CITY COUNCIL

Finance, Audit & Budget Committee

Monday, March 2, 2015
City Council Office
5:00 pm

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: Ms. Reed, Ms. Goodman-Hinnershitz (Co-Chairs) and Mr. Waltman

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. Report re Correction of 2013 External Audit Findings

- PFM Recommendations:
  1st priority:2013-007 (Reconciling the General Disbursement Account)
  2nd priority: 2013-001 (Account reconciliations)
  3rd priority: Grants management findings (2013-005, 2013-006, 2013-010, 2013-011, 2013-012)

II. Legislation Review

For final passage on March 9th:

A. Bill No. 8-2015 - authorizing the transfer of $257,194 from Purchasing to Public Works for budgeted Motorola radio maintenance **(Controller)**

B. Bill No. 9-2015 – amending the Recycling Budget (Fund 56) by transferring $10,000 from the Portnoff Expense line item to the Contracted Services Line Item to fund contracted construction management services related to the Recycling baler project **(Bus Analyst)**

C. Bill No. 10-2015 – amending the Position Ordinance by adding two part-time, seasonal Graffiti Abatement Technicians to the Recycling Fund, Fund 56 **(Business Analyst)**

D. Bill No. 11-2015 – amending the salary range for the Police Chief to no less than $80,000 and no more than $125,000. **(Law)**

III. Non-Emergency (Wheelchair) Transport Update – Update from Chief Stoudt/D. Kersley

IV. Update re Costs for snow removal, street repair and other needs created by the harsh winter weather

V. Review Finance Reports

- Review Expenditures/Revenues
- Review Bank Statement Activity
- Review Transfers
- Compliance with SEC Regulations

VI. Update from City Auditor

- Compliance-transfers
- Update on the status of all capital projects currently underway
- Define operational audits for 2015 i.e. Property Maintenance and Zoning
- Define general internal audits for 2015

Recommendations from Herbein & Co.

- Credit card usage (select a few months to trace proper transactions, approvals and overall usage)
- Treasury, in particular cash receipts (continually refining the cash receipts process and creating efficiencies where possible)
- Grant management – making sure the grants coordinator is involved applications for grants and tracking documentation for the grants
- Bank reconciliation process – timeliness, accuracy efficiency

FOLLOW UP ISSUES
2015 Finance Committee Topics

January

- Review Wheelchair Transport

February

- Review Wheelchair Transport
- Update on New Defined Contribution Plan

March

- Review Wheelchair Transport
- Collection Report re Delinquent Taxes, Fines and Fees
- Recovery Plan Amendments – Implementation Schedule

April

- Forestry Management
- Review Wheelchair Transport

May

- Consensus of Continuation of Wheelchair Transport

June

CITY COUNCIL

Finance Committee

Meeting Report
Monday, December 15, 2014

Committee Members Attending: M. Goodman-Hinnershitz, D. Reed

Others Attending: D. Cituk, C. Younger, C. Zale, L. Kelleher, M. Bembenick, C. Snyder, B. Rivera, D. Pottiger

Ms. Goodman-Hinnershitz called the Finance Committee meeting to order at approximately 5:10 pm.

I. Correction of 2013 External Audit Findings

Mr. Cituk stated that PFM has suggested an action plan be devised for resolving audit plans.

Mr. Bembenick reiterated that the Act 47 Plan specifies the three priorities that are to be resolved and that this plan is to be completed and issued to the Audit Committee by February 28, 2015. He stated that Mr. Cituk will be working with Herbein & Co. to develop the completion plan. This requirement is also listed in the Recovery Plan as AS04. He expressed the belief that this finding will be eliminated in the 2014 external audit.

Ms. Goodman-Hinnershitz asked if account reconciliation has commenced.

Mr. Pottiger responded that they are currently working on the GDA (General Disbursement Fund) reconciliation process. He explained that the City has approximately 20 accounts that require reconciliation and that the GDA is the most cumbersome and complicated.

Ms. Goodman-Hinnershitz inquired about the Grants Management Audit findings. She noted that all grant programs have reporting requirements and penalties apply if an organization does not meet the required terms.

Mr. Cituk explained that the majority of the grants included in this finding are related to the CD Department and the correction was made in part due to a change in the draw down process. He expressed the belief that the finding will be eliminated in the 2014 external audit report.

F. Acosta and V. Spencer joined the meeting at this time. (5:15)

Mr. Cituk reiterated the Action Plan needed as per PFM suggestion for Mr. Acosta and Mr. Spencer as they entered after that was discussed.

II. Legislative Review

- Ordinance - authorizing an amendment of the 2014 Budget by transferring a total of $50,000 from the Contingency Fund to the Law Department Budget line item for Special Counsel Contracted Services (01-12-25-4216) to cover additional legal costs associated with legal service providers. **(Law)** ***Introduced at the December 8 regular meeting***

Mr. Bembenick stated that law has additional legal bills and that a $50K transfer from the Contingency fund should cover the outstanding invoices. He asked Mr. Younger if that is accurate.

Mr. Younger responded that he is confident that amount should take care of the remaining legal bills coming in. He also stated that there are $30K in charges from Ballard Spahr.

- Ordinance - authorizing an amendment of the 2014 Budget by transferring a total of $360,000 from the Contingency Fund to the Fire Department Budget to be split between Suppression wages and EMS wages. **(Law)** ***Introduced at the December 8 regular meeting***

Mr. Bembenick stated that this transfer in the amount of $360,000 will cover EMS and Suppression wages, as per a Fire arbitration award.

- Ordinance - authorizing an appropriations transfer with the Department of Public Works, Division of Solid Waste and Recycling in the amount of $51,790 from salaries to contracted services for temporary wages **(Public Works)** ***Introduced at the December 8 regular meeting***

Mr. Bembenick stated that Recycling requires a transfer to cover the temporary wage costs. He stated that temporary wages were required to fill "slinger" slots for employees injured, short and long-term.

III. Amusement Tax Amendment

Ms. Snyder stated that this topic has been discussed at length and she questioned if the tax can be applied to specific venue types.

Mr. Younger stated that he would research this as the courts have sided on both ends. The City can impose a tax and exemptions to that tax but that is where it becomes complex. It may be illegal to only apply the tax to specific venues.

Ms. Snyder stated that the City of York imposes an Admissions tax on events for more than 100 people and they do not exempt school districts. She stated that Easton's admissions tax is charged to all events and venues, including events held at churches. She stated that in our case, it may make more sense to impose an "impact fee", meaning that if an event requires additional policing, etc., a fee to cover the cost can be charged.

Mr. Cituk questioned the worth of the tax if the City would only be generating a small amount of revenue, as the collection of the tax will require additional staff work. He noted that PFM has already made the observation that the City should not be in the tax collection business.

Ms. Snyder agreed with Mr. Cituk and suggested that the discontinuing discussion of this topic.

IV. Review Finance Reports

Mr. Bembenick stated that two sets of financials were provided during the time in which the Finance Committee did not meet due to budget meetings. These financials were for the months of October and November. In the October financials, there was a surplus of $6M shown; however; in the November financials, that number was reduced due primarily to November's debt service payments. He stated that due to a timing issue the financials at the end of November show a deficit; however, a year end surplus of $55K to $1.2M is expected. He noted that this projection does not include the use of $1.5M from the reserve, which is included in the 2014 budget.

Mr. Zale stated that on the revenue side, the full projection for 2014 is less than budget by $1.2M. There is concern with the low revenue generation from Codes and Fire; $2.7M was budgeted. He stated that on the expenditures side, the City spent $2M less than budget which continues to be a plus.

Mr. Zale stated that the month's ending cash flow is $14.4M. Of all loans provided by the General Fund, the remaining balance for the trash, recycling and agency fund loans is $250,000 outstanding and will be reimbursed by the end of the year. He noted that at the end of 2014 there will be approximately $60-70K remaining in the Contingency Fund. He reiterated that as a surplus is expected the City may not need to transfer the $1.5M from the reserve to close 2014.

He stated that the upgrade to the bond rating from Baa2 to Baa1 has saved the City approximately $4 million.

He stated that the City's headcount has 27 less full-time employees and 37 less part-time employees than the budget allows which provides additional savings.

Ms. Goodman-Hinnershitz asked if the City has the tax rates posted on the website.

Mr. Bembenick responded that we do not currently have that information posted on the website but that he will instruct the webmaster to post the 2015 tax rates approved by Council.

Mr. Zale stated that tax information can always be obtained from the DCED website.

V. Update from the City Auditor

Mr. Pottiger stated that Mr. Sorel, project accountant, will be the final External Auditor RFP committee member to submit his review matrix. A meeting to discuss the submissions will be scheduled shortly.

Mr. Cituk noted his surprise that he was excluded from the review of the RFP submissions. He stated that although he is an elected official, he is not selecting an auditor to audit his office. He expressed the belief that he should be included in the review of the RFPs.

Mr. Cituk stated that transfers should be completed by early February. He stated that the only capital projects are the River Road Project and WWTP. However, the African American Museum is listed in the 2015 CIP. He stated that he is working to define an audit plan for 2015.

VI. Define Topics and Timelines for 2015

Ms. Goodman-Hinnershitz inquired about the process to educate the public on the potential end of the non-emergency transport service. She noted that some Reading residents depend on this service. She stated that the Fire Chief agreed to eliminate this service if it could not become profitable or break even within six months. Ms. Snyder stated that monthly updates will be provided beginning in January.

Ms. Snyder stated that there are shortcomings in the City's computerized accounting system that need to be addressed; however, additional funds to upgrade or purchase a new system would be required. The overall benefits and timing of the purchase of the new system is under discussion. Mr. Bembenick stated that the current system was purchased approximately eight (8) years ago and while the system met the City's needs

then it does not meet the City's current needs, for example, the current system does not provide project accounting.

Ms. Goodman-Hinnershitz inquired about forestry management. Ms. Snyder responded that the administration will be prepared to discuss this topic at a later time. Ms. Snyder stated that reports on delinquent collections will occur quarterly.

Ms. Goodman-Hinnershitz noted the need to continue to refine the lease agreements with organizations that use City owned facilities.

Ms. Snyder noted the need to finalize the defined contribution plan for new management and AFSCME employees. She stated that the RFP is currently being evaluated.

Ms. Goodman-Hinnershitz stated that as there are no other questions or comments the meeting is adjourned at 6:30pm.

Respectfully submitted by
Linda A. Kelleher CMC, City Clerk
Bea Rivera, Legislative Aide

CITY of READING
GENERAL FUND FINANCIAL REVIEW SUMMARY
January 2015

The attached files are the General Fund results for the first month 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:

One month, 8.3% of the full year, is completed. On a cash basis, the month's year to date surplus/deficit generates a deficit of $1,089,048. This result does not include the City's full year pension MMO (minimum municipal obligation) of $13,204,536 (General Fund only) nor the State Pension contribution of $3,200,000. If 8.3**%** of these activities are recognized this month, the reported deficit would increase to $1,922,759. The initial January 2015 deficit is attributed to timing in the presentation of bills and recognition of revenues due to the City.

Revenues:

Please review both the attached summary and detail revenue line items for differences between actual and budget. With only one month of fiscal year reported, full year projection remains as planned.

Expenditures:

As with revenues, please review the attached summary expenditure line items for differences between actual and budget. Also, full year projection remains as planned. 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.

2015 Full Year Projection:

Maintain plan.

Cash Flow:

This month's ending cash position is $16,012,084 compared to last year's $12,338,020. The General Fund has not provided any loans to other funds.

2015 Contingency Usage:

The budget is $1,142,550 unspecified and $1,200,000 specified, totaling $2,342,550. The use of this budget is strictly prohibited, requiring council's approval. See Contingency schedule of usage.

City's Bond Rating by Moody's:

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

Headcount by Fund:

The general fund full time headcount ended with 10 below plan, varying among divisions. The mix of headcount between public safety and non uniform is near plan, with public safety about 1 percentage point higher than plan.

Full Time	Part Time	vs. Plan FT	vs. Plan PT	
General	470	107	10 less than plan	22 less than plan
Shade	2	0	ok to plan	ok to plan
Sewer	71	1	4 less than plan	4 less than plan
Solid Waste	14	1	4 less than plan	ok to plan
HUD	5	0	3 less than plan	ok to plan
TOTAL	**562**	**109**	**21 less than plan**	**26 less than plan**

General:	Actual FT	% of Total GF	Plan FT	% of Total of GF
Police	193	41.1 %	194	40.4%
Fire	144	30.6 %	144	30.0%
Public Safety	337	71.7%	338	70.4%
Non Safety	133	28.3%	142	29.6%
Total	470	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

TO: City Council, David Cituk
FROM: Christian F. Zale, City Controller
DATE: January 23, 2015
SUBJECT: Schedule of Transfers –January 2015

The following transfers occurred in January 2015 as specified in the 2015 council approved budget: **(Changes to budget captioned in bold.)**

To General Fund (01):

Indirect Cost: CD (32) **$15,833.00 for December; $0.00 for January…HUD 2015 funding is not yet available (Budget $15,833.00)**; Sewer (54) **$91,945.58 (Budget $86,913.00);** Recycling (56) **$32,080.92 (Budget $36,833.33);** Trash (56) **$14,538.33 (Budget $11,902.00);** Water (50) $0.00 (Budget $0.00). **These transfers are per the 2013 Maximus cost study; they will be adjusted upon the completion of the 2014 Maximus cost study.**
Transfers: Sewer (54) $250,000.00; Water (50) $766,666.67
Water RAWA Act 47: Eliminated in 2015
Meter Surcharges: Water (50) $147,916.67

To Water Fund (50):

Meter Reading Cost: Sewer (55) $15,000.00; Billing Cost: Sewer (55) $25,000.00
RAWA Lease Agreement: **From RAWA $940,249.00**

To Self Insurance (52):

Sewer (54) $41,100.42; Water (50) $3,516.92; General (01) $201,291.50; Recycle $8,070.83

Corrections:

Adjustment per 2013Maximus cost study, the General Fund (01) returned the following to: Sewer (54) $56,947.03; Recycling (56) $57,373.00; Trash (56) $7,879.04.

Additional Transfers:

None

Other Transfers:

The City received $496,823.88 from RAWA related to Recycle and Trash 2015 billings.

These transfers are reflected in January 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
GENERAL FUND FINANCIAL REVIEW SUMMARY
December 2014

The attached files are the General Fund results year to date through December 2014. 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. Revenue by responsibility is also provided to assist directors and chiefs managing their revenue line items. For comparison purposes, prior year income statement results are also included.

OVERVIEW:

The full year has been completed. On a cash basis, the year to date surplus/deficit generates a deficit of $91,624.02. During the next few months, adjustments to this result occur to confirm to Government Accepted Standards Board (GASB) requirements. Some of the known adjustments include: added fourth quarter revenues related to SAFER grant, $428,000 and Library reimbursement, $415,776; added expenses for medical, $320,000 and CD administration employee compensation, $130,000. Including these known adjustments, a projected surplus of $302,152 is forecasted. More changes will occur during the 2014 audit process. The anticipated surplus mitigates the use of the budgeted $1,230,478 fund balance which helps preserve the improved credit rating the City earned in October 2014.

Revenues:

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

Forecasted revenues, $73,950,914, are below plan by 1%, $1, 024,126. As stated, these will change as audit adjustments occur. Noted items are 8% higher Earned Income Tax $1,652,550, impact of Act 32 offset by lower revenue generated from Codes and Fire. 2013 revenues were $74,903,414.

Expenditures:

As with revenues, please review the attached summary expenditure line items for differences between actual and budget. Total anticipated 2014 full year spending, $79,277,067, is lower than plan by nearly $2.6 million. Non use of contingencies for recycling, $1,118,362 and nonspecific, $365,038 along with $600,000 deferral of dam remediation, are the primary drivers of less spending. Review the summary spending for other specific areas of spending deviations from plan. 2013 expenditures were $75,109,506.

Since Police and Fire 2014 spending budgets consume 68% of General Fund operating budget before debt and fees, these two lines items are significant to monitor.

2014 Full Year Projection:

As previously stated, a $302,152 surplus is projected for the full year. This includes using $650,000 of contingency. Without the need of contingency, the surplus would obviously be $952,152. The 2013 surplus was $5,169,092

Cash Flow:
This month's ending cash position is $17,525,689 compared to last year's $14,277,350. Previously this year, the General Fund has provided the following loans: trash $850,000; recycle $550,000 and agency $250,000, totaling $1,650,000. Reimbursements have occurred for all of these loans by December 31, 2014.

2014 Contingency Usage:
The contingency budget is $1,015,038 unspecified and $1,118,362 specified recycling if moved to general fund, totaling $2,133,400. The use of this budget is strictly prohibited, requiring council's approval. $650,000 of added spending has been approved by council.

City's Bond Rating by Moody's:
Moody's Investors Service has reviewed and assigned a rating of **Baa1**, effective October 23, 2014. This is an upgrade from the previous rating of Baa2**.** The primary driver of this improvement is the City's fortitude implementing many of the initiatives recommended by the Act 47 financial advisors; resulting in non use of fund balance. Continuous improvements, such as this year's surplus projection, could lead to further upgrades.

Headcount by Fund:
The general fund full time headcount ended 19 below plan, varying among divisions. The reduced part time employees are primarily associated with less number of crossing guards. The mix of headcount between public safety and non uniform exceeds plan, 71.3% actual versus a plan of 69.9%.

	Full Time	Part Time	vs. Plan FT	vs. Plan PT
General	476	112	19 less than plan	33 less than plan
Shade	2	0	ok to plan	ok to plan
Sewer	71	1	2 less than plan	4 less than plan
Solid Waste	15	1	4 less than plan	ok to plan
HUD	5	0	2 less than plan	ok to plan
TOTAL	**569**	**114**	**27 less than plan**	**37 less than plan**

General:	Actual FT	% of Total GF	Plan FT	% of Total of
GF Police	195	41.0 %	194	39.2%
Fire	144	30.3 %	152	30.7% Public
Safety	339	71.3%	346	69.9%
Non Safety	137	28.7%	149	30.1%
Total	**476**	**100.0%**	**495**	**100.0%**

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

Office of the Managing Director

Carole B. Snyder

MEMORANDUM

To: Carole Snyder and City Council
From: David Kersley
Date: February 24, 2015
Re: January 2015 Update: Non-Emergency Transport Services Unit

The accompanying spreadsheet provides a summary of the financial performance of the non-emergency transport operations within the Emergency Medical Services division of the Department of Fire and Rescue Services.

The January 2015 financial performance, when compared to the September 2014 baseline, is adverse: the operating unit required a public subsidy in January of $15,883. There are seasonable variables impacting this financial comparison; historically, September, October and November have the highest rate of para-transit service. In addition, higher pension and healthcare costs in 2015 will have a negative financial impact on the unit.

EMS has requested an increase in the monthly payment from St. Joseph's Medical Center for the Care Van service (from $6,000 to $9,000). In addition, higher private-pay para-transit rates will become effective on March 1. We will provide Council a projection of the financial impacts of these changes in our April report.

We continue our contingency planning for an exit strategy. We also have a good understanding of alternative transportation options available for current customers, many of which have comparable pricing, as well as para-transit services available from BARTA at substantially subsidized rates (e.g. for those age 65+, a one-way transport currently costs between $2.20 and $3.00). We can also provide additional details about our current contracts with medical facilities upon request.

City of Reading
Department of Fire and Rescue
Non-Emergency Transport Unit

January 2015 Financial Analysis

	Baseline	Baseline Annualized	January Actual	January Annualized
Expenses				
Gross Salaries	15,864.67	190,376.04	15,864.67	190,376.04
Medicare	209.41	2,512.96	209.41	2,512.96
Health Insurance Allocation	5,962.32	71,547.84	6,552.00	78,624.00
Health Insurance Contributions	(425.96)	(5,111.52)	(549.90)	(6,598.80)
Pension Allocation	3,648.87	43,786.49	4,378.65	52,543.79
Fuel Expense	1,816.15	21,793.80	876.00	10,512.00
Vehicle Maintenance at $.50/Mile	2,825.00	33,900.00	2,541.30	30,495.60
Cellular Telephone	200.00	2,400.00	200.00	2,400.00
Total Allocable Expenses	30,100.47	361,205.61	30,072.13	360,865.59
Revenue *				
Private-Pay Wheelchair Transports	8,764.20	105,170.40	6,826.00	81,912.00

Non-Emergency BLS Transports	4,953.02	59,436.24	1,363.04	16,356.48
St. Joseph's Contract Receipts	6,000.00	72,000.00	6,000.00	72,000.00
Total Allocable Revenue	19,717.22	236,606.64	14,189.04	170,268.48
Net Contribution (Subsidy)	(10,383.25)	(124,598.98)	(15,883.09)	(190,597.11)

Notes

Miles Driven	5,650	5,083
Gallons of Fuel	656	591
Average Miles Per Gallon	8.6	8.6

* Actual Cash Receipts

Business Analyst February 24 V5.