

CITY of READING

GENERAL FUND FINANCIAL REVIEW SUMMARY

December 2013

The attached files are the General Fund results, year to date through December 2013. The documents include the statement of activities (income statement), full year projection, year-end cash flow/balance position, revenue by line item and contingency usage. For comparison purposes, prior year income statement results are also included.

OVERVIEW:

Twelve months, 100% of the full year, are completed. On a **cash** basis, the month's year to date surplus/deficit generated a surplus of **\$1,731,163**. During the next few months, adjustments to this result occur to conform to Government Accepted Standards Board (GASB) requirements. These adjusted results are reported in the final year end December 31, 2013 Financial and Compliance Audit Report.

Revenues:

Please review both the attached summary and detail revenue line items for differences between actual and budget.

Revenues exceed plan by 2%, \$1,670,115. Noted items are 14% higher Earned Income Tax \$2,319,969, impact of Act 32 ; 15% higher Act 511 Taxes \$695,697 primarily related to the Penn Street Real Estate Transfer Tax transaction; 20% lower Licenses, Fees, Permits \$1,290,269 which about half, 545,396, of this deficit is related to new construction permits; and 18% lower Charges for Services \$1,083,640.

Expenditures:

As with revenues, please review the attached summary expenditure line items for differences between actual and budget.

Although overall expenditures are below budget by only \$19,880, the budget included a \$980,615 spending contingency line. Without this line item, a \$960,735 spending excess would be recognized. Also, as presented throughout the year, additional legal expenses have occurred; Law and Charter Board divisions have surpassed budget \$211,041 and \$176,887, respectively; totaling \$387,928.

Police and Fire overtime activity has also been report throughout the year. The following is a summarized full year review.

Police: Total overtime exceeded budget by \$394,658...27%; however, this is offset by less salary spending \$376,061. Also, police community reimbursement, grant, and police services revenues exceeded budget by \$85,570.44, \$85,790.07, and \$69,867.75, respectively, totaling \$241,228.23. With the lower incurred salary and added revenue (\$617,289), the net impact is surplus of \$222,631.

Fire: Total overtime exceeded budget by \$421,913... 66%. As far as reported user fees, standby revenue and other income sources, all are below planned expectations by \$258,734.58. The net impact is a deficit of \$680,647.

Police and Fire overtime trends and graphs have been distributed. These provide 2012 and 2013 monthly activity by division.

Health Benefits: The 2013 police budget anticipated a reduction associated with retirees coming off the benefits roll. This did not occur, and these benefits exceeded plan by \$744,138...16%. The 2013 budget; however, included about \$841,000 of contingency to allow for this shortfall. Fire's 2013 health benefits were less than plan by \$228,515...8%.

2014 outlook: Police overtime 2014 budget is \$1,814,500 ... a \$59,221...3% reduction from 2013 actual. Fire overtime 2014 budget is \$641,300 ... a \$420,613...40% reduction from 2013 actual. So, the challenge continues to improve productivity and enhance value of provided services.

2013 Full Year Projection:

Year is completed.

Cash Flow:

This month's ending cash position is **\$14,277,350** compared to last year's **\$9,319,576**. The Reading Redevelopment Authority owes the City loan payments of \$95,334 paid to them by Our City of Reading which would increase the cash position to \$14,372,684. This loan payment will occur in January 2014. The amount of the loan is \$750,000.

2013 Contingency Usage:

The budget is \$980,615. The use of this budget is strictly prohibited, requiring council's approval. See Contingency schedule of usage.

City's Bond Rating by Moody's:

Baa2 (low medium grade) compared to a target of **Aaa** (prime). The lower the rating, the more interest expense the City incurs.

Headcount by Fund:

The general fund full time headcount ended the year 6 above plan, with the added 20 fire SAFER grant the primary reason. The reduced part time employees are associated with the seasonality of crossing guards. The mix of headcount between public safety and non uniform is near plan, with public safety 2 percentage points higher than plan.

	<u>Full Time</u>	<u>Part Time</u>	<u>vs. Plan FT</u>	<u>vs. Plan PT</u>
General	470	124	6 more than plan	24 less than plan
Shade	1	0	1 less than plan	ok to plan
Sewer	73	1	ok to plan	4 less than plan
Solid Waste	26	1	ok to plan	1 less than plan
HUD	5	0	2 less than plan	ok to plan
TOTAL	575	126	3 more than plan	29 less than plan

	<u>Actual FT</u>	<u>% of Total GF</u>	<u>Plan FT</u>	<u>% of Total of GF</u>
General:				
Police	191	40.6 %	194	41.8%
Fire	146	31.1 %	131	28.2%
Public Safety	337	71.7%	325	70.0%
Non Safety	133	28.3%	139	30.0%
Total	468	100.0%	464	100.0%

FIVE YEAR PROJECTION:

Process started.

The 2014 General Fund budget includes a financing fee component of \$6,670,000 of the lease payment from the Water Fund. This revenue may be in jeopardy in future years (2015 and beyond) based on Act 73 restrictions.