

CITY of READING

GENERAL FUND FINANCIAL REVIEW SUMMARY

December 2015

The attached files are the General Fund year to date results through December of 2015. 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:

The full year has been completed. The preliminary year to date result generates a surplus of \$4,413,640. During the next few months, adjustments to this result occur to conform to Government Accepted Standards Board (GASB) requirements. Some of the known adjustments include: added revenues related to SAFER grant, \$87,294; Library reimbursement, \$465,363; Franchise Fees, \$203,289; and School Crossing Guard reimbursement, \$55,159. Some of this will be offset by added medical expenses along with other operating costs. The anticipated surplus mitigates the use of the budgeted \$2,500,000 fund balance which helps preserve the improved credit rating the City earned in October 2014.

The City's cash and investment balance of \$24.8 million is the highest ever going back to 2009 when the General Fund had a deficit cash/investment balance of (\$1.3) million. "A \$26.1 million swing." This major turnaround is attributed to the initiatives established in the Act 47 Financial Recovery Plans and executed by the City administration during the years 2010 through 2015.

Revenues:

Please review the revenue summary, detail revenue line items and revenue by responsibility for differences between actual and budget.

Forecasted revenues, \$76,205,721 are slightly above plan by \$120,690. Changes will occur as previously stated along with audit adjustments. As experienced last year, Earned Income Tax (EIT) continues to exceed the 2015 plan; \$1,418,913, 8%.

The 2014 total revenues, before transfers, were \$76,985,526.

Expenditures:

As with revenues, please review the attached summary expenditure department items for differences between actual and budget. Preliminary spending of \$81,709,411 is \$6,660,122, 8% lower than plan. The main drivers are impact of lower headcount throughout the year, especially uniform employees; refinancing debt service and minimal use of contingency. The final 2015 medical and prescription costs should be known sometime in March 2016, which may be higher than projected. Since Police and Fire 2015 spending budgets consume 71% of General Fund operating budget before debt and fees, these two lines items are significant to monitor.

The 2014 total expenditures, before transfers, were \$79,618,246

2015 Full Year Projection:

With projected increase in revenues and lower spending, the anticipated surplus is cautiously projected at \$4.5 million.

Cash Flow:

This month's ending cash and investment position is \$24,771,320 (\$13,663,313 cash and \$11,108,007 investment). As previously stated, this is the strongest position the City has enjoyed going back to 2009. The \$24.8 million covers 3 months of the 2016 General Fund adopted budget. This improvement could increase the City's current credit rating of Baa1, resulting in lower interest on future debt issuance.

Last year's total was \$18,890,070 (\$17,805,584 cash and \$1,084,486 investment).

2015 Contingency Usage:

The budget is \$1,142,550 unspecified and \$1,200,000 specified, totaling \$2,342,550. The use of this budget requires council's approval. See Contingency schedule of usage which includes \$75,000 for property demolition related to fire on East Laurel Street and \$30,000 for other Property Maintenance needs.

2015 Debt Refinancing:

In April, the City refinanced the following bonds: 2003 (used to finance public works facility), 2006 (used to finance pension), and 2008 (used to finance actuarial liquidity of employee pension) with Series 2015 A&B bonds issued \$54,025,000, providing an estimated savings of \$2.1 million over the life of the bonds. The \$4.8 million 2006 RDA note used to finance the City's 2006 pension cost has been refinanced in July with Series 2015 bond. This refinancing satisfied initiatives DS01, DS02 and DS03 of the Amended Act 47 Recovery Plan.

City's Bond Rating by Moody's:

Baa1 (low medium grade) compared to a target of **Aaa** (prime).

Ten Year Debt Balance History:

There were no debt service payments (principal and interest) made in December. Year to date debt service payments are \$11,904,180. Projected 2016 debt service payments are \$12,553,772 (\$6,335,600 principal; \$6,218,172 interest)

2016 \$141,177,861 Projected

2015	\$147,513,461.00	2010	\$169,000,544.88	2005	\$67,548,791.60
2014	\$145,252,920.43	2009	\$153,912,320.58		
2013	\$150,385,423.83	2008	\$139,256,420.98		
2012	\$156,136,322.53	2007	\$119,487,999.63		
2011	\$164,915,407.88	2006	\$121,374,949.50		

Headcount by Fund:

The general fund full time headcount ended 38 below plan, varying among divisions. The mix of headcount between public safety and non uniform is near plan.

	<u>Full Time</u>	<u>Part Time</u>	<u>vs. Plan FT</u>	<u>vs. Plan PT</u>
General	444	118	38 less than plan	11 less than plan
Shade	2	0	0 less than plan	ok to plan
Sewer	68	1	7 less than plan	4 less than plan
Solid Waste	18	3	0 less than plan	2 more than plan
HUD	1	0	5 less than plan	ok to plan
TOTAL	533	122	50 less than plan	13 less than plan

General:	<u>Actual FT</u>	<u>% of Total GF</u>	<u>Plan FT</u>	<u>% of Total of GF</u>
Police	183	41.2 %	194	40.4%
Fire	126	28.3 %	144	30.0%
Public Safety	309	69.5 %	338	70.4%
Non Safety	135	30.5%	142	29.6%
Total	444	100.0%	480	100.0%

FIVE YEAR PROJECTION:

Page 10 and page 82 of the Amended Act 47 Recovery Plan illustrate the following fund balance usage and projected ending balance between 2015 and 2019. This plan is located on the City's web site.

Year	Use of Fund Balance	Fund Balance
2015	0	20,260,181
2016	1,031,156	19,229,025
2017	3,145,368	16,083,657
2018	2,806,216	13,277,441
2019	4,527,521	8,749,920

Two months of budgeted expenses are required in fund balance to sustain abnormal expenditures. With adopted 2016 spending budget at \$89.5 million, a fund balance of \$15 million should be maintained. Based on the Amended Recovery Plan's five year projection, the required fund balance will fall below the \$15 million threshold at the conclusion of 2018.

FINANCIAL DATA ACCESS FEATURE:

The City has implemented a solution, OPENGOV, to minimize the hurdles it faces when accessing and analyzing financial data. The OPENGOV platform assists directors and chiefs make data-driven decisions, foster productivity and increase collaboration. It aids finance administration by increasing budgeting and reporting efficiency, and supports elected officials by inviting transparency and govern with enhanced data insight. Started in June, it became available to all on the City's web site.

December year to date results and transactions are available on OPENGOV. This narrative, along with the supporting financial statements, is also available on the city's web site.