



# *CITY COUNCIL*

## *Finance, Audit & Budget Committee*

**Monday, August 17, 2015**  
**City Council Office**  
**5:15 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 Draft CDBG Action Plan**

### **IV. 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

## **V. 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

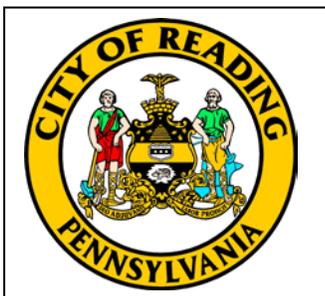
### **April**

- 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, July 20, 2015**

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

**Others Attending:** D. Cituk, C. Younger, C. Zale, L. Kelleher, C. Snyder, D. Pottiger

Ms. Goodman-Hinnershitz called the Finance Committee meeting to order at approximately 5:00 pm. She stated that before the actual committee sessions begin Council will meet in a Committee of the Whole session to learn about the DID renewal process.

#### **Committee of the Whole re DID Renewal**

**Attending:** M. Goodman-Hinnershitz, D. Reed, D. Sterner, C. Daubert, J. London, C. Broad, M. Zielinski, C. Younger, C. Snyder, C. Zale, D. Pottiger

Ms. London explained that DID's 10 year term expires at the end of 2015. She noted that the continuation of DID and DID as the City's Main Street Manager is critical to the improvement of the downtown area. She distributed the draft ordinance and agreement between the City and DID along with the proposed plan and a letter drafted to the Council President.

Mr. Broad explained that DID will conduct outreach to the properties within the DID area and hold a public hearing after the ordinance is enacted by Council. He stated that there are 414 properties eligible for the assessment in the DID area and that the owners of these buildings are eligible to place a NO vote if they do not want the DID to continue. Ms. London recalled the low attendance at the 2005 public hearing.

Mr. Broad stated that DID sought, and the administration agreed, to an increase in City funding for DID. He explained that they are seeking a small increase in the assessment to property

owners. He stated that the assessment has not changed in 15 years. The last increase to the original assessment was approved in 2000 (4.75%).

Mr. Broad explained the need for DID to send a copy of the proposed plan to the 414 affected property owners prior to a required public hearing. He also explained that DID is only seeking reauthorization for a five (5) year period because it is too difficult to manage the organization using the same assessment rate for a 10 year period. He described how the decline in the real estate market, assessment appeals and other changes have affected DID's financial condition over the past 10 years.

Mr. Zielinski stated that DID lost \$56K in assessments over the past year, due to the City's acquisition of the Penn Square properties and the I Lead Charter School's refusal to pay their assessment. However, there are questions concerning the exact portion of the property actually being used for "charitable" purposes that would disqualify the school from the paying the assessment.

Ms. Reed questioned the need for an increase in the assessment as many small businesses struggle to retain their small margin of profit.

Ms. Goodman-Hinnershitz questioned how DID will communicate with those who work within the eligible buildings. Mr. Broad stated that outreach goes to tenants and property owners only. He explained that those who work in the buildings would need to communicate directly with the person who leases the office or the property owner. He noted that only the actual property owner has a vote.

Ms. Reed inquired about the number of assessment appeals since the last county-wide reassessment in 1994. Mr. Broad stated that DID has experienced an annual decline in assessments caused in part by successful assessment appeals.

Mr. Broad stated that DID representatives met with the administration and they approved the requested increase in funding and the assessment increase. Ms. Snyder stated that she was not included in those discussions.

Ms. Goodman-Hinnershitz stated that those working in the downtown need to consider what the downtown would be like if DID stopped existing.

Council was asked to forward any questions to the City Clerk. A second presentation will occur at the Committee of the Whole meeting on July 27<sup>th</sup>, when all Councilors will be present.

The Committee of the Whole ended and the Finance Committee began.

### **I. Land Sale and Use of the Reserve Policies**

Mr. Pottiger stated that he plans to meet and discuss this issue with Mr. Zale in the upcoming week.

### **II. Review Financial Statements**

Mr. Zale stated that the EIT revenue is coming in 3% higher than last year. He stated that the City plans to refinance the 2006 RDA note (the pension bond).

Mr. Zale noted the preparation of the City's capital plan. He explained that a portion of the Commuter EIT is now allocated to capital expenditures. He reminded Ms. Kelleher of the need to have the Council President appoint a member of Council to the review committee. He stated that the committee will hold their first meeting tomorrow.

Mr. Zale stated that the Open Gov software is now available to the public; however, he stated that he is unaware of the number of people who have actually used the software.

Mr. Zale stated that the City will move the annual allocation of the MMO pension payment to July. In the past the MMO payment was delayed until November or December annually. He noted that the pension fund will be aided by the earlier payment.

### **III. Update from the City Auditor**

Mr. Cituk provided an update on the 2014 external audit. He predicted a \$2M surplus. He described how errors in pension payments are identified through various tests. He noted that the School District is billed quarterly for their portion of the crossing guard payment.

Ms. Goodman-Hinnershitz again requested an itemization of the Duane Morris bills submitted for legal services for the mayor's charter and ethics complaints and the recycling litigation. She noted that prior requests were denied or ignored. She stated that ignoring the request for documentation is improper as those bills were paid with taxpayer dollars. Mr. Cituk stated that he could assist with providing that documentation. Mr. Younger requested that Ms. Goodman-Hinnershitz provide the request in writing.

There was a discussion about the retention of Duane Morris for the mayor's charter and ethics complaints without the bidding process and for the recycling litigation through the bidding process.

Ms. Goodman-Hinnershitz adjourned the meeting at approximately 5:35 pm.

*Respectfully submitted by  
Linda A. Kelleher CMC, City Clerk*

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

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

Seven months, 58.3% of the full year, is completed. On a cash basis, the month's year to date surplus/deficit generates a surplus of \$16,277,448. 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 58.3% of these activities are recognized this month, the reported surplus would decrease to a surplus of \$10,441,469. The full year projection remains to attain near to the planned budget.

**Revenues:**

Please review both the attached summary and detail revenue line items for differences between actual and budget. With seven months of fiscal year reported, full year projection remains near plan. This year's budget includes an increase of \$3,068,558 from the Reading Parking Authority; however, the increase has not yet been realized. The revenue shortfall through July for this line item is \$1,789,992 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 near 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. (Slight surplus \$57,828 resulting from refinancing)

**Cash Flow:**

This month's ending cash and investment positions are \$37,225,293 (\$26,135,445 cash and \$11,089,848 investment) compared to last year's total of \$31,688,337 (\$30,604,656 cash and \$1,083,681 investment). The General Fund has not provided any loans to other funds this year. Two interest bearing accounts, one for the general fund (\$10 million) and one for the sewer fund (\$15 million), were established in February 2015. The sewer fund interest bearing account will increase \$15 million to \$30 million to garner additional earnings which help reduce future financing needs to finance the WWT project. This increase came from the non interest bearing sewer account.

**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. The \$4.8 million 2006 RDA note used to finance the City's 2006 pension

cost has been refinanced in July. 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 made in June.

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

<b>Current</b>	<b>\$151,518,869.00</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		

**Headcount by Fund:**

The general fund full time headcount ended 24 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	456	104	24 less than plan	25 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	16	2	2 less than plan	1 more than plan
HUD	5	0	3 less than plan	ok to plan
<b>TOTAL</b>	<b>548</b>	<b>107</b>	<b>35 less than plan</b>	<b>28 less than plan</b>

	<u>Actual FT</u>	<u>% of Total GF</u>	<u>Plan FT</u>	<u>% of Total of GF</u>
General:				
Police	190	41.7 %	194	40.4%
Fire	131	28.7 %	144	30.0%
Public Safety	321	70.4%	338	70.4%
Non Safety	135	29.6%	142	29.6%
Total	456	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

**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.

July's 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.



**TO:** City Council, David Cituk  
**FROM:** Christian F. Zale, City Controller

**DATE:** July 17, 2015  
**SUBJECT:** Schedule of Transfers -July 2015

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The following transfers occurred in July 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 July 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.