



CITY OF READING, PENNSYLVANIA

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CITY AUDITOR'S REPORT Monday, April 27, 2020

CELG MEETING

On April 21, 2020, I joined a meeting hosted by CELG. The purposed of this meeting was to provide Support to municipalities in analyzing the financial impact that COVID-19 is going to have on the 2020 budget and in coming years.

Some of the revenue line items discussed at this meeting that are going to have the biggest impact are: EIT, Property Taxes, Admission Fee Tax, Real Estate Transfer Tax, Business Privilege Tax; and the Liquid Fuels.

By reviewing some of the general fund revenue received in 2019, approximately 54% of this revenue was generated by Property Taxes, the EIT, the EIT Prior; and the Real Estate Transfer Tax, just to mention a few. Although, the 2019 audit has not been completed yet, according to the 2019 DCED report, the City ended with a negative fund balance of \$825,596. However in the same year a transfer was done in the amount of \$2,000,000 to other assigned funds. Otherwise, the City could has ended with a surplus of \$1,174,404.

According to some of the discussion at the meeting, in 2021, less revenue is expected from the State for Liquid Fuels due to the decreased in use of fuel. Also as a result of the lower investment return this year, the MMO payments may be impacted in 2022

Although for the first quarter of 2020, the City general fund revenue looks good. However due to the impact of COVID-19, this is not going to be the same for the rest of this year and for the coming years. The City of Reading as well as other Cities and municipalities are going to face big financial distress.

As we are aware, part of the revenue collected from the EIT is designated for capital projects, as well as a share of the Real Estate Tax which is used to fund the Library and the Shade Tree fund.

Moreover, most of the revenue of the EIT Prior is received in the first quarter of the year. For the current fiscal year, the City budgeted \$5,500,000 and as of March 31, 2020 \$5,481,667.96 has been received.

Moving forward, I will continue monitoring very close the general fund revenue, especially the revenue that the City receives from EIT and Real Estate Tax .

