



# ***CITY COUNCIL***

## ***Finance, Audit & Budget Committee***

**Monday, June 15, 2015**  
**City Council Office**  
**6:00 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. Parking Authority 2015 Financial Contribution**

1. Next Steps and Options

### **II. Legislative Review**

1. Street Assessment

### **III. Review Finance Reports** (Narrative attached – financials to be distributed at the meeting)

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

#### **IV. 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

### **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
- Street and Streetlight Maintenance Assessment

#### **June**



# *CITY COUNCIL*

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## ***Finance Committee***

### **Meeting Report Monday, March 2, 2015**

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

**Others Attending:** F. Acosta, D. Cituk, C. Younger, C. Zale, L. Kelleher, M. Bembenick, W. Stoudt, J. Conrad, C. Snyder, D. Kersley, R. Johnson, B. Rivera, D. Pottiger, V. Spencer

Ms. Goodman-Hinnershitz called the Finance Committee meeting to order at approximately 5:00 pm.

#### **I. Report re: Correction of 2013 External Audit Findings**

Mr. Bembenick distributed a handout listing each repeat external audit finding and a recommended plan to correct each finding, including a timeline for the implementation. This plan will be reviewed and discussed with the auditors from Herbein. Standard Operating Procedures (SOP) will be developed for each finding and each finding has an assigned "owner". The findings will not be eliminated until the 2015 external audit.

Mr. Bembenick continued stating that Number 7 – Preparation of Bank Reconciliations – is a critical issue as the city has been unable to reconcile the General Disbursement Account (GDA), the City's main operating accounting through which most disbursements flow. The SOP is due to be completed by March 23<sup>rd</sup> and reconciliation is expected by March 31<sup>st</sup>.

Mr. Pottiger stated that a primary problem in the reconciliation of the GDA is the timing of the entries, the arrival of the bank statements and the unprocessed checks.

Mr. Bembenick continued stating that the next crucial issue is Number 1 – Internal View of Accounting Policies. He stated that Mr. Pottiger is reviewing the current policies and procedures and working to improve these areas.

Mr. Bembenick stated that the next most important findings are numbers 5, 6 and 10. He stated that 5 – Monitoring of State Grants –should be completed by the end of April. Finance will be required to sign off on the grant application before it is submitted.

Mr. Bembenick stated that Number 6 – Schedule of Expenditures of Federal Awards, (SEFA), will be completed by Mr. Pottiger, who is an expert in this particular field.

Mr. Bembenick stated that Number 10 – Grant Cash Management – will be addressed by Mr. Cituk. Mr. Cituk stated that, essentially, the process used by CD to post entries, initial invoices and obtain Managing Director approval took too much time and does not comply with the City's cash management requirements.

Ms. Goodman-Hinnershitz asked what can be done proactively to address this issue. Mr. Cituk responded that Herbein would like the City to redraft the City's standard operating procedures to establish a policy where a concise process is followed without regard to personnel turnover.

Ms. Snyder stated that these are just some of the issues that have been audit findings and that Mr. Bembenick will be documenting all findings and working to resolve them.

Mr. Bembenick continued with the handout pointing out Number 11 – Federal Funding Accountability and Transparency Act – in which the City will require further training to understand how the additional upcoming regulations will affect the City.

Mr. Bembenick stated that the new policies and SOPs will mirror the GFOA (Government Finance Officers Association) best practices.

Ms. Snyder stated that as Mr. Bembenick is leaving to work for the State, she met with him to develop a transition plan, schedule reporting and a requirement for all SOPs and policies to be reviewed and updated annually.

## **II. Legislation Review (Bills for final passage on March 9<sup>th</sup>)**

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

Mr. Bembenick stated that this transfer moves the funds for management purposes into Public Works.

**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)**

Mr. Bembernick stated that this is an expense for the concrete pad that the baler sits on and that this expense is not covered by the grant.

Ms. Reed inquired if the administration is considering PFM's opinion that the City should not be starting new businesses or activities, but rather concentrate on improving what we should already be doing.

Ms. Goodman-Hinnershitz remarked that the City has not shown a good history of being self-sufficient when starting new initiatives.

Ms. Snyder stated that the City, is in its start up phase with the baler and the project should become more self-sufficient due to the sale of recycled newspaper. However, the success of the project will be subject to the change in prices set by the marketplace and the use of current staff (not new staff or outsourced staff) used on a part-time basis.

Ms. Reed requested that a monthly progress report be provided so that Council can be kept abreast of this project. Ms. Snyder concurred.

**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)**

Ms. Snyder stated that with this bill, the Graffiti Abatement part-timers assigned to Mr. Harrity are budgeted but were not included in the Position Ordinance. There were two people on "light duty" utilized so the City will first attempt to utilize the "light duty" employees to do the work since the money is already budgeted in Temporary Wages.

**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)**

Ms. Snyder explained that this a 2% automatic raise for Chief William Heim as per his employment contract.

Ms. Kelleher noted her concern with the legality of this employment contract since it was made under a different administration and executed in 2006.

Mr. Cituk stated that the raise is required by the Chief's Act. Ms. Kelleher explained that the Chief's Act applies only to officers who were promoted to the Chief position through the ranks of the department, not to Chiefs coming to the department from outside of the municipality.

Ms. Goodman-Hinnershitz requested that the Law department look at this contract and provide an opinion.

Mr. Younger stated that the Chief's salary is connected to rates in the FOP Collective Bargaining Agreement.

Ms. Goodman-Hinnershitz recommended this be put on a Committee of the Whole agenda for further discussion.

### **III. Non-Emergency (Wheelchair) Transport Update**

Mr. Kersley stated that a baseline financial analysis was performed in January 2015. However, the analysis was based on September 2014 which is historically one of the busiest months for usage and payment. This operating unit required a public subsidy in January of \$15,883 due to increases in pensions and healthcare expenses.

Ms. Snyder stated that though the loss is substantial, it was anticipated as January is not a favorable month to review due to the new deductible period. She also noted that usage is generally lower in January and February due to inclement weather and employee health issues.

Deputy Chief Conrad explained that Chief Stoudt has initiated a policy to eliminate multiple employees from utilizing vacation/personal time in an overlapping fashion. He stated that the weather has also played a role as inclement weather increases the amount of time for transports. He stated that, on a positive note, the payment from St. Joseph's for the Care Van service was increased to \$90,000 from \$72,000 annually. He stated that the rate paid by St. Joseph's is now comparable to that paid to other similar organizations.

Chief Stoudt stated that a proactive program is being discussed to increase funding. He added that Deputy Chief Conrad is seeking new contracts with other organizations who utilize this service. However, he stated that the Department is preparing an exit plan, if the program cannot break even.

Ms. Snyder asked if the month of February would be more encouraging and Deputy Chief Conrad responded that February will not be much different than January as the weather, again, has played a role.

Ms. Goodman-Hinnershitz questioned the type of personnel being utilized. Deputy Chief Conrad responded that “at will” employees were hired specifically for this program and all are EMT trained; however, these employees do not have paramedic certificates. He noted that the employees working for this program are better paid than those working for other similar organizations.

Ms. Goodman-Hinnershitz commented on the need for qualified personnel as they are expected to identify specific services needed.

Mr. Cituk questioned if there is data indicating how many transports and what kind of transports are being performed. Mr. Kersley replied affirmatively; however, he stated that he did not have that information with him but he offered *to* provide the information at a later date.

Ms. Snyder questioned which organization would provide this service after the merger of Red Rose and BARTA. Ms. Reed replied that Red Rose would probably provide the service. She stated that she would contact Commissioner Barnhardt to obtain additional information.

Mr. Kersley stated that he will have a more comprehensive report for Council next month that will include an analysis of the new rate structure recently approved. He stated that the BARTA program makes approximately 3,800 runs annually.

Ms. Goodman-Hinnershitz stated that the program is valued by those who use it.

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

Mr. Johnson distributed an email on this topic this afternoon.

Mr. Johnson stated that the City is on target to use as much or perhaps more salt than last winter. The City’s salt supplier through the cooperative is out of salt; however, the City still has a half bin (4250 tons) available to be used sparingly. If the weather in March is severe the City will need to purchase additional salt, which will be expensive. He stated that the overtime hours are 110 as compared to last year’s 125; however, overtime is projected to be higher than last year.

Mr. Johnson stated that as street paving was deferred for years, the streets have become greatly deteriorated in many locations. He stated that this year he hopes to pave the travel lanes of Kenhorst Boulevard and Hill Road. He explained his goal is to have an engineering company prepare a street paving schedule that is based on various factors such as condition, use, etc.

Ms. Goodman-Hinnershitz stated that Mary's Shelter will soon start construction at the former Navy Marine Center and she suggested that Mr. Johnson consider that when planning the paving project.

Ms. Snyder stated that the Redevelopment Authority owns the remaining land around the Navy Marine Center and they too plan construction at some point in time. Mr. Johnson stated that he will look into this and get that information to Ms. Snyder.

Mr. Acosta stated that he is pleased to hear that the Bingaman Street Bridge will be completed before the Buttonwood Street Bridge is closed for repairs. He noted his concern for pedestrian traffic and safety. Mr. Johnson reiterated the concern for pedestrian safety.

Mr. Johnson left to attend the Standards of Living Committee meeting.

## **V. Financial Reports**

Mr. Zale stated that all budget numbers seem to be on track for the beginning of 2015.

Mr. Bembenick stated that the City does not anticipate another bond rating upgrade at this point. No questions were brought forward.

## **VI. Update from City Auditor**

Mr. Cituk stated that he will have the Compliance Transfer report for all transfers above \$25,000 next month. For Capital Projects, he stated that he will have a Wastewater Treatment Plant project update next month and Herbein is starting the 2014 external Audit on April 2nd. He stated that he agrees with the suggestions for audits provided by Herbein. Regarding internal and operational audits, he will audit the use of credit cards payments in 2015 and will assist with strengthening accounting and financial procedures.

Mr. Cituk stated that he will be working with Human Resources to identify retirees who have become rejoined to the workforce and have access to health care that is comparable to that provided by the City's plan.

## **VII. Other**

Ms. Goodman-Hinnershitz stated that Mr. Mann of PFM did a presentation on the impacts on-the Act 47 Statute amendment and she recommended that asking Mr. Mann to come in and make a presentation to Council at a Strategic Planning Committee meeting.

Ms. Snyder stated that there is a very active group working on this through PFM.

Mr. Waltman stated that PFM should communicate with Mr. Cituk to work together.

Ms. Kelleher stated that she will add that to the Strategic Planning agenda.

Mr. Spencer stated that before the meeting adjourns, he would like to explain his sponsorship of the Reading High basketball playoff games broadcast on WEEU. He stated that the fee was paid out of his personal account and that NO City funds or political were utilized for this, or the Employee Christmas parties or the Reading Phillies games.

Ms. Goodman-Hinnershitz adjourned the meeting at 6:25pm.

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

**CITY of READING**  
**GENERAL FUND FINANCIAL REVIEW SUMMARY**  
**May 2015**

The attached files are the General Fund results year to date through May 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:**

Five months, 41.7% of the full year, is completed. On a cash basis, the month's year to date surplus/deficit generates a surplus of \$12,509,218. 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 41.7% of these activities are recognized this month, the reported surplus would decrease to a surplus of \$8,337,326. The full year projection remains to attain a balanced budget.

**Revenues:**

Please review both the attached summary and detail revenue line items for differences between actual and budget. With five months of fiscal year reported, full year projection remains as planned. This year's budget includes an increase of \$3,068,558 from the Reading Parking Authority. This increase has not yet been realized. The revenue shortfall through May for this line item is \$1,612,151 which should be redeemed during the remainder of the year.

**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 and investment positions are \$32,708,886 (\$21,621,046 cash and \$11,087,840 investment) compared to last year's total of \$27,297,594 (\$26,213,944 cash and \$1,083,650 investment). The General Fund has not provided any loans to other funds this year.

**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.

**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. 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:**

In May, the City paid \$296,440.70 of principal on its General Fund loan balance.

**2015 \$138,858,575.73 Projected**

<b>Current</b>	<b>\$144,956,479.73</b>	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		

	<u>Full Time</u>	<u>Part Time</u>	<u>vs. Plan FT</u>	<u>vs. Plan PT</u>
General	465	105	15 less than plan	24 less than plan
Shade	1	0	1 less than plan	ok to plan
Sewer	71	1	4 less than plan	4 less than plan
Solid Waste	17	3	1 less than plan	2 more than plan
HUD	6	0	2 less than plan	ok to plan
<b>TOTAL</b>	<b>560</b>	<b>109</b>	<b>23 less than plan</b>	<b>26 less than plan</b>

General:	<u>Actual FT</u>	<u>% of Total GF</u>	<u>Plan FT</u>	<u>% of Total of GF</u>
Police	187	40.2 %	194	40.4%
Fire	140	30.1 %	144	30.0%
Public Safety	327	70.3%	338	70.4%
Non Safety	138	29.7%	142	29.6%
Total	465	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

**NEW 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. Currently, OPENGOV is available to the City's management team and staff, council and PFM. It will eventually become available to all on the City's web site.

May's year to date results and transactions are available on OPENGOV.



**TO:** City Council, David Cituk

**FROM:** Christian F. Zale, City Controller

**DATE:** May 21, 2015

**SUBJECT:** Schedule of Transfers -May 2015

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

To General Fund (01):

Indirect Cost: CD (32) **\$0.00 through March...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) **\$772,912.67 to agree with RAWA Lease Agreement, Fourth Addendum, Bill 99-2014**

Water RAWA Act 47: Eliminated in 2015

**Meter Surcharges: Water (50) \$141,666.67 to agree with RAWA Lease Agreement, Fourth Addendum, Bill 99-2014**

**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:**

None

**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 May 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.