

CITY COUNCIL

Finance, Audit & Budget Committee

Monday, June 18, 2012
5:00 pm
City Council Office

The Budget and Finance Committee's responsibilities include Annual Budget Review, Capital Improvement Programs, Financial Reports, Taxes (Rates, exonerations and exemption appeals), Fee Assessments, Review of Budget & Financial Reports, oversight of the City's external auditing, internal controls and any other financial or business practices, and reviewing the work of the City Auditor.

Committee Members: Donna Reed (Chair), Randy Corcoran (Vice-Chair) and Dennis Sterner

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

All electronic recording devices must be at the entry door in all meeting rooms and offices, as per Bill No. 27-2012

I. Review CSC and IT Monthly Report

II. Review of Contracts Awarded since 3-1-12 without the Procurement Process

1. Contracts to Fleck Consulting (political policy and media)
2. Contracts to Scott Hoh
3. Other contracts awarded without the procurement process since March 1, 2012

II. Legislative Review

- **Ordinance** - requesting authorization to transfer funds from the general fund to the trash/recycle fund

III. Budget Review

- Review Expenditures/Revenues
- Review Transfers

IV. Review Finance Reports

- Income Statement
- Cash Flow Projection
- Review Bank Statement Activity

V. Update from City Auditor re 2011 Audits

- WWTP Capital expenses (1/1/2008-6/30/2011)
- Compliance-transfers
- Follow-up to external audit findings
- **Audit re Disposition of Fine Arts Money and ability of Penn Corridor to disperse these funds**

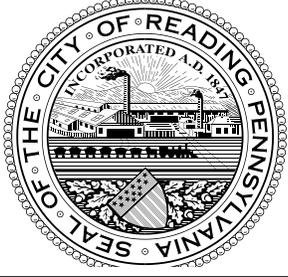
VII. Update - Collection Report for Delinquent Taxes and Misc Fines & Fees (RE01) – RFP to identify new collections firm opened 3-13-12

VIII. CD Report – Spent vs. Unspent CDBG Funds

- a. Update HUD Audit**
- b. Un-programmed CDBG Funds**
- c. UDAG Fund**
 - **2009 Balance Sheet/Income Statement**
- d. 2010-11 Balance Sheet/Income Statement and quarterly report for 2010-11 showing revenues and expenditures**

FOLLOW UP ISSUES

1. Estimate for new pavement on Court St train bridge
2. Recommendation for Collector for Delinquent BPL and other fee/tax collection
3. Waiting to receive Administration's recommendation re the QoL program



CITY COUNCIL

Finance, Audit & Budget Committee

Meeting Report Monday, May 21, 2012

Committee Members Attending: D. Reed, Chair, R. Corcoran, Vice Chair, D. Sterner

Others Attending: L. Kelleher, H. Tangredi, M. Vind, D. Cituk, C. Zane, F. Acosta

Ms. Reed, Chair, called the meeting to order at 5:05 pm.

Tax Liens & Municipal Revenue Services

Mr. Vind introduced representatives from Stevens and Lee and Municipal Revenue Services (MRS) and explained the need to begin placing liens on properties with delinquent taxes.

Mr. Vind stated that the City has \$1.7M in delinquent taxes annually. He stated that MRS reviewed the last four years of delinquencies and suggests purchasing \$2.3M in outstanding debt.

Mr. Lloyd arrived.

The MRS representative Mr. Geranimo stated that MRS has been providing this service to government entities for approximately eight years.

Mr. Murin arrived.

Mr. Geranimo stated that after the program is approved by the governing body, the transaction usually closes in 30 days and the 6% fee is paid at closing. The fee covers all program costs. He stated that MRS usually purchases 90% of the most collectable

delinquent taxes. He stated that the goal of MRS is to provide the government entity delinquent tax funds upfront.

Mr. Acosta arrived.

Mr. Sterner questioned how MRS recovers the money used to purchase the delinquent taxes. Mr. Geranimo stated that the money is recovered and the loan is repaid as the taxes are collected. He explained that in general people do not want liens attached to their property as the liens need to be removed before a property title can transfer. He stated that this is a one year program that can be reauthorized annually by the governing body.

Mr. Corcoran questioned the source of the loan. Mr. Geranimo stated that a loan is taken by a non-profit agency of the City's choosing.

The Stevens and Lee attorney Ms. Mason stated that she would act as the attorney for the purchaser. She stated that the transaction is transparent. She explained that an assignment will be executed between the City and the purchaser. She explained that there are approximately 8-10 banks who participate in this program. The taxes collected are paid to the bank to pay down the loan.

Mr. Cituk noted that if the program is extinguished after one year, the 6% fee is not refunded. He inquired about the need for an RFP. Mr. Younger inquired if MRS is the sole provider of this service, or if a similar service is available from other firms. Mr. Geranimo stated that some cities come directly to MRS and others do an RFP. However, he noted that MRS has prepared the RFPs for the cities who used that procurement approach.

Mr. Zale inquired if the loan is a liability on the City's books. Mr. Vind and Ms. Mason stated that the loan does not go on the City's books. He stated that the loan is usually repaid within four years and that the amount collected usually exceeds the amount borrowed. Any delinquent taxes remaining when the program is closed out can be repurchased by the City for a small amount of money.

IT Report

Mr. Tangredi stated that the report was distributed electronically and attached to the agenda. In response to a question, Mr. Tangredi stated that IT currently has nine employees.

Contracts Awarded without Procurement Process

Ms. Reed asked if Mr. Zale or Mr. Cituk would be addressing this topic.

Mr. Zale stated that all requests for his services must go through the Mayor's Office.

Mr. Cituk distributed a handout showing that the Mayor's Office has a line item of \$49,500 for Contracted Services and \$40,893 has been paid out to date, leaving \$8,606 unencumbered. He also distributed a handout showing that the majority of the money has been paid as follows:

- Four invoices to Fleck Consulting for a total of \$24,000
- Two Invoices to Scott Hoh for a total of \$16,666

Mr. Cituk stated that the contract for Fleck Consulting for Policy Consulting is for \$24,000 and a contract for Fleck Consulting for Media Services for \$24,500. The contract for Scott Hoh is for \$24,500

Ms. Kelleher noted that the contract for the Fleck Policy Consulting and to Scott Hoh is almost paid in full. She noted that the Charter and Administrative Code expressly prohibits issuing multiple contracts to avoid the threshold requiring Council approval,

Mr. Spencer questioned why the contract for Cindy Kauffman and Ruth Mathews are not on the handout. Mr. Cituk stated that these contracts are not paid through the Mayor's office. He noted that Ms. Kauffman was paid in January and February but not after her health problems prevented her from working. He stated that the Pagoda Credit Union account for the Pagoda Foundation was closed out around March. Mr. Spencer stated that his staff is inquiring about the possible misuse of money paid to the Pagoda Foundation.

There was discussion on this historical problem with very loose contract language.

Ms. Reed suggested that Mr. Cituk provide additional information on the cost of all contracts issued without the procurement procedure, not those only paid through the Mayor's Office and the City's exposure at a Committee of the Whole session in June.

Tax Amnesty Ordinance

Ms. Reed asked if Committee members had any questions. Ms. Kelleher stated that this ordinance can be enacted at the May 29th regular meeting.

Mr. Sterner inquired about including property taxes in the amnesty program. Ms. Kelleher stated that the City can only apply the program to taxes the City collects. She stated that the amnesty can only be used for non-City collected taxes if the entity collecting the tax agrees.

She stated that the work group has asked Berks EIT to start the amnesty program for EIT in September.

Budget Review

Mr. Zale stated that to date 33% of the budget's expenditures have been used on the accrual side and 29% of the revenues have come in. He noted that the revenues are coming in behind due to the booking of the payment by Greater Berks in 2012 rather than in 2013 as budgeted.

Mr. Zale explained that on a cash basis the expenditures are at 25%. He noted that the pension expense is not booked until November. He also stated that Police and Fire overtime are over budget. He predicted that 2012 will end with a \$7M deficit due to the \$5M payment of the unfunded debt and the 2012 booking of the Greater Berks \$2.3M payment.

Auditor's Report on Internal Audits

Mr. Cituk distributed a report on the City Park Improvement Audit showing the following:

Project	Budgeted	Actual
City Park Pond	\$100K	\$13,784.98
Castle	\$40K	\$4,730.58
City Park Improvement	\$1.212M	\$1.289
Basketball Court	\$200K	\$18K
Bandshell	\$80K	\$218,108.16
Playground	\$50K	\$495.71

Ms. Kelleher questioned why the estimates for the project were so far from the actual costs. Mr. Cituk stated that he assumes that the estimates were higher than the actual rehab needs.

Mr. Cituk stated that he would present a to date audit of the WWTP project next month. He also noted that the City Finance Division is now reconciling the Due Tos/Due Froms monthly.

Ms. Reed inquired about the start of the audit on the disposal of the Fine Arts funds. She noted that the Fine Arts fund revenue came from a percentage of the cost of projects within the City for public art in public spaces, such as the River Speaks at 2nd and Penn and the many murals. She explained that former Mayor McMahon disbanded the Fine Arts Board and transferred the revenue to River Place, who transferred the funds to Penn Corridor.

She questioned if public funding can be spent by non-public organizations. She questioned if these transactions were legal.

After some discussion, Ms. Reed and Mr. Cituk agreed to work together on this project.

CSC Report

Mr. Zale distributed the CSC Report. He stated that the numbers are consistent with prior months. He also stated that the Administration is currently evaluating the need to layoff CSC employees due to the shift of customer service and collection of water bills to RAWA.

CD Report

The Finance Committee instructed Ms. Kelleher to have Mr. Agudo attend next months meeting.

As no other business was brought to the table the meeting adjourned at approximately 6:25 pm.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk

BILL NO. _____ - 2012

AN ORDINANCE

AN ORDINANCE REQUESTING AUTHORIZATION TO TRANSFER FUNDS FROM THE GENERAL FUND TO THE TRASH/RECYCLE FUND.

THE CITY OF READING HEREBY ORDAINS AS FOLLOWS:

SECTION 1. Authorizing the transfer of \$1,500,000.00 from the General Fund (01) to the Trash/Recycle Fund (56). Since trash bills are issued quarterly and the recycle bills are issued annually (July), and operating expenditures occur throughout the year; cash flow becomes a challenge in the first half of the year to pay trash and recycle expenses. A temporary transfer from the General Fund helps alleviate this issue. Upon cash receipt of payments for the trash and recycle bills, the Trash/Recycle Fund will reimburse the General Fund; the \$1,500,000.00 should be repaid before the end of 2012. This activity will be reported during the monthly council finance committee meeting.

SECTION 2. This ordinance shall become effective ten (10) days after its adoption, in accordance with Sections 219 & 221 of the City of Reading Home Rule Charter.

Enacted _____, 2012

President of Council

Attest:

City Clerk

Submitted to Mayor: _____

Date: _____

Received by the Mayor's Office: _____

Date: _____

Approved by Mayor: _____

Date: _____



MEMORANDUM

TO: City Council, David Cituk
FROM: Christian F. Zale, City Controller
DATE: June 15, 2012
SUBJECT: Schedule of Transfers - May 2012

The following transfers occurred in May 2012 as specified in the 2012 council approved budget:

To General Fund (01):

Indirect Cost: CD (32) \$15,833.33; Sewer (54) \$86,063.33; Recycling (56) \$11,195.00; Water (50) 56,503.33

Transfers: Sewer (54) \$250,000.00; Recycling (56) \$16,666.67; Water (50) \$368,333.33

Water RAWA Act 47: \$125,000.00

Meter Surcharges: Water (50) \$141,666.00

To Water Fund (50):

Meter Reading Cost: Sewer (54) \$20,833.33

RAWA Lease Agreement: From RAWA \$1,100,000.00 (Will change with RAWA relocation from City Hall)

To Self Insurance (52):

Sewer (54) \$75,416.67; Water (50) \$72,386.25; General (01) \$140,641.08

Corrections:

None

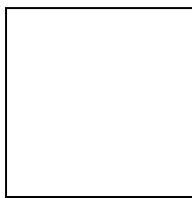
Additional Transfers:

None

Future Transfers:

The administration requested a transfer, via ordinance, from the General Fund (01) to the Trash/Recycle Fund (56) in the amount of \$1,500,000.00. Upon council approval, the funds will be transferred.

These transfers are reflected in May trial balance. Also, the related cash has been transferred among the various funds; thus, no impact in the DT/DF accounts. This activity has been confirmed by the City Auditor.



City of Reading, PA
General Fund Income Statement
May 31, 2012
(as of June 12, 2012)

	2012 Budget	2012 Year to Date	% of Budget
Revenues			
Real Estate Taxes	19,051,332.00	14,582,342.00	77%
Earned Income Tax	13,069,120.00	5,048,791.00	39%
Act 511 Taxes	4,856,445.00	2,361,700.00	49%
Licenses, Permits & Fines	6,018,113.00	2,705,092.00	45%
Intergovernmental	9,147,198.00	2,123,553.00	23%
Charges for Services	5,631,928.00	1,678,839.00	30%
Interest and Rent	3,044,408.00	210,009.00	7%
Other	4,657,482.00	1,477,006.00	32%
	-		
TOTAL REVENUES	\$ 65,476,026.00	\$ 30,187,332.00	46%

Expenditures

Mayor	351,720.00	193,802.00	55%
City Council	305,251.00	107,676.00	35%
City Auditor	145,511.00	51,234.00	35%
Managing Director	354,288.00	174,774.00	49%
Finance	3,887,256.00	1,541,589.00	40%
Public Works	6,178,756.00	2,549,162.00	41%
Police	25,365,255.00	8,988,454.00	35%
Fire	14,542,372.00	5,207,391.00	36%
Community Development	3,567,988.00	1,087,650.00	30%
Human Resources	535,729.00	144,800.00	27%
Law	726,489.00	328,963.00	45%
Library	742,442.00	282,975.00	38%

Non-Departmental	1,374,810.00	444,644.00	32%
Board of Ethics	10,000.00	3,261.00	33%
Charter Board	50,000.00	6,289.00	13%
Human Relations Commission	179,767.00	56,333.00	31%
Debt Service	13,093,199.00	8,694,554.00	66%
TOTAL EXPENDITURES	<u>\$ 71,410,833.00</u>	<u>\$ 29,863,551.00</u>	42%

Excess (Deficiency) of			
Funding Sources of Uses	<u>\$ (5,934,807.00)</u>	<u>\$ 323,781.00</u>	

OTHER FINANCING SOURCES (USES)

Bond Proceeds	\$ -	\$ -	
Transfers In	7,622,500.00	3,175,000.00	42%
Transfers	(1,687,693.00)	(703,205.00)	42%
TOTAL OTHER FINANCING SOURCES	<u>\$ 5,934,807.00</u>	<u>\$ 2,471,795.00</u>	

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

Other Financing Uses	\$ -	2,795,576.00	
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City of Reading, PA

Cash Flow Projection

May 31, 2012 Cash Balance	\$ 18,866,449
June 1, 2012 through December 31, 2012 Activity:	
Excess of Revenues and other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (10,067,005)
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December 31, 2012 Cash Balance before Adjustments	\$ 8,799,444
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Adjustments:

Due To / Due From Balances:	Beginning to 12/31/2010	1/1/2011 to 12/31/2011
Community Development	\$ -	\$ -
Sewer	\$ -	\$ -
Recycle/Trash	\$ -	\$ -
Self Insurance	\$ -	\$ -
Water	\$ -	\$ -
Agency	\$ -	\$ -
Total		\$ -
Other		\$ -
		<hr/>
Net Adjustments		\$ -
		<hr/>

Estimated Decembr 31, 2012 Cash Balance	\$ 8,799,444
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City of Reading Community Development

6/11/2012						Percentage	Project
YEAR	Allocated	Spent		Total	Unspent	Completion	Code
		Entitlement	Program Income	Spent			
<u>2009 CDBG</u>							
Centre Park Historic District Artifacts Bank	25,500.00	25,500.00		16,342.20	9,157.80	64%	32-10-03-02
TOTAL	25,500.00	25,500.00		16,342.20	9,157.80	64%	
<u>CDBG-R</u>							
500 block Court St. CDBG-R	216,100.16	216,100.16		105.00	215,995.16	0%	32-10-34-02
Blighted Property Review Committee CDBG-R	83,000.00	83,000.00		68,776.06	14,223.94	83%	32-10-01-03
TOTAL	299,100.16	299,100.16		68,881.06	230,219.10	23%	
<u>HPRP</u>							
Opportunity House - HPRP	1,147,374.53	1,147,374.53		911,695.20	235,679.33	79%	32-10-68-02
HPRP Admin	53,168.12	53,168.12		37,842.64	15,325.48	71%	32-10-85
Human Relations Commission - HPRP	67,351.00	67,351.00		56,294.44	11,056.56	84%	32-10-71
TOTAL	1,267,893.65	1,267,893.65		1,005,832.28	262,061.37	79%	
<u>2010 CDBG</u>				-	-		
Barbey Playground Improvements	12,500.00	12,500.00		11,112.82	1,387.18	89%	32-10-01-02
BPRC / RRA	169,000.00	169,000.00		37.96	168,962.04	0%	32-10-01-04
Residential Facade Improvements						65%	32-10-10

	37,275.00	37,275.00		24,285.00	12,990.00		
Fire Station Improvements	168,640.00	168,640.00		57,194.79	111,445.21	34%	32-10-88
Library Improvements	104,273.00	104,273.00		99,557.40	4,715.60	95%	
TOTAL	491,688.00	491,688.00		192,187.97	299,500.03	39%	
<u>NSP2</u>							
NSP2 ACQUISTION OCR	675,000.00	675,000.00		594,908.87	80,091.13	88%	32-10-31-02
NSP2 ACQUISTION CD/RHA	246,308.75	246,308.75		-	246,308.75	0%	32-10-31-02
NSP2 ADMINISTRATION	383,031.25	383,031.25		\$377,039.87	5,991.38	98%	32-10-85
NSP2 REHAB OCR	2,700,000.00	2,700,000.00		2,698,636.15	1,363.85	100%	32-10-31-02
NSP2 REHAB RHA	995,660.00	995,660.00		989,226.85	6,433.15	99%	32-10-31-02
TOTAL	5,000,000.00	5,000,000.00		4,659,811.74	340,188.26	93%	
<u>2011 CDBG</u>							
3rd and Spruce Basketball Courts	100,000.00	100,000.00		11,744.69	88,255.31	12%	32-10-34-05
Library Improvements	150,000.00	150,000.00			150,000.00	0%	
Olivet's Boys & Girls Clinton St Pool	88,000.00	88,000.00		937.90	87,062.10	1%	32-10-57-03
Schlegel Park Pool Improvements	280,000.00	280,000.00		216.88	279,783.12	0%	32-10-01-05
11th and Pike Playground Improvements	222,080.00	222,080.00		9,729.25	212,350.75	4%	32-10-21
Barbey Playground	291,100.00	291,100.00		239,539.68	51,560.32	82%	32-10-01-02
Facade Improvements – Commercial				-		0%	32-10-33

	50,000.00	50,000.00			50,000.00			
Liberty Fire Station	26,000.00	26,000.00		22.02	25,977.98	0%	32-10-88	
NHS Home-ownership Assistance	75,000.00	75,000.00		-	75,000.00	0%	32-10-42	
Reading Iron Playground Improvements	125,000.00	125,000.00		5,649.01	119,350.99	5%	32-10-38-02	
Facade Improvements – Residential	35,000.00	35,000.00		13,157.40	21,842.60	38%	32-10-10	
TOTAL	1,442,180.00	1,442,180.00		280,996.83	1,161,183.17	19%		
**2012 CDBG								
<i>Lance Place Improvements</i>	<i>91,000.00</i>	<i>91,000.00</i>		-	<i>91,000.00</i>	<i>0%</i>	<i>32-10-03-03</i>	
<i>Emergency Demo</i>	<i>96,453.09</i>	<i>96,453.09</i>		<i>96,453.09</i>	-	<i>100%</i>	<i>32-10-27</i>	
<i>CDBG Administration</i>	<i>83,621.59</i>	<i>83,621.59</i>		<i>83,621.59</i>	-	<i>100%</i>	<i>32-10-85</i>	
<i>Community Policing</i>	<i>9,079.46</i>	<i>9,079.46</i>		<i>9,079.46</i>	-	<i>100%</i>	<i>32-10-90</i>	
<i>Human Relations Commission Landlord Tenant</i>	<i>1,097.62</i>	<i>1,097.62</i>		<i>1,097.62</i>	-	<i>100%</i>	<i>32-10-71</i>	
<i>Human Relations Commission Fair Housing</i>	<i>4,727.61</i>	<i>4,727.61</i>		<i>4,727.61</i>	-	<i>100%</i>	<i>32-10-71</i>	
<i>Code Enforcement Trades</i>	<i>60,425.94</i>	<i>60,425.94</i>		<i>60,425.94</i>	-	<i>100%</i>	<i>32-10-29</i>	
<i>Code Enforcement PMI</i>	<i>30,263.77</i>	<i>30,263.77</i>		<i>30,263.77</i>	-	<i>100%</i>	<i>32-10-29</i>	
<i>*Microenterprise Technical Assistance</i>	<i>50,000.00</i>	<i>50,000.00</i>		-	<i>50,000.00</i>	<i>0%</i>	<i>32-10-03-04</i>	
TOTAL	426,669.08	426,669.08		285,669.08	141,000.00	67%		
<i>*Pending</i>								
<i>**2012 Entitlement funds not available yet.</i>								
HESG								
Emergency Shelter Grant Admin	15,955.00	15,955.00		5,976.70	9,978.30	37%	32-10-85	

ESG11 Homeless Prevention	65,431.00	65,431.00		8,000.00	57,431.00	12%	32-10-02-01
ESG11 Data Collection (HMIS)	10,000.00	10,000.00		-	-	0%	
ESG11 Shelter	121,352.00	121,352.00		99,132.12	22,219.88	82%	
ESG11 Rapid Re-housing	-	-			-		
TOTAL	212,738.00	212,738.00		113,108.82	89,629.18	53%	
<u>Other Accounts</u>	Balances	Add	Interest	Spent	Balances		
EZ FRED	29,880.39			20,000.00	9,880.39		
HOME PROG INC	376.91				376.91		
CDBG PROG INC	326.11	831.11			1,157.22		
UDAG	155,171.79			39,765.11	115,406.68		
SEC 108	413,997.88	60,734.65			474,732.53		
STATE OF PA - CIDC (Microloan Prog)	550,000.00	20,000.00		266,199.00	303,801.00		
FAMILY BUSINESS PROGRAM	572,647.14			455,000.00	117,647.14		
TOTAL CDBG EN BALANCE(6/11/2012)	\$1,529,566.54			-	1,529,566.54		
TOTAL CDBG PI BALANCE (6/11/2012)	-			-	-		
<u>CDBG Funds To Be Spent</u>							
Line of Credit	\$1,529,566.54						
Borrowed for 2012	285,669.08						
TTL CDBG 2009 - 2012 To Be Spent	\$1,751,841.00						
Difference	\$63,394.62						

CDBG 2012 Timeliness Test								
**Timelines Test Amount	3,511,474.50							
Estimated Line of Credit	\$3,870,549.54							
Over/(under Cap)	359,075.04							

**Note: In compliance with CDBG Timelines rules by November 1, 2012, CDBG line of credit must be below \$3,511,474.50 (current year grant times 1.5)

HOME program reconciliation		6/11/2012				
Program Year	Grant Balance (PR 27)	Admin Balance (PR 27)	OCR Balance (PR 02)	NHS Balance (PR 02)	HfH Balance (Contract)	Unprogrammed
2008	\$ -	\$ -	\$ -	\$ -		\$ -
2009	\$10,836.76	\$10,836.76	\$ -	\$ -		\$ -
2010	\$361,551.31	\$106,811.40	\$77,491.87	\$77,207.17		\$100,040.87
2011	\$943,508.00	\$94,350.80	\$149,798.20	\$160,217.10	\$278,000.00	\$261,141.90
2012	\$698,011.00	\$69,801.10	\$428,209.90	\$105,000.00	\$95,000.00	\$ -
Current	\$2,013,907.07	\$281,800.06	\$655,499.97	\$342,424.27	\$373,000.00	\$361,182.77