



CITY COUNCIL

Finance, Audit & Budget Committee

Monday, July 20, 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. Policy Review

- Fund Balance Policy
- Sale of Land and Assets Policy

II. Legislative Review

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

Finance Committee

Meeting Report Monday, June 15, 2015

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

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

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

I. Parking Authority 2015 Financial Contribution

Mr. Waltman stated that this issue was briefly discussed last week at the COW meeting and there had been a question regarding the timing of the receipt of the full contribution.

Mr. Spencer stated that he was at the last Parking Authority meeting and it is his understanding that things are moving smoothly and there will not be any problems.

Mr. Waltman asked Mr. Zale if there are any concerns with the cash flow expectations.

Mr. Zale stated that currently the Parking Authority is only making its 2014 contribution. The 2015 budget has a \$3 million increase for the Parking Authority contribution.

Mr. Waltman questioned if the City would be receiving the contribution in a lump sum amount or payments broken out over time.

Ms. Snyder stated that following a meeting addressing the Parking Meter ordinance, Dr. Wegman reiterated that there wasn't an issue about whether or not the full contribution would be

made. However, the Authority must review their finances and establish a timeline for when the contribution can and will be carried out. She stated that Dr. Wegman asked her to relay this information to Council. She stated that she does not recall if there is a document stating how the City will be receiving the contribution; the assumption is that it will be provided throughout the year.

Mr. Waltman suggested that the Parking Authority would likely be using Capital funds versus General Fund monies. He questioned if the City is in dire need of this contribution. Mr. Zale stated that presently the City has sufficient cash flow; however, by year end there will be a deficit without that \$3 million contribution.

Ms. Goodman-Hinnershitz stated that each time there is a discussion on the Parking meter ordinance, this topic comes into play. She expressed the belief that this needs to be addressed separately from the ordinance because one has nothing to do with the other. Mr. Waltman concurred.

Mr. Waltman noted the need to consider the aggregate of all taxes and fees across the board as Council considers this proposal.

II. Legislative Review – Street Assessment

Mr. Waltman questioned the revenue projected for this line item in the amended Act 47 5-Year plan. Ms. Kelleher stated that the coordinator estimates revenue costs at \$1.5 million per year. She stated in reading the amended plan that the 5-year impact would be \$6.2 million.

Mr. Waltman stated that unless a reduction is made to the current taxpayers, this would be an increase. If existing tax rates were slightly reduced, then the Street Assessment will be a replacement of a portion of the property tax. He stated that Council needs to discuss how this is going to be implemented moving forward. He questioned how the City is going to start billing for street assessments.

Ms. Goodman-Hinnershitz suggested that Council define what is needed and what will help aid in that effort. She stated that there are significant barriers which came up in the Act 47 meeting regarding how a streetlight assessment is made. She suggested that an analysis be performed to determine how the assessment will be implemented.

Ms. Snyder stated that streetlight assessment raises many issues that street assessments do not.

Mr. Waltman suggested that a spreadsheet be made with city properties to determine tax rates based on frontages.

Ms. Goodman-Hinnershitz suggested that Council devise a list of questions prior to the next meeting so that answers are provided and this topic can move forward productively. Mr. Waltman concurred.

Ms. Snyder agreed stating certain scenarios can be provided as well. Ms. Snyder noted her concern with waiting another month to discuss this topic again and suggested that this be a topic for a Committee of the Whole which will meet next week. All agreed.

III. Reviewing Finance Reports

Mr. Zale stated that there are no major issues aside from the Parking Authority contribution.

Ms. Reed arrived at this time.

Ms. Reed questioned if the Parking Authority contribution was solidified. Mr. Waltman stated that this was already discussed and that there is no issue. Ms. Reed expressed her concern with the Parking Authority following through as they agreed to the increased contribution with conditions.

Ms. Kelleher questioned that if, in fact, the Authority had certain conditions, why the Authority delayed submitting the parking proposal. They provided the amended ordinance but they have yet to provide the maximum rates for that proposal.

Ms. Snyder questioned if the Charter Board has spent 82 percent of their budget. Mr. Cituk responded that 82 percent is what is remaining; meaning that they have only spent 14 percent to date.

Mr. Zale stated that there is a surplus of \$12.5 million which does not include the \$13 million Pension payment. At the end of May, cash flow for both cash and investments is \$32.7 million. He stated that there was a transfer of \$75,000 from the Contingency Account that was approved by Council for the East Laurel Street demolition.

Mr. Zale stated that everything is moving smoothly on the 5 year projection. He stated that OpenGov had officially been released to the public. He stated that there was a press release regarding the availability of OpenGov.

Ms. Goodman-Hinnershitz requested that a demonstration be given on OpenGov both for Council and for the general public. Mr. Zale stated that he would gladly do a demonstration.

IV. Update from the City Auditor

Mr. Cituk stated that he has a draft copy of the Reading Redevelopment Authority audit. He stated he can scan copies to anyone who needs one. He stated that once the Water Authority and the Parking Authority complete their final audits he will provide them to Council. He stated there is a possibility that the City will meet the June 30 deadline for the audit.

Ms. Snyder questioned if there was a way to help minimize the delay of the audit. Mr. Cituk stated that the delay is due to the completion of the RAWA, RRA and Parking Authority audits.

Ms. Goodman-Hinnershitz adjourned the meeting at approximately 5:30pm

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

CITY of READING
GENERAL FUND FINANCIAL REVIEW SUMMARY
June 2015

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

Six months, 50.0% of the full year, is completed. On a cash basis, the month's year to date surplus/deficit generates a surplus of \$16,508,623. 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 50.0% of these activities are recognized this month, the reported surplus would decrease to a surplus of \$11,506,355. The full year projection remains to attain the planned budget.

Revenues:

Please review both the attached summary and detail revenue line items for differences between actual and budget. With six 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 June for this line item is \$1,534,279 which should be redeemed during the remainder of the year.

Although the full year revenue forecast remains on plan, the Earned Income Tax is currently trending 3.0% higher than plan. If this is maintained for the balance of the year, the full year impact would be approximately \$600,000 more revenue.

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 \$36,614,686 (\$25,525,803 cash and \$11,088,883 investment) compared to last year's total of \$31,547,293 (\$30,463,598 cash and \$1,083,695 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. The \$4.8 million 2006 RDA note used to finance the City's 2006 pension cost will be refinanced in July.

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 made in June.

2015 \$138,858,575.73 Projected

| | | | | | |
|----------------|-------------------------|------|------------------|------|-----------------|
| Current | \$144,956,479.73 | 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 23 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 | 457 | 108 | 23 less than plan | 21 less than plan |
| Shade | 1 | 0 | 1 less than plan | ok to plan |
| Sewer | 70 | 1 | 5 less than plan | 4 less than plan |
| Solid Waste | 17 | 3 | 1 less than plan | 2 more than plan |
| HUD | 5 | 0 | 3 less than plan | ok to plan |
| TOTAL | 550 | 112 | 33 less than plan | 23 less than plan |

| <u>General:</u> | <u>Actual FT</u> | <u>% of Total GF</u> | | <u>Plan FT</u> | <u>% of Total of</u> |
|-----------------|------------------|----------------------|-------|----------------|----------------------|
| <u>GF</u> | | Police | 186 | 40.7 % | |
| 194 | 40.4% | | Fire | 136 | 29.8 % |
| | 144 | 30.0% | | Public Safety | 322 |
| 70.5% | | 338 | 70.4% | | |
| Non Safety | 135 | 29.5% | 142 | 29.6% | |
| Total | 457 | 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. Started in June, it became available to all on the City's web site.

June'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

TO: City Council, David Cituk
FROM: Christian F. Zale, City Controller
DATE: June 25, 2015
SUBJECT: Schedule of Transfers -June 2015

The following transfers occurred in June 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 June...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 June 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.