

FINANCE COMMITTEE

CITY COUNCIL

MONDAY, NOVEMBER 21, 2011
CITY COUNCIL OFFICE
5:00 p.m.

Committee Members: F. Acosta, Chair; D. Reed; J. Waltman

Although Council committee meetings are open to the public, public comment is not permitted. However, citizens are encouraged to attend and observe the committee meetings. Comment from citizens or professionals during the meeting may be solicited on agenda topics via invitation by the Committee Chair.

I. Update from City Auditor re 2011 Capital Project Audits

- City Park Improvements
- Pagoda Improvements
- WWTP Capital expenses (1/1/2008-6/30/2011)
- Southwest Fire Station (post-completion audit)
- Compliance-transfers
- Follow-up to external audit findings
- 2011 tax-exempt properties analysis
- Fire escrow audit (2009-2010)

II. Update on Correction of Repeat Findings (requested 9-19-11 at COW)

II. Review Finance Reports (J. Nagel)

- Cash Flow Report (General Fund – Cash Flow Report – Narrative)
- Cash Flow Spreadsheet

III. Budget Appropriation Transfers as of July 31, 2011

Note – Recommendation for Council approval from Administration

IV. Review IT Monthly Report

Update on Data Cleansing

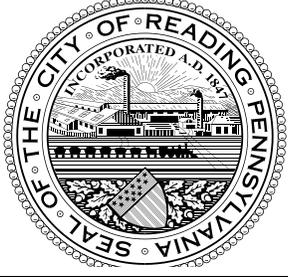
V. Update - Collection Report for Delinquent Taxes and Misc Fines & Fees (RE01)

1. Update on Status of Linebarger Contract
2. Per Capita (Linebarger) - *Suggestion to ask School District to bill and collect Per Capita*
3. Permits & Miscellaneous(Linebarger)

VI. CD Report – Spent vs. Unspent CDBG Funds (D. Robinson)

Written Report Only

- a. Un-programmed CDBG Funds
- b. Closing out unpaid CD Loans (CD02)
- c. UDAG Fund
 - 2009 Balance Sheet/Income Statement
 - 2010 Balance Sheet/Income Statement and quarterly report for 2010 showing revenues and expenditures



CITY COUNCIL

Finance Committee

Meeting Report Wednesday, September 29, 2011

Committee Members Attending: J. Waltman, F. Acosta Chair, D. Reed

Others Attending: D. Sterner, V. Spencer, L. Kelleher, D. Robinson, D. Wright, C. Zale, C. Younger, F. Denbowski, H. Tangredi, M. Goodman-Hinnershitz, C. Geffken, M. Reese, D. Cituk

Mr. Acosta, Chair, called the meeting to order at 5:05 pm.

2011 Capital Project Audits – Update from City Auditor

- **Fire Escrow Audit**

Mr. Cituk distributed a list of fire escrow payments from 1994-2010 and highlighted the funds still remaining in escrow. Fire escrow funds are received from insurance companies when properties are damaged by fire. However, no escrow is received when a property is uninsured. The City holds the money in escrow until the property owner legally rehabs the property. If the property owner fails to rehab, the City can recover some of its demolition costs from the fire escrow fund.

Ms. Kelleher noted the need for the property to be rehabbed with building permits from the City's Trades Office. She stated that the Building Inspector's final inspection would trigger the release of the fire escrow funds to the property owner.

Mr. Haver noted that fire escrow funds can also be retained by the City if a property has unpaid taxes, water charges, etc.

Mr. Cituk stated that he will follow-up with Fire about the remaining Fire Escrow funds held by the City.

- **Tax Exempt Property Analysis**

Mr. Cituk distributed a handout showing all exempt properties by category. He noted that approximately one half of the exempt assessments belong to government (City, County, State, Federal entities). He described the Act 47 Recovery Initiative to increase the PILOT (Payments In Lieu of Taxes). He stated that he will provide a report on the PILOT payments made in 2010 and 2011.

Mr. Spencer stated that he and the Mayor introduced the initiative to increase PILOTs with the hospitals and area colleges by sending letters and then scheduling appointments to further discuss the issue. The last meetings occurred at the beginning of August. He stated that RACC is interested in making a SILOT (Service in Lieu of Taxes) rather than making a financial contribution. Alvernia is interested in making a small increase in their financial contribution and is also considering a SILOT. Albright is willing to discuss a SILOT but is unwilling to make any financial contribution.

Several people present questioned the City's payment for Albright gymnasium fees and the fees paid for the current Supervisory Training for various Administrative employees. Mr. Geffken noted that the individual employee pays the gymnasium fee, not the City.

Ms. Goodman-Hinnershitz noted that the YMCA is not listed. Mr. Cituk stated that the YMCA may be covered in the "Other" category and offered to check further.

Ms. Reed suggested challenging organizations that do not provide a PILOT and she used the current situation between Wyomissing School District with Reading Hospital as an example.

Ms. Goodman-Hinnershitz recalled the lawsuit and resulting settlement agreement in the early 1990s when she was on the Reading School Board. She stated that the required payments were to continue. Mr. Cituk recalled that some agreements had sunshine expiration clauses. Ms. Goodman-Hinnershitz stated that those with sunshine expiration clauses should have been renegotiated before they expired.

- **SW Fire Station Audit**

Mr. Cituk reported that this audit was just started.

- **City Park Audit**

Mr. Cituk stated that this audit has not started.

- **Pagoda Improvement Audit**

Mr. Cituk stated that this audit has not started

- **External Audit Findings**

Mr. Geffken stated that a report will be provided on October 5th.

Finance Reports

Mr. Zale stated that the budgeted sewer fund transfer of \$3M was booked in August. He noted that the State Pension Aide payment will result in a \$1.9 surplus, which will allow a reduction in the City's contribution for 2011.

Mr. Geffken stated that he learned from other municipal managers that the State Aide payment will resume to normal levels next year.

Mr. Zale stated that the "Due To/Due From" transfers of approximately \$9M should be finalized in early October, using August 31st as the cut off date. He explained that these transfers relate to indirect costs from solid waste, CDBG, sewer, etc that were never converted to cash. He stated that the issue dates back from 2010 to 2001.

Mr. Geffken stated that there are approximately 3500 transactions resulting in the General Fund being owed approximately \$9M.

IT Report

Mr. Tangredi reviewed the report and noted that the trainings during the month of August were poorly attended. He suggested that the low turnout was due to vacations.

Collection Report

Mr. Geffken stated that Linebarger was sent the 30 day notice to terminate the contract. He described the problems experienced with this firm and described the effort to correct faulty practices. He stated that the City is waiting for Linebarger's response. He stated that the City intends to issue a new RFP to seek collection services for delinquent Per Capita charges and other delinquent City fees. He noted that a local firm is interested in responding.

CD Report

Ms. Kelleher distributed the report issued by Mr. Robinson earlier that day.

Ms. Kelleher inquired about the remaining BPRC funds. She stated that she was told in August that the 2009 BRPC balance was depleted. Mr. Haver clarified that \$45K remains.

Ms. Kelleher inquired about the \$187K remaining in the 2009 Emergency Demolition line item. Mr. Haver noted the need to recheck that entry as those funds were to cover the

demolition of the old factory building in the 200 block of Reed Street. He stated that \$147K remains in 2011 Emergency Demolition which will cover the demolition of 124 N 4th Street (the old Millennium Club).

Mr. Acosta inquired about spending \$127K on playground improvements at Reading Iron.

Ms. Goodman-Hinnershitz inquired why the Pandora rehabilitation stopped with the installation of a new baseball backstop. She noted the need to date entries to provide clarity about when projects were completed or started.

Mr. Spencer inquired about the oversight of CDBG funds. Mr. Haver explained that he oversees the HOME fund, Mr. Nemeth oversees the CDBG fund and Mr. Wright oversees the ESG fund.

As no other business was brought to the table the meeting adjourned at approximately 6:05 pm.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk

From: David M. Cituk
Sent: Tuesday, August 09, 2011 1:49 PM
To: Linda A. Kelleher
Cc: John B. Nagel; Francis Acosta; Donna Reed; Jeff Waltman; Carl E. Geffken
Subject: RE: Reminder - Audit Issues

To all,

Here are some areas which the Auditor's office will provide reports/analysis/audits during the remainder of 2011.

- City Park Improvements
- Pagoda Improvements
- WWTP Capital expenses (1/1/2008-6/30/2011)
- Southwest Fire Station (post-completion audit)
- Compliance-transfers
- Follow-up to external audit findings
- 2011 tax-exempt properties analysis
- Fire escrow audit (2009-2010)

Dave

From: Linda A. Kelleher
Sent: Wednesday, August 03, 2011 1:38 PM
To: David M. Cituk
Cc: John B. Nagel; Francis Acosta; Donna Reed; Jeff Waltman; Carl E. Geffken
Subject: Reminder - Audit Issues

Hey Dave...just a reminder that you promised the Finance Committee to select your internal audit action areas and issues before the August Finance Meeting, which is scheduled for 8-25.

*Linda A. Kelleher CMC, City Clerk
City of Reading
815 Washington Street
Reading, PA 19601
Phone 610.655.6204*

SUMMARY OF FINDINGS FROM 2010 EXTERNAL AUDIT

Modified Accrual	2010	2009	2008	2007		2005		
Cash Disbursements - Segregation of Duties	2010	2009	2008					
Pension Reporting	2010	2009	2008	2007	2006			
Pension Compliance	2010	2009	2008	2007				
Account Reconciliations	2010							
Time Card Approval	2010							
Financial Reporting to Management	2010	2009	2008					
Compensated Absence Liability	2010							
Purchasing Card Procedures	2010							
Billing - Revenue/Accounts Receivable water/sewer	2010							
Micro Loan Program Approval	2010							
Monitoring - State Grants	2010							
Preparation of SEFA	2010							
Grant Receipts	2010	2009	2008	2007	2006	2005	2004	2003
Federal Grants ie cash disburse. & acct recon	2010	2009	2008	2007	2006	2005	2004	2003
Federal Grants ie purchasing cards	2010							
Inadequate Documentation - CDBG Admin	2010							
Quarterly performance reports not filed timely - NSP2	2010							
Unclaimed Property		2009	2008	2007	2006			
Segregation of Duties Bank Reconciliations		2009	2008	2007	2006	2005	2004	2003
DCED Reporting Requirements		2009	2008	2007				
Information Technology		2009	2008	2007	2006		2004	



MEMORANDUM

TO: Carl E. Geffken, David Cituk, External Auditors
FROM: Christian F. Zale, City Controller
DATE: October 4, 2011
SUBJECT: 2010 External Audit Findings – October 2011 Review

FINANCIAL STATEMENT AUDIT

10-1 Modified Accrual (2010, 2009, 2008, 2007)

Condition: Accounts payable and accounts receivable have not been reconciled on a monthly basis.

Recommendation: All accounts should be reconciled on a timely basis.

Management Action: The Administrative Services Department will reconcile accounts on a monthly basis.

Current Status: Accounts payable reconciled through June 30, 2011. Accounts receivable aging report has been generated as of August 31, 2011. Both accounts payable and receivable September 30, 2011 reconciliations will be completed by November 30, 2011.

10-2 Cash Disbursements – Segregation of Duties (2010, 2009, 2008)

Condition: Disbursement process for authorization not being followed.

Recommendation: Implement prior process which includes appropriate segregation of duties, management oversight and timely payment of invoices.

Management Action: Effective January 1, 2011, a new procedure has been implemented to obtain review and sign off by the City Controller, Purchasing Coordinator, Director of Administrative Services and Managing Director according to a specified spending threshold.

Current Status: New procedure in place and completed management's action. **This finding is considered resolved.**

10-3 Pension Reporting (2010, 2009, 2008, 2007, 2006)

Condition: Preparation of the AG-385 reports has not been correctly reported because of personnel turnover by the Pension Administrator and with the Finance Department.

Recommendation: The Internal Auditor's Office should oversee the preparation of the AG-385 report.

Management Action: The Pension Coordinator meets weekly with the Administrative Services director and City Auditor. The preparation of the AG-385 for 2010 involved the Pension Coordinator, City Auditor, City Controller, Accounting Manager Administrative Director and his Confidential Secretary. Staff expects the 2010 filing to be error free.

Current Status: Implemented and completed management's action. **This finding is considered resolved.**

10-4 Pension Compliance (2010, 2009, 2008, 2007)

Condition: Benefits granted to union employees that were not within the parameters if the established codes.

Recommendation: The City should evaluate the state code and City Charter to insure pension compliance prior to settlement of union contract. Also, the City should monitor remitting funding obligations to each fund.

Management Action: The Act 47 Recovery Plan is taking an active role in all negotiations resulting in negotiating new labor contracts which comply with all state and local laws.

Current Status: Completed Fire negotiations in March 2011 according to the recovery plan. Police and O&E currently negotiating.

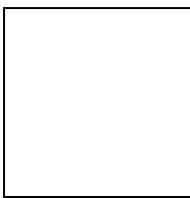
10-5 Account Reconciliations / Adjustments (2010)

Condition: Turnover in key financial management positions caused many reconciliations not being performed timely and accurately.

Recommendation: Review policies and procedures to ensure appropriate individual is assigned the proper task. Also, review job description and responsibility to allow the most efficient flow of information.

Management Action: The City Controller will establish a monthly schedule and assign responsibility of all accounts that will be reconciled. This will enable the staff to make year end adjustments.

Current Status: Various accounts are currently reconciled; while the remaining will be assigned. Year end adjustments will be coordinated with external auditors in a timely manner.



10-6 Time Card Approval (2010)

Condition: Current internal control procedures for hourly employees state that the employee, time keeper and department head sign off time cards to ensure accuracy and approval of the hours worked. This is not constantly occurring.

Recommendation: The City should follow established internal control procedure. Also, the timekeeper, payroll clerk and city auditor should monitor the approval and reporting process to ensure procedure compliance.

Management Action: In addition to complying with the recommendation, the City is contemplating switching payroll systems, part of which would electronically collect time, requiring management to authorize time records.

Current Status: All O&E employees are signed off by department heads. Police "hour exceptions", such as overtime and LOA, are individually approved by supervisors. Fire requires attention with this matter, with a goal to have an approval process by the end of November 2011.

10-7 Financial Reporting to Management (2010, 2009, 2008)

Condition: Current information provided to City Council is inadequate. Meaningful information, timeliness and format showing true cost of operations compared to budget did not exist.

Recommendation: The Finance Department should revisit the information distributed to senior management and City Council to ensure accurate, timely and meaningful information.

Management Action: Prepare a cash flow report and income statement, both comparing actual versus plan and prior year on a monthly basis.

Current Status: The Finance provides senior management and City Council with a monthly cash flow report with narrative, along with an income statement comparing actual versus plan. Prior year information should be added to the income statement. The publication of October 2011 income statement will include prior year's information.

10-8 Compensated Absence Liability (2010)

Condition: An inconsistency exists between time earned by employees and the hours accrue in the payroll system (PDS) for the liability.

Recommendation: Management needs to manually track this information until the issue with the payroll system is resolved.

Management Action: Compensated absences have been tracked manually for the first half of 2011. Corrections to the payroll system have implemented in July 2011.

Current Status: Corrections are maintained. **This finding is considered resolved.**

10-9 Purchasing Card Procedures (2010)

Condition: No review occurred of purchasing card activity by upper management.

Recommendation: Director of Administrative Services should review purchasing card activity for unusual or excessive items.

Management Action: The Managing Director and Director of Administrative Services will review monthly statements for propriety.

Current Status: Management actions implemented. **This finding is considered resolved.**

10-10 Billing-Revenue/Accounts Receivable Water/Sewer (2010)

Condition: Account receivable report not generated at month end and reconciliation not performed. Past due accounts not analyzed for collectability.

Recommendation: To ensure an accurate monthly accounts receivable cutoff, coordinate cash application with Treasury when generating the report. Account reconciliation between report and trial balance is required. Also, the report must be reviewed for past due accounts.

Management Action: Management will implement recommendations.

Current Status: As of August 2011, the month end receivable report is generated. The account reconciliation and collection effort need attention. Goal is to implement these two items in November 2011.

10-11 Micro Loan Program Approval (2010)

Condition: Approval of not always obtained for contract for services with a third party.

Recommendation: The City should implement a policy to obtain City Council approval when contracting with a third party.

Management Action: Implement the recommendation.

Current Status: All City contracts are reviewed by the City Solicitor and properly executed. **This finding is considered resolved.**

10-12 Monitoring State Grants (2010)

Condition: Some proper documentation supporting expenses related to certain grant funds were not available. In addition, expenditures were not recorded on the City's general ledger. The City is also not maintaining an accurate listing of all state awards that have been applied for and the status of these awards.

Recommendation: The City should re-evaluate its procedure for handling state grants to allow proper documentation of the award and related expenditures. Procedures should include verifying to allow ability of costs and monitoring sub recipients. Also the City should provide a listing of awards applied for and received be maintained to allow the monitoring of Grant status. With the involvement of Reading Redevelopment Authority (RRA), open communication between the City grant coordinator and the Authority is important.

Management Action: The City recently hired a Grants Accountant to staff. This Accountant will work closely with the Grants Coordinator to ensure proper documentation is retained, along with maintaining a comprehensive listing of awards. Coordination between RRA and grants staff will improve.

Current Status: These recommendations require attention with a defined implementation plan identified by the end of November 2011.

10-13 Preparation of Schedule of Expenditures of Federal Awards (SEFA) (2010)

Condition: The City does not prepare a SEFA containing all required information. The external auditor prepared the SEFA. Also, certain federal awards were not identified at all.

Recommendation: To be aware of all compliance requirements from the A-133 Compliance Supplement and prepare a complete and accurate SEFA, management should have an awareness of CFDA number and Clusters.

Management Action: The Grants Account will prepare the SEFA schedules as required.

Current Status: No action taken; need implemented by November 31, 2011.

FEDERAL AWARD PROGRAM AUDIT

10-14 Grant Receipts (2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003)

Condition: Enhanced communication needed between Community Development (CD) and Finance to improve timeliness of IDIS reporting on a more consistent manner with the general ledger. Also, no reconciliation performed of actual expenses paid on the general ledger to the IDIS draw downs.

Recommendation: The CD Fiscal Officer is responsible for timely draw downs, insuring expenditures are recoded on the general ledger and a monthly reconciliation is performed comparing draw downs to the general ledger. The CD Fiscal Officer should have access to the general ledger software (USL).

Management Action: The CD Fiscal Officer position will relocate into the Finance division. This will provide for timely draw downs, accurate accounting, proper training and timely reconciliations.

Current Status: The CD Fiscal Officer has been transferred to the position of Waste Water Treatment Project Accountant. He continues supporting CD until a replacement is hired. This employee recently moved to the Finance division area. An implementation plan for the management action is required by November 30, 2011.

10-15 Allowable Costs-Inadequate Documentation for Administrative Expenses via Purchasing Card (2010)

Condition: Some expenditures applied to various grants and contracts did not have adequate documentation to confirm the expense was necessary and reasonable to the administration of the program. Some administrative expenses charged to the program were unallowable such as donations and entertainment. All of the aforementioned charges were done through purchasing card transactions.

Recommendation: The city should establish effective controls to monitor this area plus have appropriate personnel to maintain a listing of allowable costs under federal regulations noted above and review all administrative costs charged to the program against these listings. Training on unallowable costs should be held.

Management Action: The Managing Director and Director of Administrative Services will review and approval all program and administrative costs for propriety.

Current Status: The Managing Director and Director of Administrative Services review monthly statements for propriety.

This finding is considered resolved.

10-16 Reporting-Quarterly Performance (NSP2) Reports Not Filed Timely (2010)

Condition: The first, second and third quarter NSP2 reports were submitted late. The Disaster Recovery Gant Report (DRGR) system generating the reports was not operating properly which caused delays. Each of the reports for the noted three quarters were reviewed and approved by the applicable federal agency.

Recommendation: The Director of Community Development should review the quarterly reports before they are submitted to ensure they are accurate and performed timely.

Management Action: The Director of Community development will review the quarterly reports to ensure accuracy and timeliness.

Current Status: The Director of Community is reviewing the quarterly reports. The 2010 fourth quarter and the first, second and third quarter reports for 2011 have been properly reviewed and issued on time. **This finding is considered resolved.**

To: Carl E. Geffken, Managing Director

From: Christian F. Zale

Date: November 15, 2011

Re: General Fund – Cash Flow Report – **October 31, 2011**

This report is due to the Managing Director, the Mayor and City Council each month. The Cash Flow Report is a work in progress. Specifically, as the staff becomes more familiar with the City’s past accounting practices as well as the application of the 2011 budget, we will be revising these reports to include revenue and expense projections on a monthly basis for the remainder of 2011. The attached report is for the period January through December 2011. For the months of January through **October**, actual amounts are reported. For the remainder of 2011, **original estimated amounts** are reported. Monthly revenue trends follow the discount and full payment deadlines. Revenue and expense projections are also based on prior year trends. **Total year-to-date activity is the Actual Total column.** The narratives below highlight 2011 financial activity and compare 2010 and 2011 revenues and expenses.

Cash Balance - Beginning

Cash balance carried forward from prior month.

October 1, 2011	October 1, 2010
\$16,430,252	\$1,134,530

Revenues

Real Estate Taxes – The approved 2011 General Fund millage rate is 14.334 mills. Beginning in January 2011, the billing and collection of property taxes was transferred to Berks County. Discount (2%) payments are due by April, face (full) payments are due by June and taxes paid after July 1 are subject to a 10% penalty. County and City taxes are combined in one bill. County policy does not currently allow installment payments. Projections reflect the peak periods for discount and face collections as well as 2010 collection trends. The budget anticipates that 86% of residents and businesses will pay their current year’s taxes. Real estate assessment appeals are expected to have had a significant impact, due to the recessed real estate market. **After receiving transmittals of all of the discount period payments through the County of Berks, real estate tax revenues (90.1%) are slightly ahead of last year’s pace (89.3%).** The majority of activity has been transacted for 2011. At year-end, we expect the next significant amount of collections, prior to turning delinquencies over to the County. Serious consideration was given to accepting installment payments by the County. Unfortunately, County staff believes that collections have sustained, without the installment program.

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$17,084,579	\$18,966,209	90.1%	\$14,978,963	\$16,771,240	89.3%

Earned Income Taxes (EIT) – The City has multiple rates for the EIT. The current City share of the resident EIT is 2.1%. The current City rate for non residents is 1.3% (1% remits to employee’s home municipality; 0.3% benefits the City.) Beginning in January 2011, the City outsourced its EIT collection (employers and individuals) to Berks

EIT Bureau. This Bureau transmits funds to the City on a monthly basis. The Bureau reported that June remittances would be significantly higher, due to the concurrent deadlines for federal and state individual returns (April 30 deadline for employers, processed by the Bureau in May and remitted to the City in June). There is approximately \$315,000 in the Earned Income Tax Fund on the City's books. As funds due to other municipalities for current and prior years will be paid by the Bureau, it is unlikely that these funds will be needed and will eventually be recommended for transfer into the General Fund. **Total collections are now \$7,898,559 or 67.0% of budget. We will continue to closely monitor EIT revenues through the remainder of 2011.** PFM and City staff met with Rick Weisser from the Bureau in August as part of this monitoring effort.

Act 32 is attempting to require more frequent payments by taxpayers to the respective County Tax Collection Committee (TCC) collector. If taxpayers (e.g., Walmart) desire to electronically remit and file to one central tax collector in PA, then monthly filings and payments are required. Under this scenario, unless taxpayers choose Berks EIT Bureau as their PA collector, there will be a month delay for the filings and the payments to reach Berks EIT and then to the City. The Bureau has a conservative belief that not many businesses will name one PA collector nor would it be the Bureau. In the meantime, monthly collections will be received from other EIT collection agencies and from past due accounts. The Act 32 rules for the Local Services Tax collections are the same as for EIT collections. Overall, taxpayer filings and payments will continue to evolve throughout 2011 and 2012 and possibly into 2013.

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$7,898,559	\$11,797,117	67.0%	\$0	\$11,523,719	0.0%

Business Privilege Taxes (BPT) – The current City rates for the BPT are based on gross receipts. For each \$1,000, businesses pay either \$1.50 (retail), \$1 (wholesale) or \$2.25 (service, commission or rental). The BPT is shared with the School District. Discount (2%) payments are due by April 15 and full payments are due by June 15. Rates were frozen in 1988 by the Commonwealth and cannot be changed. The City continues to collect the BPT. **As of October (85.9%), we are well behind last year's pace (102.2%). Staff is currently focusing on follow up for audits and prior years collections (\$70,649 actual of \$285,000 budgeted).**

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$1,404,430	\$1,635,000	85.9%	\$1,505,456	\$1,472,833	102.2%

Real Estate Transfer Taxes – The City share of the transfer tax is 3.5%. Historically, transfers peak over the summer months due to residential resales. Commercial property transfers are more volatile, dependent on corporate and speculative transfers. Ultimately, staff will attempt to build a model that will identify a base amount of annual transfers. With an increased 2011 budget, we are significantly behind last year's pace. As we are in the peak transfer season, we will keep closely monitoring this activity. **As of October (61.4%), we continue to be significantly behind last year's pace (86.6%).**

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$1,688,046	\$2,750,000	61.4%	\$2,165,254	\$2,500,000	86.6%

Local Services Taxes (LST) – The LST is assessed on each person with an occupation in the City. The City share of the LST is \$47. The School District share is \$5. Beginning in January 2011, the Bureau is collecting and remitting this tax.

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$1,015,624	\$1,121,445	90.6%	\$977,319	\$945,000	103.4%

Per Capita Tax – The PCT is a tax on City residents who are at least 18 years old. The City share of the PCT is \$5 and the School District share is \$10. The City currently collects the tax. **Staff is working to identify residents who are not currently paying the tax, particularly those in high rise rental units.**

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$66,167	\$100,000	66.2%	\$110,833	\$91,000	121.8%

Licenses, Permits & Fees – Consists of housing and rental permit fees, franchise fees, traffic and court fines and other licenses, permits and fees.

- Housing & Rental Permit Fees – The City annually bills owners and tenants for housing and rental permits. As the City was previously late with these billings, we actually collected (in whole or in part) fees for 2008 through 2010 in 2010. Staff has been meeting to determine when 2011 permits should be billed and collected. Our current plan is that these billings will be mailed in November 2011 and collected in December 2011. A notice will be included with the 2011 bills that the 2012 bills will be mailed during 1Q2012 and due in April 2012. In subsequent years, the billing will follow the same pattern. **We are slightly behind (70.3%) of last year’s pace (72.0%). Maximus completed its analysis of the permit and inspection process to recommend an appropriate fee for both. This recommendation has been approved.**
- Franchise Fees – The City has on cable franchise agreement with Comcast. Franchise agreement fee (5%) payments are made quarterly.
- Traffic & Court Fines – Received monthly from the District Court system.
- Other Licenses, Permits & Fees – This category includes business privilege licenses, zoning fees, fire prevention permits and other fees.

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$4,015,367	\$5,710,113	70.3%	\$4,284,373	\$5,947,671	72.0%

Intergovernmental – This is primarily comprised of state pension contributions and meter surcharges.

- Pension – State Aid offsets a portion of the City contribution to the Police, Fire and O&E pension plans. The amount of state aid is dependent on the total amount of state funds available and the number of active employees in pension funds statewide. We are eligible for each full time employee who has worked for the City for a minimum of six months in the prior year. State Aid is received every October. In 2010, State Aid for pension was better than anticipated (\$2,972,820 vs. \$2.7 million, or 10%). State Aid unit value increased from \$3,128 to \$3,234 and the City qualified for more units from 909 to 919. The staff prepared the State Aid reports for 2011 and found that the City qualified for 801 units (118 less), or \$381,612 less than projected in State Aid. However, the State determined the payment terms from out of state insurance carriers were not followed. Adhering to the payment terms produced a one time windfall for the City in the amount of \$1,507,000. This reduces the MMO the City pays to the various pension funds.
- Meter (Water) Surcharges – First enacted in 2005, the surcharge is currently \$5.32 per resident, per month. The City collects this surcharge as a direct subsidy.
- Other – This category is comprised mostly of:
 - Additional Lease Financing Fee (\$1.5 million) paid by RAWA to the City.
 - Reading Public Library (\$800,875)
- Indirect Cost Reimbursement – Sewer, Water, Recycling, Community Development & Code (\$2,377,000). The Reading School District is considering reducing the payment to the City for School Resource Officers. At this time, PFM and City staff are recommending a \$100,000 Budget Appropriation Transfer (reduction).

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$8,573,111	\$9,572,175	89.6%	\$5,862,023	\$7,296,920	80.3%

Charges for Services

- Admissions – The City receives admissions taxes (5%) from the Sovereign Center (minor league hockey) and FirstEnergy Stadium (minor league baseball) during the respective seasons. We are ahead of last year’s pace and expect to meet or exceed projections, as a result of the baseball season.
- User Fees – The City receives fees for providing Emergency Medical Services to the public.

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$3,642,375	\$4,351,811	83.7%	\$3,359,475	\$4,300,911	78.1%

Interest & Rent – 2011 revenue primarily represents a one-time payment from the Reading Redevelopment Authority (\$2.9 million).

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$4,502,180	\$4,470,200	100.7%	\$1,034,988	\$1,107,250	93.5%

Other Revenues

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$1,590,671	\$4,299,700	37.0%	\$1,480,155	\$5,113,516	28.9%

Expenditures

Wages and Salaries – Personnel includes wages and salaries for full time, part time and seasonal employees. The 2011 budget includes 639 full time employees. Personnel expenses remain relatively flat on a month-to-month basis. The most significant change occurred in Community Development as the Property Maintenance Division was transferred from the Police Department. (Note: City accounting practices until 2011 included using Vouchers Payable instead of Cash for wage and salary transactions. These practices preclude the staff from accurately reporting 2010 wage and salary activity.) As these wage and salary expenses represent 58% of our annual budget to date, we are slightly behind (75.7%) of last year’s pace (76.5%). The Managing Director and the respective Department Heads are cautiously working towards filling vacancies, balancing levels of service with budget constraints. We are currently at 94.1% of our budgeted capacity (adjusted for RAWA transfers).

Department	2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
Police	\$12,505,610	\$14,703,787	85.1%	\$13,174,667	\$15,335,997	85.9%
Fire	\$6,245,464	\$7,731,634	80.8%	\$7,287,274	\$9,265,981	78.6%
Public Works	\$1,661,966	\$1,825,060	91.1%	\$1,670,284	\$1,834,231	91.1%
Administration	\$1,789,354	\$1,987,215	90.0%	\$1,817,343	\$2,962,515	61.3%
Community Development	\$1,292,500	\$1,653,913	78.1%	\$518,008	\$558,929	92.7%
Other	\$1,029,027	\$1,247,228	82.5%	\$1,035,897	\$623,657	166.1%
Total	\$24,523,921	\$29,148,837	84.1%	\$25,503,473	\$30,581,310	83.4%

Full Time Employees – Act 47 requires the City to monitor and report changes in workforce each month. This chart indicates the employment trends among full time City employees.

Department	FT – 10/31/2011	FT – 12/31/2010	Change (#)	Change (%)
Dept. Subtotal	526	537	-9	-3
RAWA	10	56	-46	-82.1
Library	10	10	0	0
Transfer	46	0	N/A	N/A
Total	592	603	-11	-2.0
Budgeted	639	661	-22	-3.3
Filled	592	603	-11	-2.0

Filled to Budgeted (%)	92.6%	91.2%	N/A	N/A
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Overtime – This chart monitors the overtime expenses for the departments with significant overtime costs. Public Financial Management is investigating the trends in overtime expenses in the respective departments. Overtime for both Police and Fire Departments is trending to go significantly over budget. However, with the recent arbitration settlement, structural changes have been made to department scheduling starting in April, which should significantly reduce overtime throughout the remainder of the year. Staff budget meetings continue each month, during which revised overtime projections and corrective actions will be determined.

Department	2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
<i>Police</i>	\$1,400,332	\$1,019,985	137.3%	\$1,023,316	\$1,151,116	88.9%
<i>Fire</i>	\$1,344,548	\$981,500	137.0%	\$1,409,351	\$1,276,307	110.4%
<i>Public Works</i>	\$28,003	\$75,000	37.3%	\$44,619	\$42,807	104.2%

Pension (MMO) – The State requires the City to make a Minimum Municipal Obligation (MMO) payment to each of the City’s three defined benefit plans. The MMO is determined from an actuarial valuation by the respective actuary for each plan. The State requires that the MMO calculation be completed by the actuary by September 30 of each year and incorporated into the next year’s budget. The State also requires that the City make the MMO payment to each plan by December 31 of each year. The practice of the City is to pay the three MMOs in December. The PA Auditor General has issued audit reports for all three pension plans for 2007 and 2008. In both years, the City underfunded its MMO. This funding was significantly corrected in December 2010 with the unfunded debt proceeds. The City still owes all three plans accrued interest on these funds for a total of \$781,738, at the assumed rate of return (7.5% or 8%). Additionally, the City overestimated its eligibility for State Aid in both years. The total amount of the overpayment of State Aid is \$389,641. As a result, the City is obligated to pay back the State Aid plus interest (current estimate is \$96,949, based on actual investment gains or losses). The total value of the audit findings is currently estimated at \$1,268,328, payable from the General Fund. The Managing Director, the Mayor and the PA Auditor General are currently negotiating a payment schedule for the funds owed. As a result of these findings, the staff recommends postponing the payments of the 2011 MMO until later this year as well as postponing a Budget Appropriation Transfer until a clear resolution of this matter is determined.

Plan	2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
<i>Police</i>	\$3,055,973	\$4,039,001	75.7%	\$1,363,126	\$2,100,386	64.9%
<i>Fire</i>	\$845,290	\$1,984,974	42.6%	\$1,252,300	\$1,277,395	98.0%
<i>Employees & Officers</i>	\$581,478	\$581,478	100.0%	\$357,394	\$336,060	106.3%
Total	\$4,482,741	\$6,605,453	67.9%	\$2,972,820	\$3,713,841	80.0%

Fringe Benefits – Benefits include Social Security, Medicare, health care, dental, prescription, vision and unemployment compensation expenses. As mentioned earlier in this document, the City historically has

recorded these expenses in Vouchers Payable, so the accuracy of this activity cannot be fully confirmed. Our pace (45.1%) is significantly behind last year (71.1%). Research has found that Fringe Benefit costs are currently distributed to each department on a quarterly basis. Beginning in July, this distribution will occur monthly. We now have a better idea of any material budget variances.

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$5,138,895	\$9,961,593	51.6%	\$6,416,682	\$8,344,405	76.9%

Debt Service – Interest and principal payments are primarily made in May and November of each year.

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$5,089,582	\$11,718,145	43.4%	\$5,495,426	\$6,996,350	78.5%

Operating Costs – The City follows a rigorous requisition and procurement process for spending its operating costs. Operating costs do fluctuate for month to month due to the various spending patterns by each of the departments. City Administration is developing best management practices to better centralize and plan its critical spending to maximize cash flow while meeting departmental needs. As these operating expenses represent 58% of our annual budget to date, we are slightly behind (78.0%) budget and slightly behind last year’s pace (84.4%). During June and July, staff continued to identify and discuss budget variances. For variances exceeding \$10,000, Budget Appropriation Transfers will be identified and recommended to City Council.

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$6,852,885	\$8,788,909	78.0%	\$6,052,799	\$7,171,173	84.4%

Interfund Transfers

Transfers In

- From Sewer (\$3 million) – The consent decree of November 2005 restricts the amount of annual transfers from the Sewer Fund to the General Fund. The entire transfer occurred in August.
- From RAWA (\$4,220,000) – Annual financing fee payment from the water system. The first in a series of monthly transfers began in August.

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$4,270,000	\$7,222,500	59.1%	\$3,000,000	\$3,000,000	4100%

Transfers Out

- Self Insurance (\$1,702,435) – Transfers used to reimburse Self Insurance Fund for property, liability and workers compensation claims as well as administrative costs.

2011 YTD Actual	2011 YTD Budget	2011 YTD Actual to Budget (%)	2010 YTD Actual	2010 YTD Budget	2010 YTD Actual to Budget (%)
\$0	\$1,072,435	0.0%	\$30,000	\$1,072,435	2.8%

Net Balance Sheet Activity

Cash transactions for Balance Sheet accounts affect the Cash Flow Report. We disclose these totals as Net Balance Sheet Activity. Significant transactions will be disclosed. For February 2011, Liquid Fuels Fund repaid General Fund \$810,103 for a prior loan.

Cash Balance - Ending

Cash balance remaining at end of month and recorded on General Ledger. ***At this time, staff projects healthy cash balances to be maintained between October and December 2011 This assumption is predicated upon prior years' cash transfer of indirect cost from various funds to the General Fund.***

October 31, 2011	October 31, 2010
\$8,379,736	\$2,033,114

City of Reading, PA
General Fund Income Statement
As of October 31, 2011

	2011 Budget	2011 Year to Date	% of Budget
Revenues			
Real Estate Taxes	18,966,209.00	18,151,982.00	96%
Earned Income Tax	11,797,117.00	7,898,559.00	67%
Act 511 Taxes	5,606,445.00	3,844,881.00	69%
Licenses, Permits & Fines	6,190,113.00	3,683,246.00	60%
Intergovernmental	9,762,175.00	8,068,944.00	83%
Charges for Services	3,871,811.00	3,416,057.00	88%
Interest and Rent	4,280,200.00	811,086.00	19%
Other	4,299,700.00	2,551,520.00	59%
	-		
TOTAL REVENUES	\$ 64,773,770.00	\$ 48,426,275.00	75%
Expenditures			
Mayor	281,231.00	203,835.00	72%
City Council	282,701.00	227,967.00	81%
City Auditor	155,104.00	120,522.00	78%
Managing Director	312,435.00	234,408.00	75%
Finance	3,614,248.00	3,543,793.00	98%
Public Works	5,986,499.00	5,188,146.00	87%
Police	26,138,495.00	21,274,128.00	81%
Fire	14,321,626.00	11,151,562.00	78%
Community Development	2,746,469.00	2,084,903.00	76%
Human Resources	592,004.00	388,693.00	66%
Law	765,787.00	567,731.00	74%
Library	800,875.00	600,078.00	75%
Non-Departmental	2,346,400.00	1,004,817.00	43%
Board of Ethics	2,500.00	6,645.00	266%
Human Relations Commission			75%

	229,316.00	172,666.00	
Debt Service	11,718,145.00	27,402,502.00	234%
	\$	\$	
TOTAL EXPENDITURES	<u>70,293,835.00</u>	<u>74,172,396.00</u>	106%
Excess (Deficiency) of			
	\$	\$	
Funding Sources of Uses	<u>(5,520,065.00)</u>	<u>(25,746,121.00)</u>	
OTHER FINANCING SOURCES (USES)			
		\$	
Bond Proceeds	\$ -	21,265,000.00	
Transfers In	7,222,500.00	7,536,667.00	104%
Transfers	(1,702,435.00)	(567,478.00)	33%
		\$	
TOTAL OTHER FINANCING SOURCES	<u>5,520,065.00</u>	<u>28,234,189.00</u>	
Excess of Revenues and other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	2,488,068.00	

**City of Reading, PA
General Fund Income Statement
As of October 31, 2011**

	2011 Budget A	2011 Year to Date B	% of Budget	2011 Remaining Budget C	% of Budget	2011 Remaining Projection D	% of Budget	2011 Projected E
Revenues								
Real Estate Taxes	18,966,209.00	18,151,982.00	96%	814,227.00	4%	500,000.00	3%	18,651,982.00
Earned Income Tax	11,797,117.00	7,898,559.00	67%	3,898,558.00	33%	1,450,000.00	12%	9,348,559.00
Act 511 Taxes	5,606,445.00	3,844,881.00	69%	1,761,564.00	31%	740,000.00	13%	4,584,881.00
Licenses, Permits & Fines	6,190,113.00	3,683,246.00	60%	2,506,867.00	40%	2,260,000.00	37%	5,943,246.00
Intergovernmental	9,762,175.00	8,068,944.00	83%	1,693,231.00	17%	3,200,231.00	33%	11,269,175.00
Charges for Services	3,871,811.00	3,416,057.00	88%	455,754.00	12%	540,000.00	14%	3,956,057.00
Interest and Rent	4,280,200.00	811,086.00	19%	3,469,114.00	81%	20,000.00	0%	831,086.00
Other	4,299,700.00	2,551,520.00	59%	1,748,180.00	41%	1,748,180.00	41%	4,299,700.00
	-							
TOTAL REVENUES	\$ 64,773,770.00	\$ 48,426,275.00	75%	\$ 16,347,495.00	25%	\$ 10,458,411.00	16%	\$ 58,884,686.00

Expenditures

Mayor	281,231.00	203,835.00	72%	77,396.00	28%	77,396.00	28%	281,231.00
City Council	282,701.00	227,967.00	81%	54,734.00	19%	54,734.00	19%	282,701.00
City Auditor	155,104.00	120,522.00	78%	34,582.00	22%	34,582.00	22%	155,104.00
Managing Director	312,435.00	234,408.00	75%	78,027.00	25%	78,027.00	25%	312,435.00
Finance	3,614,248.00	3,543,793.00	98%	70,455.00	2%	239,000.00	7%	3,782,793.00
Public Works	5,986,499.00	5,188,146.00	87%	798,353.00	13%	798,353.00	13%	5,986,499.00

Police	26,138,495.00	21,274,128.00	81%	4,864,367.00	19%	4,864,367.00	19%	26,138,495.00
Fire	14,321,626.00	11,151,562.00	78%	3,170,064.00	22%	3,170,064.00	22%	14,321,626.00
Community Development	2,746,469.00	2,084,903.00	76%	661,566.00	24%	661,566.00	24%	2,746,469.00
Human Resources	592,004.00	388,693.00	66%	203,311.00	34%	203,311.00	34%	592,004.00
Law	765,787.00	567,731.00	74%	198,056.00	26%	198,056.00	26%	765,787.00
Library	800,875.00	600,078.00	75%	200,797.00	25%	200,797.00	25%	800,875.00
Non-Departmental	2,346,400.00	1,004,817.00	43%	1,341,583.00	57%	1,341,583.00	57%	2,346,400.00
Board of Ethics	2,500.00	6,645.00	266%	(4,145.00)	-166%	3,532.00	141%	10,177.00
Human Relations Commission	229,316.00	172,666.00	75%	56,650.00	25%	56,650.00	25%	229,316.00
Debt Service	11,718,145.00	27,402,502.00	234%	(15,684,357.00)	-134%	5,286,363.00	45%	32,688,865.00
	\$	\$		\$		\$		\$
TOTAL EXPENDITURES	70,293,835.00	74,172,396.00	106%	(3,878,561.00)	-6%	\$ 17,268,381.00	25%	91,440,777.00

Excess (Deficiency) of

Funding Sources of Uses

\$	\$	\$	\$	\$
(5,520,065.00)	(25,746,121.00)	20,226,056.00	(6,809,970.00)	(32,556,091.00)

OTHER FINANCING SOURCES (USES)

Bond Proceeds	\$ -	\$ 21,265,000.00		(21,265,000.00)		\$ -		21,265,000.00
Transfers In	7,222,500.00	7,536,667.00	104%	(314,167.00)	-4%	703,334.00	10%	8,240,001.00
Transfers	(1,702,435.00)	(567,478.00)	33%	(1,134,957.00)	67%	(1,134,957.00)	67%	(1,702,435.00)
	\$							
TOTAL OTHER FINANCING SOURCES	5,520,065.00	28,234,189.00		(22,714,124.00)		(431,623.00)		27,802,566.00

**Excess of Revenues and other
Financing
Sources Over (Under) Expenditures and**

Other Financing Uses	\$	-	2,488,068.00	(2,488,068.00)	(7,241,593.00)	(4,753,525.00)
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City of Reading, PA

Cash Flow Projection

October 31, 2011 Cash Balance **\$
8,794,227**

November 1, 2011 to December 31, 2011 Activity:

Excess of Revenues and other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (7,241,593)
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December 31, 2011 Cash Balance before Adjustments	\$ 1,552,634
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Adjustments:

	Beginning to 12/31/2010	1/1/2011 to 8/31/2011
Due To / Due From Balances:		
Community Development	\$1,512,977	\$ -
Sewer	\$5,805,191	\$ -
Recycle/Trash	\$1,870,953	\$ -
Water	\$2,278,734	820,000
Agency	830,267	102,124
Total		\$ 13,220,246

	\$ (1,395,000)	(includes an estimated extra \$138,000 interest cost for 2011)
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Reimbursement of Prior Period Pension Corrections

\$1,257,000+\$138,000

Net Adjustments	\$
	11,825,246

Estimated December 31, 2011 Cash Balance	\$
	13,377,880