading's General Fund revenues through 2014.

¹³ U.S. Census Bureau, 2006-2008 American Community Survey.



Projected Baseline General Fund Revenue, 2010 - 2014

Revenue Source	2010 Budgeted	2011 Projected	2012 Projected	2013 Projected	2014 Projected
Local Taxes	34,373,792	34,373,792	34,491,529	34,659,622	34,829,396
Property Taxes	17,141,240	17,141,240	17,141,240	17,141,240	17,141,240
Earned Income Tax	11,773,719	11,773,719	11,891,456	12,010,371	12,130,474
Real Estate Transfer Tax	2,500,000	2,500,000	2,500,000	2,525,000	2,550,250
Business Privilege Tax	1,472,833	1,472,833	1,472,833	1,487,561	1,502,437
Local Services Tax	945,000	945,000	945,000	954,450	963,995
Admissions Tax	450,000	450,000	450,000	450,000	450,000
Per Capita Tax	91,000	91,000	91,000	91,000	91,000
Licenses, Permits and Fines	5,676,687	4,588,784	4,588,784	4,634,672	4,681,019
Sales and Rentals	1,562,000	752,000	752,000	752,000	752,000
Intergovernmental	10,895,026	10,193,225	10,111,030	10,396,714	10,697,356
Transfers	7,055,000	7,055,000	7,055,000	7,055,000	7,055,000
Other Revenues	5,884,220	5,792,876	5,843,655	5,894,942	5,946,741
General Fund Total	65,446,725	62,755,678	62,841,998	63,392,949	63,961,512

The current projection shows a continuing decline in General Fund revenues in 2011 due to falling state pension contributions and drops in housing permit and property sales revenue. Despite modest revenue growth projected in future years as the economy recovers, the City is forecasted to generate less revenue in 2014 than it expects to receive in 2010.

Given the baseline projected revenue growth, the City needs to take significant steps to produce a structurally balanced budget. The remainder of this chapter will focus on a variety of ways in which the City of Reading can increase its revenues, either by adding new sources of revenue or by modifying or improving collections of existing revenues.

Initiatives

While revenues in cities across the country are struggling to keep pace with expenditure growth, this problem is even more acute in Reading where economic and demographic factors further impact the City's ability to generate sustainable revenues. Nonetheless, the projected annual structural deficit outlined earlier in this Recovery Plan demands a balanced approach between revenue increases and spending reductions.

The City's entry into Act 47 comes at a time of significant change in how certain taxes are collected. As a result of the Commonwealth's Act 32 of 2008, beginning no later than 2012 each County will have a single EIT collector. This approach is expected to improve EIT collections for Reading and other jurisdictions in Berks County and statewide. As a result of this reform, baseline EIT growth has been adjusted slightly upward in 2012, 2013 and 2014. The Commonwealth also continues to consider a local



option sales tax that could provide additional revenue to counties and local governments. For Reading to access this revenue, the Commonwealth and the Berks County Commissioners would have to take action on proposed legislation.

This section separates the revenue initiatives into two categories – those which the City shall pursue to generate the maximum amount possible from its current tax base under current rates and the temporary increases that will be necessary to bring the City’s finances into balance.

Maximizing existing revenue sources

RE01.	Delinquent tax collection	
	Target outcome:	Increased revenue
	Five year financial impact:	\$5.6 million
	Responsible party:	Finance Department

The City has an obligation to its residents and property owners to ensure that it is doing everything possible to collect all current and delinquent revenues before it imposes new or higher taxes and fees. The City uses a private firm to collect delinquent real estate taxes and recently hired another to collect delinquent per capita taxes. In addition, the City will likely migrate collection of earned income taxes to a countywide collector in accordance with Act 32. These actions are expected to enhance the City’s ability to collect both current and delinquent taxes.¹⁴ However, the City should take additional steps to ensure it is collecting a higher percentage of current revenue it is owed:

- Raise the percentage of real estate taxes collected on time. The City’s current real estate collection rate has averaged 90.7 percent over the previous five years. A one percent increase in the on-time collection rate in 2009 would have yielded \$168,568 in additional General Fund revenue.
- Withhold issuance of permits or licenses to individuals or organizations who owe Reading back taxes. This will require increased coordination of tax and fee databases.
- Offering a variety of means of payment – credit card, online, direct debit, and money order – to improve taxpayer convenience and overall compliance. For example, Toledo, Ohio adopted an online tax payment system for individual and business income taxes in 2004 and realized a 3.5 percent collection increase the following year.¹⁵

The fiscal impact of this initiative will depend on the City’s ability to successfully implement changes to improve collection rates. The financial impact is calculated based on the City being able to collect an additional three percent of FY2014 General Fund revenues discounted over the plan period.

Financial Impact

2010	2011	2012	2013	2014	Total
400,000	812,000	1,082,000	1,443,000	1,924,000	5,661,000

¹⁴ Please see the Finance Chapter for information on Reading’s tax collection operation.

¹⁵ “City of Toledo Offers new Electronic Tax Payment Options.” *Business Wire*. July 30, 2004.



RE02.	Develop Water Fund transfer policy	
	Target outcome:	Develop clear policy on future transfers
	Five year financial impact:	\$2.0 million
	Responsible party:	Finance Department & RAWA

Since 2005, the Water Fund transfer has fluctuated, but averaged approximately \$4.0 million annually. The current policy is the result of a combination of factors, and the Finance Department and the Reading Area Water Authority (RAWA) are currently working to develop a consistent policy for future Water Fund transfers to the City.

There is no clear standard or benchmark as to the appropriate level of transfers from utility operations, although parallels are often drawn to privately-operated water and wastewater utilities, where investors expect a return on investment of at least 10-12 percent. As an example of comparable public sector entities, the City of Portsmouth, Virginia¹⁶ has historically transferred over \$9.0 million annually from its water/wastewater utility to its General Fund. In its 2009 Public Power Peer Study, FitchRatings compiled financial ratios for retail public power systems in the United States. For systems with senior debt rated A or A-, the percentage of General Fund revenue comprised by utility transfers ranged from zero to 8.8 percent. Of the 16 utilities with a transfer greater than zero, the average was 4.3 percent.¹⁷

The Finance Department and RAWA need to develop a clear policy that will govern Water Fund transfers for the foreseeable future. The policy should generate a minimum of \$4.0 million annually for the City's General Fund and include some type of escalator clause based on rate increases or other factors.

Financial Impact

2010	2011	2012	2013	2014	Total
0	200,000	400,000	600,000	800,000	2,000,000

RE03.	Institute PILOT from the Reading Parking Authority (RPA)	
	Target outcome:	Increased revenue
	Five year financial impact:	\$1.7 million
	Responsible party:	Finance Department & RPA

The RPA operates and manages all public off-street and on-street parking in the City. The RPA makes an annual payment of \$400,000 to the City for the right to collect revenue from on street parking (parking meter and related violation revenues). In FY2009 the RPA also provided the City with a \$4 million one-time payment and in FY2010 a one-time contribution of \$150,000.

Due to the City's fiscal constraints, the City should conclude a long-term PILOT agreement with RPA similar to the transfers from the Water and Sewer Funds. A PILOT payment from the RPA would be a

¹⁶ Portsmouth is a mature urban city of approximately 100,000 people in the Norfolk/Tidewater region of Virginia.

¹⁷ U.S. Public Power Peer Study, June 2009, Fitch Ratings, page 27-8.



way to ensure visitors, commuters and others who use the RPA facilities are contributing to the City to offset the cost of the municipal services they consume.

The structure of the PILOT payment could take many forms such as a set percentage of the Authority's overall revenues, a payment based on the property value of Authority assets or a base payment that is adjusted periodically based on an inflation index. The end result should be an ongoing agreement that provides steady revenue to the City's General Fund. Because the RPA is subject to occasional contingencies, such as emergency parking garage repairs, the City and the RPA shall work together to develop a contingency strategy that will allow the RPA to make its annual payment to the City and still have a means to address unexpected costs.

Financial Impact

2010	2011	2012	2013	2014	Total
0	350,000	400,000	450,000	500,000	1,700,000

RE04.	Conduct tax exempt property audit and expand PILOT payments	
	Target outcome:	Ensure compliance; increased revenue
	Five year financial impact:	\$505,000
	Responsible party:	Mayor, Finance Department, City Solicitor

As the Berks County seat, the center for various non-profit organizations, and the home to numerous places of worship, the City has a large number of tax exempt institutions. These organizations accounted for 30.8 percent of the City's total assessed value in 2009, up from 27.9 percent in 2000, and 24.3 percent in 1994.¹⁸ Nearly half (46.1 percent) of the tax exempt value is governmental property, and another 17.5 percent is occupied by public authorities such as the Berks Area Regional Transit Authority (BARTA) and the Reading Housing Authority.¹⁹

While many of the City's non-profit entities contribute to the City's viability and provide worthwhile services, there is no question that many of these entities benefit from municipal services provided by the City of Reading. In response to the current economic downturn, some governments have elected to impose fees on tax exempt organizations to generate revenues. This Plan does suggest certain limited fees related to services broadly used in the City, including those related to public works services. However, this Plan recognizes the existing contributions and modest finances of current City tax-exempt entities. These contributions range from making improvements to public facilities to the provision of voluntary community service by college students to support of local economic development efforts.

In general, however, the City shall seek increased levels of financial support from tax exempt entities to support the City to help ensure its fiscal viability. The City has historically received voluntary PILOTs from several tax exempt organizations including Alvernia University and the Reading Housing Authority, but these revenues have fallen in recent years and totaled only \$41,250 in FY2009,²⁰ less than a quarter of the FY2005 total.

Due to the increasing value of tax exempt properties in Reading, the City shall work through the City Solicitor to conduct an audit of the City's tax exempt properties to review and ensure the status of

¹⁸ Reading City Auditor Reports. March 9, 2009. Information via the Berks County Duplicate.

¹⁹ Reading City Auditor Reports. March 9, 2009.

²⁰ This total does not include a reimbursement from the Housing Authority for two police officers (\$135,000 in 2009).



currently tax-exempt institutions. In addition, the City shall initiate discussions with colleges, medical institutions, and other non-profit entities to expand the scope of the City's current PILOT program. As property owners and employers, these tax exempt institutions have a significant stake in the current of future operations of the City. The eventual goal should be a PILOT program that generates a total of \$325,000 annually, approximately 0.5 percent of FY2010 budgeted revenues, or transfer of an equivalent amount of currently tax-exempt property back to the tax rolls. The impact of the initiative is discounted by the projected PILOT revenues from the City's current program, and the expectation that some institutions will continue to provide and even expand existing non-revenue services in lieu of taxes instead. The revenue shown here is separate of the revenue associated with a PILOT payment from the RPA.

Financial Impact

2010	2011	2012	2013	2014	Total
0	34,000	83,000	157,000	231,000	505,000

RE05.	Index fees to inflation	
	Target outcome:	Increased revenue; improved cost recovery
	Five year financial impact:	\$1.3 million
	Responsible party:	Finance Department, all fee generating departments

The cost of providing municipal services generally grows over time, in large part due to increasing personnel costs and slow but steady increases in the cost of materials and supplies. Many local governments have responded by making service charges a larger portion of their overall revenue structure. In 2009 the City commissioned a comprehensive fee study that reviewed the City's charges for services and recommended increases based on the cost of service. After reviewing the study, the City did adjust the level of approximately 150 fees.

The City shall ensure that all major fees reviewed in the study are adjusted by the end of 2010 (major fees are defined as those that generate \$100,000 or more annually). Once this process has been completed, the City shall conduct periodic updates to all fee levels based on an inflation index. Many jurisdictions pick either one or two years as the regular adjustment period and use one of the Consumer Price Indices or the Implicit Price Deflator for State and Local Governments as the basis to make adjustments. The City could also opt to use a blended rate that is composed of City labor costs (salary and step increases, benefit increases, etc.) as labor is the largest component of the cost of service.

The end result of the fee strategy that City leadership implements should be a minimum average increase of three percent above the baseline projection in the City's licenses, permits, and fines revenues.

Financial Impact

2010	2011	2012	2013	2014	Total
0	138,000	279,000	380,000	484,000	1,281,000



RE06.	Generate additional revenue through Market Based Revenue Opportunities	
	Target outcome:	Increased revenue; cost avoidance; improved service
	Five year financial impact:	\$1.5 million
	Responsible party:	Finance Department

Many jurisdictions around the country have entered into marketing, concessions, advertising, and sponsorship agreements – known as market based revenue opportunities (MBRO) – to generate ancillary revenues from municipal assets such as real estate and facilities. While it is important for MBRO programs to operate within locally-established policy guidelines to limit excessive commercialization and remain consistent with community values, these initiatives can yield significant revenues in the aggregate. Efforts nationally have included “street furniture” programs (benches, bus shelters, signage) subsidized by limited advertising, naming rights for major facilities and events, pouring and concession rights in public facilities, and other indoor and outdoor advertising, as well as strategic leasing for infrastructure such as communications hardware on public buildings.

Aside from increased revenue, there are other benefits to MBROs:

- **Cost Avoidance:** As an example, street furniture programs can enable a city to avoid installation and maintenance costs for public amenities, such as bus shelters.
- **Non-Monetized Benefits.** For street furniture programs in general, there is a benefit to having benches, bus shelters, kiosks, and newspaper corrals that are clean, well maintained, and aesthetically pleasing.
- **Administrative Burden Reduction:** Vendors typically administer market-based revenue initiative programs. While contracts are managed by City staff, the “hands free” nature of the programs keeps oversight responsibilities (and commensurate costs) to a minimum.

The City shall pursue a request for proposals (RFP) process to select a broker to help identify potential City assets for an MBRO program, assist with establishment of a policy framework, and market approved opportunities. The Mayor and Council shall implement an MBRO program no later than July 1, 2011.²¹ To the extent practicable and useful, the City shall collaborate with the County and City authorities in developing and implementing the MBRO program.

As a general rule, municipalities can expect approximately one percent of General Fund revenues once an MBRO program is fully implemented. Using FY2010 General Fund revenues as a base, once fully implemented Reading could generate nearly \$656,000 annually. Recognizing that recent weakness in the economy may make shorter-term, less lucrative options desirable until the economy rebounds, and a mid-year 2011 start, the estimate is phased in over four years.

Financial Impact

2010	2011	2012	2013	2014	Total
0	100,000	250,000	500,000	656,000	1,506,000

²¹ While the City could pursue individual opportunities with in-house staff, outside brokers can often identify opportunities government is not aware of, and package multiple deals to achieve higher revenues. Moreover, the City does not currently have the capacity or expertise to develop and implement such a strategy.



RE07.	Establish revenue estimating committee	
	Target outcome:	Improve and build consensus on projected revenues
	Five year financial impact:	N/A
	Responsible party:	Finance Department; Mayor's Office; City Council

Credible revenue estimates are essential to producing a balanced budget. In 2008 and 2009, the City's budgeted estimates for major tax revenues significantly outpaced actual collections. The following table details the variances between budgeted and actual collections for major taxes over the last two years.

Revenue Source	2008 Budgeted	2008 Actual	2008 Variance	2009 Budgeted	2009 Estimated	2009 Variance
Real Estate Taxes	15,430,579	15,221,298	-1.4%	16,180,579	15,769,345	-2.5%
Earned Income Tax	8,134,390	8,645,185	6.3%	8,134,390	7,442,832	-8.5%
Real Estate Transfer Tax	7,215,868	4,003,296	-44.5%	5,000,000	2,340,473	-53.2%
Local Services Tax	1,100,000	1,175,307	6.8%	970,000	1,075,567	10.9%
Business Privilege Tax	1,595,000	1,617,757	1.4%	1,640,000	1,437,142	-12.4%
Total	33,475,837	30,662,843	-8.4%	31,924,969	28,065,359	-12.1%

While a portion of the variances are due to the economic downturn that has affected Reading and the nation over this time period, there is considerable risk in continued inaccurate revenue estimates. In an attempt to improve the City's revenue estimating process, and to help ensure a balanced budget, the City shall create a Revenue Estimating Committee that shall include:

- Managing Director or their designee
- Finance Director or their designee
- City Council President or their designee
- Chair of the City Council Finance Committee or their designee
- A representative of the Act 47 Coordinator

By September 15 of each year, the Managing Director or Finance Director shall submit to the Committee the projected revenues for the upcoming budget compared to those actually collected in the previous two full years and those revenues collected as of June 30th of the current year. The projections shall include all tax revenue categories as well as other major categories such as licenses and permits, intergovernmental, and charges for services. In cases of minor revenues, or where estimates are not available, their absence shall be noted.

By September 30 of each year the Committee shall either approve the projected revenues or reach consensus on revisions to the projected revenues. The projected revenues shall form the revenue portion of budget submission provided by the Mayor. The Mayor may ask the Committee to consider amending the revenue budget based on additional information provided subsequent to September 30, or in response to revenue initiatives. However, the Committee's determination shall be final.

Additional revenues



There are other initiatives distributed throughout the Recovery Plan that will generate additional, marginal amounts of revenue. In many cases, those initiatives represent adjustments to ensure that services that are assumed to “pay for themselves” actually do fully recover their costs.

Even with these revenue initiatives, the ones discussed above and the expenditure reductions described throughout the majority of this Recovery Plan, the City’s finances will not be in balance, particularly in 2011 when the provisions in the Workforce chapter will not have an impact on the majority of City employees.²²

To close the remaining deficit, the Coordinator evaluated a variety of options based on the criteria below:

- Recognition of the already high and anti-competitive overall tax burden in Reading;
- The relative levels of different major taxes compared to surrounding and competing jurisdictions;
- The need to spread the burden of additional taxes fairly across many stakeholders;
- The need to increase revenue beginning in 2011 and the presence or absence of existing taxing and collecting mechanisms; and
- Preferences expressed by the public, City Councilors, and the Administration as part of the public comment process on the draft Plan.

In addition to these criteria, this Recovery Plan seeks to bring the City to a point where its budget is balanced, sharing the pain of financial recovery broadly but ultimately allowing the City to stand on its own so that it can exit Act 47 oversight. The Coordinator recognizes that the City is significantly limited in its authority to change its revenue structure. Some ideas discussed throughout this process, such as a local option sales tax, would require action by the Commonwealth or Berks County before they could be implemented in Reading. Meanwhile, the City faces a pressing need to generate more revenue next year so that, in concert with the expenditure reductions that make up the majority of this Plan, the City can wrench its finances back into balance beginning in 2011.

In the draft Plan released on May 6, 2010, the Coordinator outlined two revenue options. Option A included a temporary surcharge on all entries at Reading Parking Authority facilities of \$2.50 in 2011, dropping to \$1.00 in 2014 and zero after 2014. Option A also included a projected \$3.7 million unfunded debt borrowing in 2011 in addition to the \$10.9 million borrowing discussed in the Debt chapter. Option B included a temporary increase in the earned income tax on residents of 0.4 percent in 2011 and 0.2 percent in 2012 and 2013. Option B also included a new earned income tax on non-residents who work in Reading of 0.3 percent in 2011 and 0.1 percent in 2012 and 2013. Under both Options A and B, the City would have increased its property tax by 10 percent in 2011 and five percent each year from 2012 through 2014.

Beyond the understandable frustration about the prospect of any tax increase, the input that the Coordinator received in response to those options has set a different course. Among the alternatives proposed, there was strong support among members of Council for replacing tax increases –especially the property tax increases – with additional revenue from the Reading Parking Authority (RPA) and the Reading Area Water Authority (RAWA). In addition to City residents, both entities serve commuters who work in Reading and use City services during the day, but live elsewhere and pay the majority of their taxes accordingly. RAWA also provides services to non-profits that are exempt from real property taxes.

Taking these comments and additional information provided by City Council and the Administration into account, this Act 47 Recovery Plan includes a modified tax package that changes the major revenue generators in the draft Plan as follows:

²² The City’s collective bargaining agreements with the Fraternal Order of Police and AFSCME 2763 do not expire until December 31, 2011.



- Eliminates the 10 percent property tax increase in 2011;
- Eliminates the 5 percent property tax increase in 2012;
- Eliminates the 5 percent property tax increase in 2013;
- Adjusts the 2014 property tax increase to 10 percent;
- Reduces the resident earned income tax from 1.700 percent to 1.675 percent in 2014.
- Increases revenue from the RPA by an additional \$2.5 million beyond the amounts in initiative RE03;
- Increases revenue from RAWA by an additional \$6.95 million beyond the amounts in initiative RE02.

The remainder of this subsection discusses certain of the City tax revenue modifications. Changes in public authority payments to the City may be found in initiatives PA01 and PA02 in the Public Authorities chapter of this Recovery Plan.

RE08.	Temporarily expand earned income tax; reduce resident rate in 2014	
	Target outcome:	Increased revenue
	Five year financial impact:	\$10.8 million
	Responsible party:	Finance Department

To assist in addressing the structural imbalance, the City shall enact a temporary increase in the Earned Income Tax (EIT) rate for residents and a temporary earned income tax on non-residents who work in the City (i.e. “commuters”).

For residents the City shall increase its earned income tax rate by 0.4 percent in 2011, bringing the City’s levy to 2.1 percent. The additional amount of tax revenue resulting from this increase shall not be subject to sharing with the Reading School District or any other governmental entity. In 2012 the City shall reduce its EIT rate on residents to 1.9 percent. This rate shall remain in effect for 2013. In 2014 the City shall reduce its EIT rate on residents to 1.675 percent, which represents a 0.025 percent *decrease* below current levels. While this rate reduction below current levels is modest, it is intended that additional marginal resident EIT rate reductions would be enacted in subsequent years.

The table below summarizes these changes and shows the total earned income tax rate for residents based on the current School District levy of 1.5 percent.

Earned Income Tax Rate - Residents

	City tax	RSD Tax	Total Tax
2010	1.70%	1.50%	3.20%
2011	2.10%	1.50%	3.60%
2012	1.90%	1.50%	3.40%
2013	1.90%	1.50%	3.40%



	City tax	RSD Tax	Total Tax
2014	1.675%	1.50%	3.175%

For non-residents, the City shall petition the Court of Common Pleas of Berks County, pursuant to Section 141 of Act 47, to increase the rate of earned income taxation upon non-residents by 0.3 percent in 2011. The crediting provisions of Act 511 provide for the home jurisdiction of non-residents to have first preference on the tax imposed on their residents up to their amount so imposed. The additional amount of tax revenue resulting from the City's non-resident EIT rate shall not be subject to sharing with the Reading School District or any other governmental entity. In 2012 the City shall reduce its EIT rate on non-residents to 0.1 percent. This rate shall remain in effect for 2013. The City shall eliminate it entirely in 2014. The table below summarizes these changes assuming that the non-resident's home jurisdiction has an earned income tax rate of 1.0 percent.

Earned Income Tax Rate – Non-Residents

	City Tax	Home Jurisdiction Tax	Total Tax
2010	0.00%	1.00%	1.00%
2011	0.30%	1.00%	1.30%
2012	0.10%	1.00%	1.10%
2013	0.10%	1.00%	1.10%
2014	0.00%	1.00%	1.00%

Because the temporary tax on non-residents would require the approval of the Act 47 Coordinator and the Berks County Court of Common Pleas, its sunset at the end of 2013 can be enforced. The revenue associated with both aspects of this initiative is shown below.

Financial Impact

2010	2011	2012	2013	2014	Total
0	6,008,000	2,454,000	2,479,000	(173,000)	10,768,000

RE09.	Property tax increase in 2014	
	Target outcome:	Increased revenue
	Five year financial impact:	\$1.6 million
	Responsible party:	Finance Department

The property tax is the City's largest revenue source and one of the few major revenues it can adjust unilaterally. The City's current total property tax rate is below the average of neighboring communities. From an economic perspective, taxes on property have a smaller economic impact than taxes on income or business activity because land, unlike individuals and businesses, property is immobile and cannot relocate to escape higher taxes.

The City's Home Rule charter provides "for collection of income from real estate taxes which, in total amount, does not exceed 105% of the real estate tax income actually collected in the previous year."²³

²³ Section 907



This has generally been interpreted as capping the City's maximum annual property tax at five percent. However, the Charter Board of the City of Reading recently issued an opinion that a Home Rule Charter cannot limit the tax rates that a municipality can impose on its residents since that power is expressly denied by the Commonwealth law. The Charter Board notes:

*"Section 2962(b) [of 53 PA C.S.] specifically prevents a municipality's governing body from having its 'hands tied' by limitations on the tax rates that it may impose upon residents. Charter Section 907's five per cent limitation is therefore superseded by [Commonwealth law]."*²⁴

This opinion is based in part on a similar case in which the Lackawanna County Home Rule Charter sought to limit annual property tax increases to 105 percent absent voters' approval through a referendum. A trial court and the Commonwealth Court issued rulings holding that Commonwealth law superseded and invalidated the property tax limitation. In view of that decision and the Reading Charter Board Commission, the City shall increase its property tax rate by 10 percent in 2014 subject to the contingencies discussed below. It is acknowledged that members of City Council in particular expressed an interest in reducing or eliminating the 2014 property tax increase if City financial performance is sufficiently strong when the 2014 budget is being prepared three years from now.

Financial Impact

2010	2011	2012	2013	2014	Total
0	0	0	0	1,600,000	1,600,000

RE10.	Failsafe revenue package	
	Target outcome:	Increased revenue
	Five year financial impact:	Unfilled gap from failure to implement other revenue recommendations
	Responsible party:	Finance Department

The City of Reading must achieve the annual operating balance and fund balance goals set in this Recovery Plan in order to return to financial stability. In modifying the revenue provisions of the draft Plan, the Coordinator reflected the stated views of City Council, the Administration, and many members of the public who appeared at the public meeting or submitted comments on the draft.

However, this modification affected the control and certainty of the revenue package, in particular by replacing City-controlled property tax revenue with additional contributions that must be put in place by RAWA and the RPA. Should the City fail to secure the necessary additional revenues from the two authorities, the City shall take action to fill the gap with other revenue sources. With the approval of the Act 47 Coordinator, the City shall fill the gap with a mix of increases in the property tax; increases in the resident earned income tax; and appropriate increases in the non-resident earned income tax (using the same mechanism identified in initiative RE08). It is noted that this approach is not the preferred alternative, and that the City shall take all steps necessary to implement the preferred option (initiatives RE08, RE09, PA01 and PA02).

²⁴ Advisory Opinion No. 20. The Charter Board of the City of Reading. April 28, 2010.



RE11.	Explore a change to a Land Value Tax structure	
	Target outcome:	Increased revenue; improved economic development
	Five year financial impact:	N/A
	Responsible party:	Managing Director, Finance Director, City Council

Land Value Taxation (LVT) has been put forth as a potential tool to increase property tax revenue and encourage development. LVT would tax land and not the improvements to the land (buildings, structures, etc.). A more common approach in Pennsylvania is a modified LVT, or a split-rate system, which taxes land at a much higher rate than improvements. Proponents argue that this system would spur economic development by reducing the disincentive to make improvements to land and creating a disincentive to hold onto vacant or underutilized land.

These approaches (as with any tax change) have advantages, disadvantages and complications. One of the complications involves coordination with other taxing bodies. Reading property owners pay property taxes to three entities – the City, the Reading School District and the County. If the City moved to a LVT system, there is no guarantee that the other two entities would follow. The assessments upon which property taxes are based are provided by Berks County, which has not completed a reassessment since 1994. The City is also moving toward shifting its property tax collection functions (current and delinquent) to Berks County.²⁵ At a minimum two of the fundamental elements of tax administration – assessment and collection – are or may soon be handled by the County. Therefore, it is even more critical that the City discuss any major changes to its tax structure with the County before acting.

In view of the potential benefits and the challenges involved, the City shall convene a working group to review the viability of changing its property tax to a Land Value Tax or split-rate system. The Business Analyst shall assume responsibility for coordinating the group’s activities. Other participants shall include the Finance Director or his/her designee, the City Council President or his/her designee, a representative from the Act 47 Community Committee (which has already done significant research on this subject) and other community stakeholders selected by the Mayor and City Council. Representatives from Berks County and the Reading School District shall be invited to participate.

The group will evaluate the Land Value Tax or split-rate system, consider the advantages and disadvantages of a shift to such a system (including quantifying increased or decreased tax payments associated with the shift) and implementation challenges, such as the assessment, billing, collection and communicating potential changes to tax payers. In view of the many other initiatives that the City must accomplish to establish basic stability and financial management tools, the group’s work shall begin in fall 2010 with a final report provided to the Mayor, Council and Act 47 Coordinator by spring 2011.

Reassessment

Property tax reassessment is a key method for achieving fairness and accuracy in taxation. Best-practice jurisdictions conduct regular reassessment; for example, the State of Maryland assesses all properties in the state on a triennial cycle, and Ohio counties do so every six years (with an option for a mid-term review as well).

The assessment of property and land values for the City of Reading is performed by Berks County; the last county-wide assessment was conducted in 1994. The City does not have any means to compel the County to conduct a reassessment and the cost of conducting an assessment for Reading would likely be

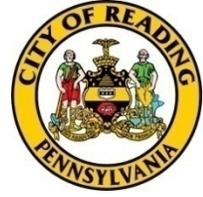
²⁵ Please see the Finance Department chapter for more information.



in the millions of dollars.²⁶ The cost, combined with the recent drop in property values, make it questionable whether Reading would receive a financial benefit that would exceed the short- and medium-term cost of conducting its own reassessment. However, this Recovery Plan does support the regular reassessment of property as a best practice, and recognizes that a county-wide reassessment would be likely to lower the property tax burden in the City as it compares to the rest of the County. Accordingly, this Recovery Plan urges the City to continue to seek regular countywide property tax reassessments.

²⁶ Luzerne County completed a reassessment process in 2009 that cost \$9.6 million. Reading's population is approximately one-fourth the size of Luzerne's, and the City has approximately one-quarter of the housing units. Since some of the reassessment costs are fixed regardless of the number of units, it is likely that Reading's reassessment would cost no less than one-quarter of Luzerne County's, or \$2.4 million.





X. Appendices

Appendix A

Department of Community & Economic Development Reading Act 47 Funding Requests

In conjunction with the City of Reading's Act 47 Plan, the Coordinator requests that DCED consider the following high priority requests to meet critical short- and mid-term needs.

Financial Operations Support

- **\$50,000 in FY2010:** The Coordinator requests funding for a one-year consultative agreement to conduct a comprehensive review of the City's accounting practices by a professional, external party. The external party must include a Certified Public Accountant (CPA) and will provide accounting and auditing support for the Implementation Action Team. This funding will provide for the analysis of historical accounting methods to identify any outstanding financial obligations or issues that could not be identified at present because of the financial practices discussed throughout this Recovery Plan. The goals of this support are to make the necessary repairs and adjustments to the City's cash and accounting records, make prospective repairs to the City's accounting system to address the concerns cited throughout this Recovery Plan, and implement financial control policies.
- **\$120,000 over Three Years:** The Coordinator requests funding to install professional accounting support for the Finance Director. This individual must be a CPA, and will provide a continuation of the financial operations support services funded in FY2010. This individual may also oversee the City's purchasing process, and institute or update policies as appropriate. The Coordinator requests funding on a declining scale over three years.

Planning

- **\$50,000 for Fire Study:** The Coordinator requests \$50,000 to fund a Fire Station/Deployment study to assess the current station locations and provide recommendations for relocation or consolidation of existing stations to allow the most efficient and effective use of response resources.
- **\$80,000 for Comprehensive Plan:** The Coordinator requests \$80,000 in funding so that the City may update its comprehensive plan. The City last presented a comprehensive plan ten years ago, and it is due for an update. The updated comprehensive plan will help the City identify its long-term development goals and set a course to achieve those goals.
- **\$25,000 for Housing Strategy Update:** The Coordinator requests \$25,000 to assist the City's housing strategy analysis and planning. This may include an update of the City's Vacancy Inventory and Reinvestment Strategies or other analytical support for designing a housing strategy as requested by the Administration or City Council.



Appendix B
Projected Baseline Budget, FY2010 - FY2014

	2010 <i>Budgeted</i>	2011 <i>Projected</i>	2012 <i>Projected</i>	2013 <i>Projected</i>	2014 <i>Projected</i>
GENERAL FUND					
REVENUES					
Taxes					
Real Estate Taxes, Current	16,141,240	16,141,240	16,141,240	16,141,240	16,141,240
Real Estate Taxes, Prior	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Per Capita Tax	80,000	80,000	80,000	80,000	80,000
Per Capita Tax Prior	11,000	11,000	11,000	11,000	11,000
Business Privilege Tax	1,350,000	1,350,000	1,350,000	1,363,500	1,377,135
Business Privilege Tax Prior	122,833	122,833	122,833	124,061	125,302
Real Estate Transfer Tax	2,500,000	2,500,000	2,500,000	2,525,000	2,550,250
Earned Income Tax	11,523,719	11,523,719	11,638,956	11,755,346	11,872,899
Earned Income Tax Prior Year	250,000	250,000	252,500	255,025	257,575
Local Services Tax	825,000	825,000	825,000	833,250	841,583
Local Services Tax Prior Year	120,000	120,000	120,000	121,200	122,412
Admissions Fee/Tax	450,000	450,000	450,000	450,000	450,000
Total Taxes	34,373,792	34,373,792	34,491,529	34,659,622	34,829,396
Licenses, Permits & Fees					
General Licenses, Permits, & Fees	783,616	783,616	783,616	791,452	799,367
New Construction Permits	400,000	400,000	400,000	404,000	408,040
Remodeling Permits	200,000	200,000	200,000	202,000	204,020
Business Privilege License	275,000	275,000	275,000	277,750	280,528
Zoning Fees	200,000	200,000	200,000	202,000	204,020
Housing	1,768,071	680,168	680,168	686,970	693,839
Franchise Fees	700,000	700,000	700,000	707,000	714,070
Traffic Fines Motor Codes	350,000	350,000	350,000	353,500	357,035
District Court Summary Offense	1,000,000	1,000,000	1,000,000	1,010,000	1,020,100
Total Licenses, Permits & Fees	5,676,687	4,588,784	4,588,784	4,634,672	4,681,019

Appendix B
Projected Baseline Budget, FY2010 - FY2014

	2010 <i>Budgeted</i>	2011 <i>Projected</i>	2012 <i>Projected</i>	2013 <i>Projected</i>	2014 <i>Projected</i>
Sales & Rentals					
Rentals	325,000	325,000	325,000	325,000	325,000
Stadium Rental	22,000	22,000	22,000	22,000	22,000
Parking Authority Rental	550,000	400,000	400,000	400,000	400,000
Sales Property/Equipment/Supplies	665,000	5,000	5,000	5,000	5,000
Total Sales & Rentals	1,562,000	752,000	752,000	752,000	752,000
Intergovernmental					
State Tax Distribution	86,000	88,150	90,354	92,613	94,928
State Pension Contributions	2,700,000	2,565,000	2,590,650	2,590,650	2,590,650
Water Bureau Fees, Prior Year	0	0	0	0	0
RAWA	500,000	0	0	0	0
General Reimbursements	1,410,111	1,484,847	1,563,544	1,646,412	1,733,671
Indirect Cost Reim. - Recycling	170,000	179,010	188,498	198,488	209,008
Indirect Cost Reim. - Sewer	992,000	1,044,576	1,099,939	1,158,235	1,219,622
Indirect Cost Reim. - CD	190,000	200,070	210,674	221,839	233,597
Indirect Cost Reim. - Water	700,000	737,100	776,166	817,303	860,620
Sewer Direct Reimbursement	115,000	119,140	123,429	127,872	132,476
Codes Direct Reimbursement	350,000	362,600	375,654	389,177	403,188
RDG Housing Authority Reimbursement	135,000	142,155	149,689	157,623	165,977
Meter Surcharge	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
Meter Surcharge, Prior Year	0	0	0	0	0
School District Collection	660,000	379,350	0	0	0
Collection Expense Reimbursement	85,000	89,505	94,249	99,244	104,504
Snow & Ice Control	50,000	50,000	50,000	50,000	50,000
Reading Public Library	751,915	742,723	779,862	819,274	861,125
School District School Guard	250,000	259,000	268,324	277,984	287,991
Total Intergovernmental	10,895,026	10,193,225	10,111,030	10,396,714	10,697,356

Appendix B
Projected Baseline Budget, FY2010 - FY2014

	2010 <i>Budgeted</i>	2011 <i>Projected</i>	2012 <i>Projected</i>	2013 <i>Projected</i>	2014 <i>Projected</i>
Transfers					
Transfer from 85 Bond Fund	35,000	35,000	35,000	35,000	35,000
Transfer - Water Bureau	4,020,000	4,020,000	4,020,000	4,020,000	4,020,000
Transfer from Sewer General	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Transfer from Solid Waste	0	0	0	0	0
Total Transfers	7,055,000	7,055,000	7,055,000	7,055,000	7,055,000
Other Revenues					
User Fees (EMS)	3,000,000	2,886,964	2,915,834	2,944,992	2,974,442
Police Charges	143,000	144,430	145,874	147,333	148,806
Fire Charges	247,000	249,470	251,965	254,484	257,029
Property Maintenance Fees	70,000	70,700	71,407	72,121	72,842
Towing Revenue	55,000	55,550	56,106	56,667	57,233
Recreational Facilities	15,000	15,150	15,302	15,455	15,609
Swimming Pool	50,000	50,500	51,005	51,515	52,030
Interest	210,000	212,100	214,221	216,363	218,527
PILOTs	90,000	90,900	91,809	92,727	93,654
Other Department Earnings	319,050	322,241	325,463	328,718	332,005
Grants & Gifts	811,170	819,282	827,475	835,749	844,107
Tax Certifications	44,000	44,440	44,884	45,333	45,787
Damages Recovered	25,000	25,250	25,503	25,758	26,015
Standby Revenue	75,000	75,750	76,508	77,273	78,045
Miscellaneous Income	545,000	545,150	545,302	545,455	545,609
Delinquent Collections	185,000	185,000	185,000	185,000	185,000
Total Other Revenues	5,884,220	5,792,876	5,843,655	5,894,942	5,946,741
Total Revenues	65,446,725	62,755,678	62,841,998	63,392,949	63,961,512

Appendix B
Projected Baseline Budget, FY2010 - FY2014

	2010 <i>Budgeted</i>	2011 <i>Projected</i>	2012 <i>Projected</i>	2013 <i>Projected</i>	2014 <i>Projected</i>
EXPENDITURES					
Personnel Expenses					
Salaries	27,941,230	28,947,114	29,989,210	31,068,822	32,187,300
Fringe Benefits	8,344,405	9,095,401	9,913,988	10,806,246	11,778,809
Temporary Wages	777,270	805,252	834,241	864,273	895,387
Premium Pay	1,638,571	1,697,560	1,758,672	1,821,984	1,887,575
Overtime	3,799,608	3,936,393	4,078,104	4,224,915	4,377,012
Pension	3,729,341	9,135,768	9,464,656	9,805,383	10,158,377
Social Security	916,946	949,956	984,154	1,019,584	1,056,289
Unemployment Comp	755,000	377,500	61,662	63,882	66,182
Penny Fund	950	974	998	1,023	1,049
Uniforms	278,875	285,847	292,993	300,318	307,826
Training & Education	181,013	185,538	190,177	194,931	199,804
Total Personnel Expenses	48,363,209	55,417,303	57,568,854	60,171,362	62,915,610

Appendix B
Projected Baseline Budget, FY2010 - FY2014

	2010 <i>Budgeted</i>	2011 <i>Projected</i>	2012 <i>Projected</i>	2013 <i>Projected</i>	2014 <i>Projected</i>
Other Expenses					
Utilities	1,561,843	1,608,698	1,656,959	1,706,668	1,757,868
Equipment	1,215,184	1,245,564	1,276,703	1,308,620	1,341,336
Repairs	147,000	150,675	154,442	158,303	162,260
Supplies & Postage	647,220	663,401	679,986	696,985	714,410
Rentals	396,651	406,567	416,731	427,150	437,828
Contract & Consulting Services	2,079,215	2,131,195	2,184,475	2,239,087	2,295,064
Boards & Commissions	30,000	30,750	31,519	32,307	33,114
Programs & Events	255,450	261,836	268,382	275,092	281,969
Collection Expense	106,750	109,419	112,154	114,958	117,832
Abatement	90,000	92,250	94,556	96,920	99,343
Fees	562,214	576,269	590,676	605,443	620,579
Miscellaneous	680,015	697,015	714,441	732,302	750,609
Fire Company Appropriations	60,000	61,500	63,038	64,613	66,229
EMS Communications	218,786	224,256	229,862	235,609	241,499
Debt Service	8,306,280	11,533,996	11,541,261	11,707,422	11,687,366
BARTA	0	0	0	0	0
Transfers	1,827,435	1,827,435	1,827,435	1,827,435	1,827,435
Total Other Expenses	18,184,043	21,620,826	21,842,619	22,228,913	22,434,742
Total Expenses	66,547,252	77,038,130	79,411,473	82,400,276	85,350,352
Total Revenues	65,446,725	62,755,678	62,841,998	63,392,949	63,961,512
FY Surplus / (Deficit)	(1,100,527)	(14,282,452)	(16,569,475)	(19,007,326)	(21,388,840)
FY Ending Fund Balance	(8,672,944)	(22,939,318)	(39,508,794)	(58,516,120)	(79,904,960)

**Appendix C
Initiative List**

Chapter	No.	Initiative	2010	2011	2012	2013	2014	Total
Plan Implementation	PI01	Implementation Committee Meetings	N/A	N/A	N/A	N/A	N/A	N/A
Plan Implementation	PI02	Deploy Implementation Action Teams	N/A	N/A	N/A	N/A	N/A	N/A
Plan Implementation	PI03	Establish a Citizens Advisory Committee	N/A	N/A	N/A	N/A	N/A	N/A
Plan Implementation	PI04	Create a loaned executive program	N/A	N/A	N/A	N/A	N/A	N/A
Plan Implementation	PI05	Publish a performance measurement report	N/A	N/A	N/A	N/A	N/A	N/A
Plan Implementation	PI06	Increase participation in regional organizations	N/A	N/A	N/A	N/A	N/A	N/A
Plan Implementation	PI07	Create teams to study authority and joint working options	N/A	N/A	N/A	N/A	N/A	N/A
Debt	DS01	Unfunded debt transaction	0	(1,080,251)	(1,082,784)	(1,086,665)	(1,082,326)	(4,332,026)
Debt	DS02	Terminate the swap agreement on the 2002 CABs	269,000	148,000	(252,000)	(192,000)	(106,000)	(133,000)
Debt	DS03	Terminate the 2008 Swap Agreement	N/A	N/A	N/A	N/A	N/A	N/A
Debt	DS04	Discontinue use of scoop refunding; require Coordinator approval of debt transactions	N/A	N/A	N/A	N/A	N/A	N/A
Debt	DS05	Explore alternative approaches to wastewater capital funding	N/A	N/A	N/A	N/A	N/A	N/A
Debt	DS06	Adopt and comply with debt policies	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF01	Use professional assistance for labor negotiations	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF02	Establish a labor/management committee for all employee groups	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF03	Limit new contract enhancements	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF04	Eliminate FOP expenditure reduction bonus provision	N/A	N/A	N/A	N/A	N/A	N/A

**Appendix C
Initiative List**

Chapter	No.	Initiative	2010	2011	2012	2013	2014	Total
Workforce	WF05	Eliminate free employee parking	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF06	Ensure future collective bargaining agreements remain compliant with Recovery Plan	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF07	Three year wage and step freeze	0	339,000	1,383,000	2,465,000	3,371,000	7,558,000
Workforce	WF08	Three year wage and step freeze for first level supervisors (AFSCME 3799)	N/A	Included in WF07				
Workforce	WF09	Reduce management salaries by 2.5% in 2011	0	70,000	70,000	71,000	72,000	283,000
Workforce	WF10	New pay scale for new police officers	0	0	129,000	208,000	241,000	578,000
Workforce	WF11	New pay scale for new firefighters	0	136,000	159,000	164,000	172,000	631,000
Workforce	WF12	Freeze longevity pay and eligibility	0	7,000	29,000	52,000	77,000	165,000
Workforce	WF13	Reduce holidays from 14 to 10	0	128,000	299,000	299,000	302,000	1,028,000
Workforce	WF14	Retain the right to use furlough days	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF15	Adjust overtime eligibility thresholds to reflect hours actually worked	N/A	See Chapter				
Workforce	WF16	Reduce vacation leave	N/A	See Chapter				
Workforce	WF17	Reduce sick leave allotments	N/A	See Chapter				
Workforce	WF18	Amend sick leave incentive program	N/A	See Chapter				
Workforce	WF19	Improve sick leave monitoring	N/A	See Chapter				
Workforce	WF20	Court-related overtime reduction strategy	0	0	137,000	137,000	137,000	411,000

**Appendix C
Initiative List**

Chapter	No.	Initiative	2010	2011	2012	2013	2014	Total
Workforce	WF21	Amend IAFF overtime calculation to reflect Fire Department shift change	0	331,000	331,000	331,000	337,000	1,329,000
Workforce	WF22	Adjust IAFF minimum overtime provision	N/A	See Chapter				
Workforce	WF23	Remove disincentive for mutual aid use from IAFF agreement	N/A	See Chapter				
Workforce	WF24	Redesign employee health care	0	596,000	2,051,000	2,559,000	3,128,000	8,334,000
Workforce	WF25	Contain post-retirement healthcare costs	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF26	Other health care cost containment measures	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF27	Enhance light-duty program	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF28	Retain flexibility to fill vacant positions after six months	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF29	Improve flexibility to assign qualified firefighters to duties as needed	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF30	Review and restructure fire academy training	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WF31	Change first step of grievance process	N/A	N/A	N/A	N/A	N/A	N/A
Pension	PN01	Take advantage of Act 44 remedies	0	2,280,000	2,280,000	0	0	4,560,000
Pension	PN02	Deposit 2007 unpaid MMO obligations	(1,500,000)	N/A	N/A	N/A	N/A	(1,500,000)
Pension	PN03	Do not provide benefits which exceed those allowed by the Third Class City Code	N/A	N/A	N/A	N/A	N/A	N/A
Pension	PN04	Comply with the Internal Revenue Code	N/A	N/A	N/A	N/A	N/A	N/A
Pension	PN05	Eliminate overtime from firefighter pension benefit calculation for new hires	N/A	N/A	N/A	N/A	N/A	N/A

**Appendix C
Initiative List**

Chapter	No.	Initiative	2010	2011	2012	2013	2014	Total
Pension	PN06	Eliminate the DROP program	(222,000)	(336,000)	(414,000)	(489,500)	(573,500)	(2,034,000)
Pension	PN07	Explore creation of a new, less expensive defined benefit plan for new employees	N/A	N/A	N/A	N/A	N/A	N/A
Pension	PN08	Make a portion of the annual City pension contribution earlier in the year	N/A	N/A	N/A	N/A	N/A	N/A
Pension	PN09	Explore a defined contribution plan for retiree medical costs	N/A	N/A	N/A	N/A	N/A	N/A
Pension	PN10	Eliminate City contribution to retiree life insurance for new hires	N/A	N/A	N/A	N/A	N/A	N/A
Mayor's Office	OM01	Work with City Council to modify and revise City ordinances as necessary to implement the Recovery Plan	N/A	N/A	N/A	N/A	N/A	N/A
City Council and City Clerk	CC01	Modify and revise City ordinances as necessary to implement the Recovery Plan	N/A	N/A	N/A	N/A	N/A	N/A
City Council and City Clerk	CC02	Hold annual town hall meeting on City's progress	N/A	N/A	N/A	N/A	N/A	N/A
City Auditor	CA01	Support Recovery Plan implementation and the external audit process	N/A	N/A	N/A	N/A	N/A	N/A
City Auditor	CA02	Establish process for coordinating and responding to external audits	N/A	N/A	N/A	N/A	N/A	N/A
City Auditor	CA03	Complete post project completion audits for capital work	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI01	Cash flow reporting and monitoring	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI02	Develop annual budget document	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI03	Create a system to charge back expenses to departments	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI04	Quarterly financial reporting	N/A	N/A	N/A	N/A	N/A	20,000
Finance	FI05	Strengthen procurement controls	N/A	N/A	N/A	N/A	N/A	N/A

**Appendix C
Initiative List**

Chapter	No.	Initiative	2010	2011	2012	2013	2014	Total
Finance	FI06	Establish process for coordinating and responding to external audits	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI07	Fund balance policies	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI08	Transfer tax collection duties to other entities	0	294,000	354,000	364,000	376,000	1,388,000
Finance	FI09	Eliminate the Reading Call Center or equivalent level of costs	0	160,000	168,000	177,000	186,000	691,000
Finance	FI10	Centralize billing and other administrative functions	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI11	Reduce manual processes	N/A	N/A	N/A	N/A	N/A	N/A
Finance	FI12	Citywide 7.5 percent reduction in non-personnel expenses	0	600,000	755,000	774,000	794,000	2,923,000
Finance	FI13	Monitor and manage utility services	0	47,000	64,000	82,000	100,000	293,000
Finance	FI14	Develop a performance management system	N/A	N/A	N/A	N/A	N/A	N/A
Information Technology	IT01	Move information technology support for the Police Department to Berks County	N/A	N/A	N/A	N/A	N/A	N/A
Information Technology	IT02	Help other departments improve their use of technology	N/A	N/A	N/A	N/A	N/A	N/A
Information Technology	IT03	Pursue shared services for information technology	N/A	N/A	N/A	N/A	N/A	N/A
Capital Improvement Plan	CB01	Create an annual CIP document	N/A	N/A	N/A	N/A	N/A	N/A
Capital Improvement Plan	CB02	Increased involvement in CIP process from City departments	N/A	N/A	N/A	N/A	N/A	N/A
Capital Improvement Plan	CB03	Enhance communication between City and utilities	N/A	N/A	N/A	N/A	N/A	N/A
Capital Improvement Plan	CB04	Capital budget financing	N/A	N/A	N/A	N/A	N/A	N/A

**Appendix C
Initiative List**

Chapter	No.	Initiative	2010	2011	2012	2013	2014	Total
Human Resources	HR01	Establish a first source employment referral system	0	(70,000)	(55,000)	(35,000)	(35,000)	(195,000)
Human Resources	HR02	Complete a City-wide job study and update job descriptions	0	0	(100,000)	0	0	(100,000)
Human Resources	HR03	Establish performance review process	N/A	N/A	N/A	N/A	N/A	N/A
Human Resources	HR04	Strengthen employee training	N/A	N/A	N/A	N/A	N/A	N/A
Human Resources	HR05	Continue to create apprenticeship and internship opportunities	N/A	N/A	N/A	N/A	N/A	N/A
Human Resources	HR06	Study span of control	N/A	N/A	N/A	N/A	N/A	N/A
Human Resources	HR07	Outsource payroll processing	N/A	N/A	N/A	N/A	N/A	N/A
Human Resources	HR08	Develop a performance management system	N/A	N/A	N/A	N/A	N/A	N/A
Insurance and Risk Management	RM01	Establish policies to review employee driving records	N/A	N/A	N/A	N/A	N/A	N/A
Insurance and Risk Management	RM02	Attain damage estimates to improve cost recovery	N/A	N/A	N/A	N/A	N/A	N/A
Insurance and Risk Management	RM03	Review excess liability coverage	N/A	N/A	N/A	N/A	N/A	N/A
Insurance and Risk Management	RM04	Update insurance specifications	N/A	N/A	N/A	N/A	N/A	N/A
Human Relations	HC01	Review HRC staffing	N/A	N/A	N/A	N/A	N/A	N/A
Law	LW01	Manage and reduce the use of outside counsel	25,000	50,000	55,000	60,000	65,000	255,000
Law	LW02	Review all statutes, ordinances & resolutions to ascertain which boards need to retain their own counsel	N/A	N/A	N/A	N/A	N/A	N/A
Law	LW03	Implement a time tracking system	N/A	N/A	N/A	N/A	N/A	N/A

**Appendix C
Initiative List**

Chapter	No.	Initiative	2010	2011	2012	2013	2014	Total
Law	LW04	Use professional assistance for labor relations activities	N/A	N/A	N/A	N/A	N/A	N/A
Reading Public Library System	RL01	Participate in restructuring the Reading Public Library	N/A	N/A	N/A	N/A	N/A	N/A
Fire	FD01	Change current shift schedule	0	1,635,000	1,657,000	1,682,000	1,737,000	6,711,000
Fire	FD02	Restructure EMS Basic Life Support (BLS) unit staffing plan	0	18,000	23,000	28,000	30,000	100,000
Fire	FD03	Establish part-time EMS positions to address vacancies and planned stand-by events	0	19,000	19,000	19,000	19,000	76,000
Fire	FD04	Implement an engine company inspection program	0	50,000	50,000	50,000	50,000	200,000
Fire	FD05	Evaluate potential for further consolidation of fire stations	0	(25,000)	0	50,000	51,000	76,000
Fire	FD06	Adjust false alarm ordinance to more accurately reflect costs	0	10,000	10,000	7,500	7,500	35,000
Fire	FD07	Implement an emergency response fee	0	5,500	5,500	5,500	5,500	22,000
Fire	FD08	Improve department use of technology	0	0	(40,000)	0	0	(40,000)
Fire	FD09	Pursue joint ladder purchase and other intergovernmental cooperation initiatives	N/A	N/A	N/A	N/A	N/A	N/A
Fire	FD10	Develop a performance management system	N/A	N/A	N/A	N/A	N/A	N/A
Police	PD01	Continue discussions with the County regarding the transfer of emergency 911 dispatch functions	N/A	N/A	N/A	N/A	N/A	N/A
Police	PD02	Reduce headcount in 2012	0	0	886,000	886,000	886,000	2,658,000
Police	PD03	Explore regional alternatives to City bomb squad	N/A	N/A	N/A	N/A	N/A	N/A
Police	PD04	Other intergovernmental cooperation	N/A	N/A	N/A	N/A	N/A	N/A

**Appendix C
Initiative List**

Chapter	No.	Initiative	2010	2011	2012	2013	2014	Total
Police	PD05	Discontinue leasing patrol vehicles	0	37,000	73,000	75,000	77,000	262,000
Police	PD06	Improve cost recovery for extra duty overtime	0	148,000	148,000	148,000	148,000	592,000
Police	PD07	Full cost recovery for officers assigned to Reading Housing Authority properties	0	130,000	130,000	130,000	130,000	520,000
Police	PD08	Burglar alarms	N/A	N/A	N/A	N/A	N/A	N/A
Police	PD09	Establish Arson Investigation Task Force with Fire Department	N/A	N/A	N/A	N/A	N/A	N/A
Police	PD10	Track overtime expense by category	N/A	N/A	N/A	N/A	N/A	N/A
Police	PD11	Develop a performance management system	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW01	Review City fleet policies, practices, and needs	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW02	Create a comprehensive vehicle list	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW03	Explore opportunities for fleet maintenance contracts with neighboring jurisdictions	0	137,000	137,000	137,000	137,000	548,000
Public Works	PW04	Initiate auction/E-Bay sale of surplus vehicles and equipment in-lieu of trade-in	75,000	150,000	125,000	125,000	125,000	600,000
Public Works	PW05	Develop a multi-jurisdictional vehicle and equipment organization	1,000	5,000	10,000	15,000	20,000	51,000
Public Works	PW06	Initiate second shift at Garage for routine maintenance	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW07	Purchase and implement use of fleet management software	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	125,000
Public Works	PW08	Charge back of all fleet expenses to all Departments; create service agreements	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW09	Explore a public works apprenticeship program	N/A	N/A	N/A	N/A	N/A	N/A

**Appendix C
Initiative List**

Chapter	No.	Initiative	2010	2011	2012	2013	2014	Total
Public Works	PW10	Evaluate possible contract maintenance of all parks	10,000	20,000	20,000	20,000	20,000	90,000
Public Works	PW11	Evaluate minor park use and consider alternative management, use, or disposal of underused parks	12,500	25,000	25,000	25,000	25,000	112,500
Public Works	PW12	Combine the Parks and Property Maintenance divisions	0	30,000	85,000	143,000	143,000	401,000
Public Works	PW13	Transfer the Engineering division to the Administration division	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW14	Maintain transfers from the Sewer Fund	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW15	Establish and enforce a utility cut permit program	0	10,000	25,000	25,000	25,000	85,000
Public Works	PW16	Improve department use of technology	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW17	Continue to explore establishing Reading Recreation Commission	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW18	Develop a Performance Management System	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW19	Create a City Stormwater Utility	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW20	Evaluate special assessment charge system to recover street expenditures	0	825,000	8,500,000	875,000	900,000	3,450,000
Public Works	PW21	Resolve public/private ownership of street lighting system and apply uniformly	0	41,500	43,000	44,500	46,000	175,000
Public Authorities	PA01	Negotiate additional annual payment from RAWA	250,000	1,500,000	1,500,000	1,850,000	1,850,000	6,950,000
Public Authorities	PA02	Establish an annual payment from RPA	100,000	600,000	600,000	600,000	600,000	2,500,000
Public Authorities	PA03	Explore options for authority provision of services	N/A	N/A	N/A	N/A	N/A	N/A
Public Authorities	PA04	Explore transfer of RAWA City employees to RAWA	N/A	N/A	N/A	N/A	N/A	N/A
Community Development	CD01	Schedule additional Zoning Board hearings to eliminate backlog this year	N/A	N/A	N/A	N/A	N/A	292 N/A

**Appendix C
Initiative List**

Chapter	No.	Initiative	2010	2011	2012	2013	2014	Total
Community Development	CD02	Close out unpaid Community Development loans	N/A	N/A	N/A	N/A	N/A	N/A
Community Development	CD03	Improve department use of technology	N/A	N/A	N/A	N/A	N/A	N/A
Community Development	CD04	Update comprehensive plan	N/A	N/A	N/A	N/A	N/A	N/A
Community Development	CD05	Develop a performance management system	N/A	N/A	N/A	N/A	N/A	N/A
Property Maintenance Inspection	CE01	Clear rental inspection backlog	(63,000)	(63,000)	0	0	0	(126,000)
Property Maintenance Inspection	CE02	Implement systematic two-year permitting and inspection program for rental housing	0	75,000	77,000	69,000	74,000	295,000
Property Maintenance Inspection	CE03	Consider expanding shift coverage to evenings and weekends	N/A	N/A	N/A	N/A	N/A	N/A
Property Maintenance Inspection	CE04	Improve department use of technology	N/A	N/A	N/A	N/A	N/A	N/A
Property Maintenance Inspection	CE05	Cross-train Fire Safety and Trades Inspectors	N/A	N/A	N/A	N/A	N/A	N/A
Property Maintenance Inspection	CE06	Assemble and systematically deploy code enforcement teams	N/A	N/A	N/A	N/A	N/A	N/A
Property Maintenance Inspection	CE07	Increase "no-show" penalty fees for property owners' absent at scheduled inspections	0	17,000	17,000	17,000	17,000	68,000
Property Maintenance Inspection	CE08	Consider adding pre-sale housing inspections	N/A	N/A	N/A	N/A	N/A	N/A
Property Maintenance Inspection	CE09	Develop a performance management system	N/A	N/A	N/A	N/A	N/A	N/A
Housing	HS01	Designate a Designate a Housing Coordinator	N/A	N/A	N/A	N/A	N/A	N/A
Housing	HS02	Develop a comprehensive housing strategy	N/A	N/A	N/A	N/A	N/A	N/A
Housing	HS03	Evaluate use of CDBG funding to ensure it supports the housing strategy	N/A	N/A	N/A	N/A	N/A	N/A

**Appendix C
Initiative List**

Chapter	No.	Initiative	2010	2011	2012	2013	2014	Total
Economic Development	ED01	Develop a local economic development partnership and comprehensive strategy	N/A	N/A	N/A	N/A	N/A	N/A
Revenue	RE01	Delinquent tax collection	400,000	812,000	1,082,000	1,443,000	1,924,000	5,661,000
Revenue	RE02	Develop Water Fund transfer policy	0	200,000	400,000	600,000	800,000	2,000,000
Revenue	RE03	Institute PILOT from the Reading Parking Authority (RPA)	0	350,000	400,000	450,000	500,000	1,700,000
Revenue	RE04	Conduct tax exempt property audit and expand PILOT payments	0	34,000	83,000	157,000	231,000	505,000
Revenue	RE05	Index fees to inflation	0	138,000	279,000	380,000	484,000	1,281,000
Revenue	RE06	Generate additional revenue through Market Based Revenue Opportunities	0	100,000	250,000	500,000	656,000	1,506,000
Revenue	RE07	Establish revenue estimating committee	N/A	N/A	N/A	N/A	N/A	N/A
Revenue	RE08	Temporarily expand earned income tax; reduce resident rate in 2014	0	6,008,000	2,454,000	2,479,000	(173,000)	10,768,000
Revenue	RE09	Property tax increase in 2014	0	0	0	0	1,600,000	1,600,000
Revenue	RE10	Failsafe revenue package	N/A	N/A	N/A	N/A	N/A	1,100,000
Revenue	RE11	Explore a change to a Land Value Tax structure	0	6,008,000	2,454,000	2,478,540	0	10,940,540

**Appendix D
Projected Budget, FY2010 - FY2014**

	2010 <i>Budgeted</i>	2011 <i>Projected</i>	2012 <i>Projected</i>	2013 <i>Projected</i>	2014 <i>Projected</i>
GENERAL FUND					
REVENUES					
Taxes					
Real Estate Taxes, Current	16,141,240	16,141,240	16,141,240	16,141,240	17,741,240
Real Estate Taxes, Prior	1,264,246	1,536,155	1,714,873	1,959,951	2,270,885
Per Capita Tax	80,000	80,000	80,000	80,000	80,000
Per Capita Tax Prior	13,907	16,898	18,864	21,339	24,980
Business Privilege Tax	1,350,000	1,350,000	1,350,000	1,363,500	1,377,135
Business Privilege Tax Prior	155,944	190,014	212,408	241,839	284,546
Real Estate Transfer Tax	2,500,000	2,500,000	2,500,000	2,525,000	2,550,250
Earned Income Tax	11,523,719	17,531,719	14,092,956	14,233,346	11,699,899
Earned Income Tax Prior Year	317,389	386,733	434,810	494,736	581,682
Local Services Tax	825,000	825,000	825,000	833,250	841,583
Local Services Tax Prior Year	152,347	185,632	207,509	236,261	277,984
Admissions Fee/Tax	450,000	450,000	450,000	450,000	450,000
Total Taxes	34,773,792	41,193,391	38,027,660	38,580,462	38,180,184
Licenses, Permits & Fees					
General Licenses, Permits, & Fees	783,616	1,013,280	1,157,073	1,257,068	1,374,065
New Construction Permits	400,000	400,000	400,000	404,000	408,040
Remodeling Permits	200,000	200,000	200,000	202,000	204,020
Business Privilege License	275,000	275,000	275,000	277,750	280,528
Zoning Fees	200,000	200,000	200,000	202,000	204,020
Housing	1,768,071	680,168	680,168	686,970	693,839
Franchise Fees	700,000	700,000	700,000	707,000	714,070
Traffic Fines Motor Codes	350,000	350,000	350,000	353,500	357,035
District Court Summary Offense	1,000,000	1,000,000	1,000,000	1,010,000	1,020,100
Total Licenses, Permits & Fees	5,676,687	4,818,448	4,962,241	5,100,288	5,255,717

Appendix D
Projected Budget, FY2010 - FY2014

	2010 <i>Budgeted</i>	2011 <i>Projected</i>	2012 <i>Projected</i>	2013 <i>Projected</i>	2014 <i>Projected</i>
Sales & Rentals					
Rentals	325,000	325,000	325,000	325,000	325,000
Stadium Rental	22,000	22,000	22,000	22,000	22,000
Parking Authority Rental	650,000	1,350,000	1,400,000	1,450,000	1,500,000
Sales Property/Equipment/Supplies	665,000	5,000	5,000	5,000	5,000
Total Sales & Rentals	1,662,000	1,702,000	1,752,000	1,802,000	1,852,000
Intergovernmental					
State Tax Distribution	86,000	88,150	90,354	92,613	94,928
State Pension Contributions	2,700,000	2,565,000	2,590,650	2,590,650	2,590,650
Water Bureau Fees, Prior Year	0	0	0	0	0
RAWA	750,000	1,500,000	1,500,000	1,850,000	1,850,000
General Reimbursements	1,410,111	1,484,847	1,563,544	1,646,412	1,733,671
Indirect Cost Reim. - Recycling	170,000	179,010	188,498	198,488	209,008
Indirect Cost Reim. - Sewer	992,000	1,044,576	1,099,939	1,158,235	1,219,622
Indirect Cost Reim. - CD	190,000	200,070	210,674	221,839	233,597
Indirect Cost Reim. - Water	700,000	737,100	776,166	817,303	860,620
Sewer Direct Reimbursement	115,000	119,140	123,429	127,872	132,476
Codes Direct Reimbursement	350,000	362,600	375,654	389,177	403,188
RDG Housing Authority Reimbursement	135,000	142,155	149,689	157,623	165,977
Meter Surcharge	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
Meter Surcharge, Prior Year	0	0	0	0	0
School District Collection	660,000	379,350	0	0	0
Collection Expense Reimbursement	85,000	89,505	94,249	99,244	104,504
Snow & Ice Control	50,000	50,000	50,000	50,000	50,000
Reading Public Library	735,891	717,728	735,063	753,958	778,702
School District School Guard	250,000	259,000	268,324	277,984	287,991
Total Intergovernmental	11,129,002	11,668,231	11,566,231	12,181,398	12,464,933

Appendix D
Projected Budget, FY2010 - FY2014

	2010 <i>Budgeted</i>	2011 <i>Projected</i>	2012 <i>Projected</i>	2013 <i>Projected</i>	2014 <i>Projected</i>
Transfers					
Transfer from 85 Bond Fund	35,000	35,000	35,000	35,000	35,000
Transfer - Water Bureau	4,020,000	4,220,000	4,420,000	4,620,000	4,820,000
Transfer from Sewer General	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Transfer from Solid Waste	0	0	0	0	0
Total Transfers	7,055,000	7,255,000	7,455,000	7,655,000	7,855,000
Other Revenues					
User Fees (EMS)	3,000,000	2,886,964	2,915,834	2,944,992	2,974,442
Police Charges	143,000	422,430	423,874	425,333	426,806
Fire Charges	247,000	314,970	317,465	317,484	320,029
Property Maintenance Fees	70,000	80,700	96,407	97,121	97,842
Towing Revenue	55,000	55,550	56,106	56,667	57,233
Recreational Facilities	15,000	15,150	15,302	15,455	15,609
Swimming Pool	50,000	50,500	51,005	51,515	52,030
Interest	210,000	212,100	214,221	216,363	218,527
PILOTs	90,000	125,000	175,000	250,000	325,000
Other Department Earnings	394,050	534,241	539,583	544,979	550,429
Grants & Gifts	861,170	964,282	917,475	875,749	844,107
Tax Certifications	44,000	44,440	44,884	45,333	45,787
Damages Recovered	25,000	25,250	25,503	25,758	26,015
Standby Revenue	75,000	75,750	76,508	77,273	78,045
Miscellaneous Income	545,000	645,150	795,302	1,045,455	1,201,557
Delinquent Collections	185,000	185,000	185,000	185,000	185,000
Total Other Revenues	6,009,220	6,637,476	6,849,466	7,174,476	7,418,459
Total Revenues	66,305,701	73,274,546	70,612,598	72,493,624	73,026,293

**Appendix D
Projected Budget, FY2010 - FY2014**

	2010 <i>Budgeted</i>	2011 <i>Projected</i>	2012 <i>Projected</i>	2013 <i>Projected</i>	2014 <i>Projected</i>
EXPENDITURES					
Personnel Expenses					
Salaries	27,941,230	27,229,730	26,181,311	26,025,890	26,176,963
Fringe Benefits	8,344,405	8,163,632	7,332,200	7,668,238	8,019,639
Temporary Wages	840,270	870,673	807,673	807,673	808,661
Premium Pay	1,638,571	1,375,150	1,082,731	1,082,731	1,081,733
Overtime	3,799,608	3,406,816	2,973,816	2,973,816	2,998,110
Pension	3,729,341	6,851,826	7,180,714	9,805,383	9,884,045
Social Security	916,946	934,167	934,167	934,167	939,739
Unemployment Comp	755,000	377,500	61,662	63,882	66,182
Penny Fund	950	974	998	1,023	1,049
Uniforms	278,875	285,847	292,993	300,318	307,826
Training & Education	181,013	185,538	190,177	194,931	199,804
Total Personnel Expenses	48,426,209	49,681,854	47,038,442	49,858,053	50,483,750

Appendix D
Projected Budget, FY2010 - FY2014

	2010 <i>Budgeted</i>	2011 <i>Projected</i>	2012 <i>Projected</i>	2013 <i>Projected</i>	2014 <i>Projected</i>
Other Expenses					
Utilities	1,561,843	1,564,726	1,611,413	1,659,545	1,709,167
Equipment	1,204,184	972,357	914,332	864,995	866,309
Repairs	147,000	135,975	135,975	139,374	142,859
Supplies & Postage	634,720	573,216	571,343	582,820	594,757
Rentals	396,651	366,902	366,902	376,075	385,477
Contract & Consulting Services	2,104,215	2,018,274	1,999,325	1,931,041	1,924,503
Boards & Commissions	30,000	27,750	27,750	28,444	29,155
Programs & Events	255,450	236,291	236,291	242,071	247,996
Collection Expense	106,750	109,419	112,154	114,958	117,832
Abatement	90,000	92,250	94,556	96,920	99,343
Fees	562,214	520,048	520,048	533,049	546,375
Miscellaneous	605,015	561,514	611,514	574,780	588,378
Fire Company Appropriations	60,000	61,500	63,038	64,613	66,229
EMS Communications	218,786	224,256	229,862	235,609	241,499
Debt Service	8,037,156	12,465,954	12,875,688	12,985,650	12,875,477
BARTA	0	0	0	0	0
Transfers	1,827,435	1,827,435	1,827,435	1,827,435	1,827,435
Total Other Expenses	17,841,419	21,757,867	22,197,626	22,257,380	22,262,791
Total Expenses	66,267,628	71,439,721	69,236,067	72,115,433	72,746,541
Total Revenues	66,305,701	73,274,546	70,612,598	72,493,624	73,026,293
FY Surplus / (Deficit)	38,073	1,834,825	1,376,531	378,191	279,752
FY Ending Fund Balance	(34,344)	1,800,481	3,177,012	3,555,203	3,834,955

Act 47 Coordinator

Public Financial Management, Inc: Jennifer Bieter, Greg Butler, Matt Crespi, Dean Kaplan, Gordon Mann, Joe Myers, Mike Nadol, Chris Pencikowski, Nel Roch, Virginia Rutledge, Carolyn Ryan, Eric Traub, Chris Wheeler

The Novak Consulting Group: Neil Cameron, Bill Connors, Michelle Ferguson, Julia Novak, Sarah Slegers, Dave Vaclavik

Stevens & Lee, LLC: Thomas Bowen, John Espenshade, Susan Friedman, Michael Gruin, Charles Harenza, Joe Hoffman, Timothea Kirchner, Ken Maher, Ed Renenger

