



CITY COUNCIL

Finance, Audit & Budget Committee

Monday, September 21, 2015
City Council Office
At conclusion of COW

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
- Payment of Legal Bills

II. Legislative Review

III. Human Relations Commission Audit

IV. Fire Escrow Fund Reconciliation

V. 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



CITY COUNCIL

Finance Committee

Meeting Report Monday, August 17, 2015

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

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

Ms. Goodman-Hinnershitz called the meeting to order at approximately 5:30pm.

I. Policy Review

- *Fund Balance Policy*

Mr. Pottiger stated that he and Ms. Snyder reviewed the policy with the changes shown in the highlighted areas of the handout. He stated that the changes allow non-recurring revenues and budget surpluses to replenish reserve levels to the minimum level of two months of general fund operating revenues, to pay down the existing debt, and to fund the capital improvements plan. He stated that originally, the term for maintaining unrestricted fund balances in the general fund was to be no less than three months of operating revenues, and that has been scaled back to two months instead.

Ms. Goodman-Hinnershitz asked if anyone has any questions. There were no questions. She stated that the next step is to have this introduced as an ordinance at an upcoming meeting. Ms. Kelleher concurred stating that it can be introduced as early as the next Council meeting.

- *Sale of Land and Assets Policy*

Mr. Pottiger stated that the draft will be ready to be presented to Council as soon as he and Ms. Snyder make some minor adjustments. Sections on real property and personal property will be addressed separately. There will be thresholds on the dollar amounts implemented. This should be completed within the next week.

Ms. Goodman-Hinnershitz questioned if the water system would be included in this. Mr. Pottiger stated that Ms. Kelleher found the City of Harrisburg language regarding assets transferred to outside authorities which has been helpful. He stated that this document will include all authorities.

Ms. Goodman-Hinnershitz stated that this will be reviewed at the next meeting and then introduced.

II. Legislative Review

Ms. Kelleher stated that there was nothing upcoming on the regular meeting agenda that required legislative review at this time.

III. Review Draft CDBG Action Plan

Ms. Goodman-Hinnershitz stated a Community Development Block Grant means a grant of funds from the federal government, not funds that are to be used for improvements. She stated that there seems to be some confusion about the meaning of this program.

Mr. Pottiger stated that there is a meeting scheduled for August 18 to make adjustments to the CDBG budget and the Capital Improvement budget. There are a few requests which need further review to determine the best manner to fund them.

Ms. Goodman-Hinnershitz questioned the timeline regarding the approval of the CDBG Action Plan. Ms. Kelleher stated that the Plan must be approved by November 15 annually.

Mr. Pottiger stated that he can have a draft prepared after the August 18 meeting for Council to review electronically.

Ms. Kelleher stated that the draft plan can be discussed at the next Finance Committee meeting.

IV. Review Finance Reports

Mr. Zale stated seven months into the cycle on a cash basis, there is a surplus of \$16,277,448 which does not include the pension MMO payment.

Mr. Zale stated that revenues increased \$3,068,558 from the Parking Authority however has not yet been realized in full. He stated that Police and Fire spending consumes 71 percent of the General Fund and those two departments are closely monitored.

Mr. Zale stated that the cash flow is \$37,225,293 compared to last year's total of \$31,688,337. There have been no loans provided to other funds out of the General Fund this year. He stated that there are two interest bearing accounts that were established in February 2015; one for the general fund and the other for the sewer fund. The sewer account will increase from \$15M to \$30M due to the additional earnings which will help reduce future financing of the WWTP.

Mr. Zale stated that there has been no change in the Contingency Usage and the 2006 RDA note used to finance the City's 2006 pension cost was refinanced in July which satisfies the Amended Act 47 Recovery Plan.

Mr. Zale stated that the 5-Year Projection is available to the public on OPENGOV.com.

Mr. Waltman commended the clear and concise reporting.

V. Update from City Auditor

Mr. Cituk distributed a WWTP Capital Expense Report and explained that it is separated by year with a total of \$48,787,368.33 from 2008 through June 2015.

Ms. Goodman-Hinnershitz questioned one of the higher line items regarding major construction that is occurring with the tunnel. Mr. Cituk stated that he believes it is PACT Construction who is working on the 42 inch piping along the river going to the plant.

Mr. Cituk stated that the 2014 External Audit draft should be completed by early September. Council will review the audit at the September 14 Committee of the Whole (COW) meeting.

Ms. Goodman-Hinnershitz stated that some members of the public seem to have issues with audits. She suggested that the public follow this process and provide public comment on the process if they so desire at regular Council meetings.

Mr. Cituk stated that once the audit is finalized, it will be posted on the website. He stated that the next Audit Committee meeting would ideally be held before the COW on September 14.

Ms. Goodman-Hinnershitz questioned if Mr. Gass was being replaced on the Audit Committee. She questioned what requirements are needed to serve on the Audit Committee. Ms. Kelleher stated that a financial background is required.

Mr. Waltman stated that he would like to obtain an update on the WWTP project and the costs associated with the project, specifically associated with Black & Veatch Corporation. He stated that it may be in the City's best interest to benchmark these costs moving forward.

Ms. Reed questioned if the PLA issue is still pending. Ms. Kelleher answered affirmatively.

Mr. Waltman stated that he has had some discussion on this topic with Ms. Snyder. He questioned if there was going to be second RFP for the Liquids/Solids project. Ms. Kelleher stated that according to the Mayor's report, another RFP was to be issued on August 20 for the Liquids/ Solids bid because the first RFP came in \$15M over budget.

VI. Other Matters

Mr. Pottiger questioned the status of the severance ordinance.

Ms. Reed stated that she doesn't believe it will continue forward.

Ms. Kelleher asked that Council consider eliminating department director severances. She stated that she and Ms. Snyder had a conversation and Ms. Snyder requested time to model a reduction in the payment schedule.

Mr. Waltman suggested that Ms. Reed and Ms. Goodman-Hinnershitz look over this ordinance and determine if there are certain points that can be agreed upon and presented.

Ms. Reed stated that she agrees that some form of protection or moral obligation to staff should be provided.

Ms. Kelleher stated that she questioned Ms. Snyder on the number of payouts for department directors since its inception and she responded that there have been none. This proves that requiring just cause for department directors works.

Mr. Waltman stated that if this were not an election year, he would be more open to moving forward on this but since it is an election year, he fears this may aggravate situations. He suggested trusting the process. He stated that he is not of the belief that cutting out key employees is in any of the candidates' best interest.

Ms. Goodman-Hinnershitz stated that she understands both sides of the argument but unfortunately, without having an ordinance that the majority of Council agrees on, this should not move forward.

Mr. Waltman stated that the goal is for everyone to be able to work together for the best interest of the City. He reiterated that this ordinance must be evaluated to determine if there are components that Council can support.

The meeting was adjourned at approximately 6:35pm

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

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

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

Eight months, 66.7% of the full year, is completed. On a cash basis, the month's year to date surplus/deficit generates a surplus of \$5,153,135. This result **does include** the City's full year pension MMO (minimum municipal obligation) of \$13,204,536 (General Fund only) but **does not** include any of the State Pension contribution of \$3,200,000. If 66.7% of these activities are recognized this month, the reported surplus would increase to a surplus of \$11,687,980. 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 eight 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 with eight months realized (\$2,045,704) in this month's results. The balance of the increase (\$1,022,854) is anticipated in the remaining four months.

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 \$26,068,354 (\$14,977,198 cash and \$11,091,156 investment) compared to last year's total of \$30,620,565 (\$29,536,486 cash and \$1,084,079 investment). The General Fund has not provided any loans to other funds this year. This month's ending cash balance reflects the full year pension payment of \$13,204,536 from the General Fund bank account. Last year's payment of \$9,957,027 from the General Fund bank account occurred in October.

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 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 made in August.

2015 \$147,513,461 Projected

Current	\$153,708,061.00	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 25 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	455	105	25 less than plan	24 less than plan
Shade	1	0	1 less than plan	ok to plan
Sewer	69	1	6 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
TOTAL	546	108	37 less than plan	27 less than plan

General:	<u>Actual FT</u>	<u>% of Total GF</u>	<u>Plan FT</u>	<u>% of Total of GF</u>
Police	187	41.1 %	194	40.4%
Fire	131	28.8 %	144	30.0%
Public Safety	318	69.9%	338	70.4%
Non Safety	137	30.1%	142	29.6%
Total	455	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.

August 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.

Commencing with the 2016 budget development, OPENGOV will show the various stages toward achieving a balanced budget. The initial step is the submission by directors and chiefs followed by administration's adjustments, leading to the Mayor's proposed budget. Subsequent adjustments occur through budget reviews among the administration, council and public producing the adopted budget. This progression will be visible on the City's web site in the OPENGOV Budget Milestone section.



M E M O R A N D U M

TO: City Council, David Cituk
FROM: Christian F. Zale, City Controller
DATE: August 26, 2015
SUBJECT: Schedule of Transfers -August 2015

The following transfers occurred in August 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 August...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) **\$772,916.67 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 August 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.