

CITY of READING

GENERAL FUND FINANCIAL REVIEW SUMMARY

May 2013

The attached files are the General Fund results, year to date through **May** 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 results have been added to the income statement.**

OVERVIEW:

Five months, 42% of the full year, is completed. On a cash basis, the month's year to date surplus/deficit generated a surplus of **\$11,169,819**. This result does not include the City's full year pension MMO (minimum municipal obligation) of \$9,928,999 (General Fund only) nor the State Pension contribution of \$2,800,000. If 42% of these activities are recognized this month, the reported surplus would reduce to **\$8,175,639**. The MMO expense and revenue contribution occur in the 4th quarter.

Revenues:

Continued good returns on EIT through May...**\$5,485,254** compared to plan of **\$4,150,567**. **Because of these positive returns, the full year forecast includes \$750,000 higher than anticipated 2012 EIT filings.**

Source of EIT through May: (2% collection fee not deducted)

	2012 & Prior	2013	Total
Actual	\$5,158,276.16	\$326,977.93	\$5,485,254.09
Budget	<u>3,876,335.74</u>	<u>274,231.67</u>	<u>4,150,567.41</u>
Excess/(Deficit)	\$1,281,940.42	\$52,746.26	\$1,334,686.68
Percent of Budget	33.1%	19.2%	32.2%

Now for the full year revenue outlook:

Property Tax	(\$44,000) reduced assessment
Earned Income Tax	\$750,000 increase in 2012 returns
Fire SAFER Grant	\$850,000 salary & benefit reimbursement for 20 added fire personnel
Act 129 Rebate	(\$52,000) lower estimate
OT Reimbursement	\$20,000 police reimbursed for assisting DA with drug investigations
Stadium Lease	\$292,000 loan refinanced with Phillies; offset with equal debt expense
Derivative Settlement	\$45,000 class action award from Wachovia
Berks EIT Refund	\$40,000 lower collection expense incurred in 2012
Total	\$1,901,000 added revenue

Expenditures:

Through this month, Police and Fire year to date overtime exceeds budget by **\$158,488** and **\$130,057** respectively; **\$288,544** cumulative. At this pace, the full year overtime public safety spending is projected to surpass plan by \$600,000.

Now for the full year expenditure outlook:

Mayor	\$5,000 various added expenses
Police	\$400,000 increased overtime
Fire	\$200,000 increased overtime
Fire	\$69,000 unfunded fireman
Fire	\$900,000 20 added fire personnel (SAFER grant reimburses \$850,000)
Law	\$200,000 added legal fees
Actuarial Fees	\$30,000 unbudgeted mandatory retiree medical actuarial study (GASB 45)
EIT Fees	\$15,000 2% fees on increased collections
Charter Board	\$95,000 added legal fees
Debt Service	\$292,000 loan refinanced with Phillies; offset with equal revenue
Total	\$2,206,000 added expenditures

2013 Full Year Projection:

Anticipating **\$1,901,000** excess revenue, **\$2,206,000** excess spending, and **\$41,168** refinancing loan proceeds, the projected 2013 deficit is **\$263,832**. **This is a \$762,168 improvement (less of a deficit) compared to last month's projected deficit of \$1,026,000; all associated with the added earned income tax returns.**

Cash Flow:

This month's ending cash position is **\$19,929,269** compared to last year's **\$18,572,862**. With a projected deficit of **\$11,433,651** for the balance of the year and reimbursement of \$2,400,000 from enterprise funds (\$2,000,000 from Solid Waste Fund and \$400,000 from Liquid Fuel Fund) the anticipated year-end cash balance is **\$10,895,618**. As stated last month, a targeted ending balance of an additional \$2,000,000 would help finance the projected cumulative deficit of **\$11.9** at the end of 2015. This may be achieved by establishing a \$1.0 million spending reduction initiative among all directors and \$1.0 million in additional revenues through aggressive monitoring and collection techniques. **(With the anticipated, added \$750,000 EIT; the \$1.0 million revenue goal should be attained.)** Half the year is complete, now is the time to initiate action.

2013 Contingency Usage:

The budget is \$980,615. The use of this budget is strictly prohibited, requiring council's approval. As of this month, there is no 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 is 15 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	480	116	16 more than plan	32 less than plan
Shade	1	0	1 less than plan	ok to plan
Sewer	72	2	1 less than plan	3 less than plan
Solid Waste	25	3	1 less than plan	1 more than plan
HUD	5	0	2 less than plan	ok to plan
TOTAL	583	121	11 more than plan	34 less than plan

General:	<u>Actual FT</u>	<u>% of Total GF</u>	<u>Plan FT</u>	<u>% of Total of GF</u>
Police	194	40.4 %	194	41.8%
Fire	151	31.5 %	131	28.2%
Public Safety	345	71.9%	325	70.0%
Non Uniform	135	28.1%	139	30.0%
Total	480	100.0%	464	100.0%

FIVE YEAR PROJECTION:

The following are estimated deficits during the next five years per the current 2013 projection and the ensuing years: (Each year assumes the following increases: 5% Property Tax, 2% Salary, 5% Fringe, 5% Pension. The 5% fringe assumption is a high risk...underestimating health cost.)

		<u>Cumulative</u>	<u>Major Drivers (in addition to above increases)</u>
2013 Projection	\$ 263,832	\$ 263,832	Overtime, Legal Fees
2014 Projection	\$1,450,194	\$ 1,714,026	EIT Reduction
2015 Projection	\$10,192,935	\$ 11,906,961	No Commuter EIT; No RAWA (Act 73) \$6.7 MM
2016 Projection	\$10,961,044	\$ 22,868,005	Same as 2015
2017 Projection	\$11,408,317	\$ 34,276,322	Same as 2015

	EIT Rates		Property Tax
	<u>Resident</u>	<u>Non-Resident</u>	<u>Mils</u>
2013	2.1	0.3	15.689
2014	1.9	0.1	16.473
2015	1.9	0.0	17.297
2016	1.9	0.0	18.162
2017	1.9	0.0	19.07 (21.6% increase from 2013)

The impact of not increasing property tax between 2013 and 2017 expands deficit by \$10,358,361; increasing from **\$34,276,322 to \$44,634,683.**

PEGS: (Programs to Eliminate Gap)

???? Need to define programs????

Urgency needed to define the legal impact of Act 73 on the City's ability to obtain funding from RAWA.