



**The PFM Group**

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**Q1 2014 Financial Results**

This report summarizes preliminary financial results for the period January 1, 2014 through March 31, 2014 based on trial balance financial data provided by the City on May 14, 2014.

**Overview**

The City collected 17.2 percent of its budgeted revenues and spent 16.4 percent of its budgeted expenditures through March 2014. While revenues exceeded expenditures by \$699,000 through March, expenditures are usually low in the first quarter since the City pays little of its debt service and none of its pension contribution during the first quarter. The table below compares revenues and expenditures through March 2014 with the budget target.

**Budget to Actual Comparison**

	2014 Q1	2014 Budget	% Spent/Collected
Revenues	14,543,665	84,375,519	17.2%
Expenditures	13,844,228	84,360,519	16.4%
Difference	699,437	15,000	N/A

On the revenue side, the City collected \$762,000 (or 5.5 percent) more through March 2014 than through the same period in 2013. The increase is mostly because the City collected more revenue from its real estate and earned income taxes than a year ago through this period, plus the City has more grant revenue with the receipt of the SAFER grant.<sup>1</sup> Revenues from the business privilege tax, local services tax and admissions fee trailed last year’s pace through March.

On the expenditure side, the City spent \$13.8 million through March 2014, \$806,000 (or 6.2 percent) more than through March 2013. The spending increase was attributable to higher salary spending in Public Works with six equipment operator positions shifted from the Recycling Fund to the General Fund in the 2014 budget. The City also had more capital spending on street paving and IT hardware, which is incorporated in the operating budget.

	2014 Q1	2014 Budget	% Spent/Collected	2013 Q1	Difference (\$)	Difference (%)
Revenues	14,543,665	84,375,519	17.2%	13,782,110	761,555	5.5%
Expenditures	13,844,228	84,360,519	16.4%	13,037,949	806,278	6.2%
Difference	699,437	15,000	N/A	744,160	(44,723)	N/A

<sup>1</sup> The City started receiving the SAFER grant revenue after March last year. So there was no SAFER grant revenue in the Q1 2013 results.



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**REVENUES**

The City had \$14.5 million in General Fund revenues through March 2014. The table below compares the City’s revenue performance through March 2014 to this year’s budget and to last year through March.

	2014 Q1	2014 Budget	% Collected	2013 Q1	Difference (\$)	Difference (%)
<b>Real Estate Taxes</b>	2,471,098	21,083,297	11.7%	2,201,776	269,322	12.2%
<b>Act 511 Taxes</b>	5,313,659	24,990,795	21.3%	5,041,627	272,031	5.4%
<b>Licenses, Permits, Fine</b>	1,292,991	5,887,796	22.0%	1,300,438	(7,448)	-0.6%
<b>Intergovernmental</b>	1,402,252	10,681,789	13.1%	950,725	451,527	47.5%
<b>Charges for Services</b>	927,859	6,247,771	14.9%	997,715	(69,856)	-7.0%
<b>Interest and Rent</b>	91,415	1,365,000	6.7%	184,339	(92,924)	-50.4%
<b>Other</b>	1,001,891	4,718,593	21.2%	1,112,988	(111,097)	-10.0%
<b>Transfers in</b>	2,042,500	9,400,478	21.7%	1,992,500	50,000	2.5%
<b>TOTAL REVENUES</b>	<b>14,543,665</b>	<b>84,375,519</b>	<b>17.2%</b>	<b>13,782,110</b>	<b>761,555</b>	<b>5.5%</b>

*Real Estate Taxes*

Real estate taxes represent about a quarter of all General Fund revenues. The City’s real estate tax rate remained the same in 2014 after it increased by 9 percent in 2013 to 15.689 mills.

	2014 Q1	2014 Budget	% Collected	2013 Q1	Difference (\$)	Difference (%)
Current Year	2,400,223	19,783,297	12.1%	1,826,201	574,022	31.4%
Prior Years	88,200	1,300,000	6.8%	351,491	(263,291)	-74.9%
Penalties and Interest	30,685	300,000	10.2%	60,608	(29,923)	-49.4%
Discount for Early Payment	(48,011)	(300,000)	16.0%	(36,524)	(11,486)	31.4%
<b>Property Tax Subtotal</b>	<b>2,471,098</b>	<b>21,083,297</b>	<b>11.7%</b>	<b>2,201,776</b>	<b>269,322</b>	<b>12.2%</b>

Through March 2014, the City collected 31.4 percent more in current year real estate tax than a year ago and approximately the same amount as in Q1 2012. The table below compares current and prior year property tax revenues collected through the first quarters of the last three years.

	2012 Q1	2013 Q1	2014 Q1	% Change from 2012 - 2014
Current Year	2,329,023	1,826,201	2,400,223	3.1%
Prior Years	40,186	351,491	88,200	119.5%



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	2012 Q1	2013 Q1	2014 Q1	% Change from 2012 - 2014
<b>Total</b>	<b>2,369,209</b>	<b>2,177,692</b>	<b>2,488,424</b>	<b>5.0%</b>

The majority of the real estate revenues arrive in the second quarter so it is too early to draw meaningful conclusions about how 2014 year-end receipts will compare to last year.

**Act 511 Taxes**

Act 511 taxes are the City’s largest revenue category. The earned income tax on residents and non-residents is the City’s second largest source of budgeted revenue after the property tax. The City collected 21.3 percent of its budgeted Act 511 Taxes through March 2014.

	2014 Q1	2014 Budget	% Collected	2013 Q1	Difference (\$)	Difference (%)
Earned Income Tax	4,588,509	19,602,820	23.4%	4,071,745	516,763	12.7%
Business Privilege Tax	122,449	2,100,000	5.8%	335,722	(213,273)	-63.5%
Real Estate Transfer Tax	415,388	1,982,975	20.9%	364,901	50,487	13.8%
Local Services Tax	186,492	1,100,000	17.0%	265,207	(78,714)	-29.7%
Per Capita Tax	820	205,000	0.4%	4,052	(3,231)	-79.8%
<b>Subtotal</b>	<b>5,313,659</b>	<b>24,990,795</b>	<b>21.3%</b>	<b>5,041,627</b>	<b>272,031</b>	<b>5.4%</b>

The earned income tax is by far the largest of these taxes, making up 86.4 percent of first quarter Act 511 tax revenue. Berks EIT, Incorporated handles EIT collections for the City and all other governments in Berks County under the terms of Act 32 of 2010.

Earned income tax revenues outpaced last year’s level through the first quarter, with the City collecting \$517,000 (or 12.7 percent) more. This was expected because of the EIT rate increase effective January 1, 2013. Most EIT revenue collected during the first quarter of any year comes from the prior year. So most of the EIT revenue collected in Q1 2013 came from 2012 while most of the revenue collected in Q1 2014 came from 2013. The tax rate on residents and non-residents was 0.2 percent higher in 2013 than 2012 so prior year revenues were also higher.

The City collected \$122,000 (or 5.8 percent) of its business privilege tax budget target through March 2014 compared to \$336,000 through the same period last year. The majority of business privilege tax revenues arrive in the second quarter so it is too early to draw meaningful conclusions about how 2014 year-end receipts will compare to last year.



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***Licenses, Permits & Fees***

This category includes rental housing permit fees, cable franchise fees, traffic and court fines and business privilege licenses. The City collected 22.0 percent of budgeted revenues in this category, close to the amount collected in Q1 2013.

One of the largest items in this category is the City’s charges for rental housing permits.<sup>2</sup> The City collected 37.6 percent of its current year budget target and 15.6 percent of its prior year target.

**Rental Housing Permit Revenues**

	2014 Q1	2014 Budget	% Collected
Current Year	334,265	890,000	37.6%
Prior Years	70,288	450,000	15.6%
<b>Housing/Rental Permit Total</b>	<b>404,554</b>	<b>1,340,000</b>	<b>30.2%</b>

The City received \$53,000 from quality of life fines through March 2014 versus \$109,000 last year and no revenue from new construction permits versus \$30,000 last year.

**Other Licenses, Permits and Fees**

	2014 Q1	2014 Budget	% Collected	2013 Q1	Difference (\$)	Difference (%)
District court summary offenses	162,408	850,000	19.1%	188,264	(25,856)	-13.7%
Franchise fees	0	725,000	0.0%	0	0	N/A
New construction permits	0	90,000	0.0%	30,174	(30,174)	-100.0%
Traffic fines motor codes	0	325,000	0.0%	0	0	N/A
Business privilege Licenses	182,757	350,000	52.2%	187,083	(4,326)	-2.3%
Quality of life fines	53,276	390,000	13.7%	108,873	(55,597)	-51.1%
Other	489,997	1,817,796	27.0%	434,455	55,542	12.8%
<b>Subtotal</b>	<b>888,437</b>	<b>4,547,796</b>	<b>19.5%</b>	<b>948,848</b>	<b>(60,412)</b>	<b>-6.4%</b>

***Intergovernmental Revenues***

The City received 13.1 percent of total budgeted intergovernmental revenues. The largest item in this category is the Commonwealth pension aid, which arrives in the second half of the year.

<sup>2</sup> Revenue from payments for rental housing inspections is tracked separately in the Charges for Service category.



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	2014 Q1	2014 Budget	% Collected	2013 Q1	Difference (\$)	Difference (%)
Pension-State Contributions	0	3,150,000	0.0%	0	0	N/A
Meter Surcharge	425,000	1,700,000	25.0%	283,333	141,667	50.0%
RAWA Supplement	375,000	1,500,000	25.0%	375,000	0	0.0%
Parking Authority Supplement	135,000	810,000	16.7%	135,000	0	0.0%
Grants and Gifts	378,431	1,852,145	20.4%	51,317	327,115	637.4%
Reading Public Library	0	767,644	0.0%	0	0	N/A
Other	88,821	902,000	9.8%	106,075	(17,254)	-16.3%
<b>Subtotal</b>	<b>1,402,252</b>	<b>10,681,789</b>	<b>13.1%</b>	<b>950,725</b>	<b>451,527</b>	<b>47.5%</b>

The City received \$327,000 more in grant and gift revenue than a year ago because of the timing of the SAFER grant. Last year the City received a grant from the Staffing for Adequate Fire and Emergency Response (SAFER) program administered by the US Department of Homeland Security. The City received \$963,000 in SAFER grant revenues last year, most of which arrived in the second half of the year. The City will receive another \$1.3 million this year. The grant reimburses the City for 21 firefighter positions added through the grant.

*Charges for Services*

The City collected 14.9 percent of budgeted revenues from charges for services, which was \$70,000 (or 7.0 percent) less than a year ago. The largest item in this category is the City's charges for EMS service where the City has collected \$23,000 (or 5.5 percent) more than a year ago.

Revenue that the Police Department generates by providing additional coverage to specific entities at a reimbursable rate is partially reported in the Police Service/Copy Service line. The City also records some revenue received to offset reimbursed overtime activities under grants and gifts in the Intergovernmental Revenue category.

Admissions fee receipts trails last year's pace, with the City receiving \$75,000 (or 70.6 percent) less than through the same period last year. The table below shows other large items in this category.

**Service Charge Revenue**

	2014 Q1	2014 Budget	% Collected	2013 Q1	Difference (\$)	Difference (%)
EMS User Fees	435,064	3,536,638	12.3%	412,247	22,817	5.5%
Housing Inspection	196,326	805,000	24.4%	197,098	(772)	-0.4%
Kenhorst Police Contract	107,785	431,139	25.0%	104,645	3,139	3.0%
Admissions Fee/Tax	31,280	425,000	7.4%	106,461	(75,180)	-70.6%



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	2014 Q1	2014 Budget	% Collected	2013 Q1	Difference (\$)	Difference (%)
Police Service/Copy Service	44,877	275,000	16.3%	52,280	(7,403)	-14.2%
Zoning Housing Appeals	24,120	160,850	15.0%	33,400	(9,280)	-27.8%
Other	88,408	614,144	14.4%	91,584	(3,176)	-3.5%
<b>Subtotal</b>	<b>927,859</b>	<b>6,247,771</b>	<b>14.9%</b>	<b>997,715</b>	<b>(69,856)</b>	<b>-7.0%</b>

*Interest and rent*

The City reports \$93,000 less in interest and rental revenues than a year ago through March because of an accounting adjustment. The City changed how it records the debt repayment from the Greater Berks Development Fund and that adjustment appears as a “negative revenue” in the trial balance report.

**Interest and Rent Revenues**

	2014 Q1	2014 Budget	% Collected	2013 Q1	Difference (\$)	Difference (%)
Rental - Parking Authority	166,666	1,000,000	16.7%	166,666	0	0.00%
Rental on Stadium	0	300,000	0.0%	0	0	N/A
Repayment of Debt to City	(95,333)	0	N/A	0	(95,333)	N/A
Other	20,082	65,000	30.9%	17,673	2,409	13.63%
<b>Interest &amp; Rental Subtotal</b>	<b>91,415</b>	<b>1,365,000</b>	<b>6.7%</b>	<b>184,339</b>	<b>(92,924)</b>	<b>-50.41%</b>

*Other Revenues*

The City collected 21.2 percent of the total budget for all other revenues category, which was \$111,000 (or 10.0 percent) less than last year.

The largest item in this category is City employees’ contributions to the cost of health insurance<sup>3</sup> which dropped by 20.9 percent compared to last year because of a provision in the City’s Recovery Plan. According to the Recovery Plan, the City’s share of total premiums increases by five percent each year, even if the premiums themselves stay flat or decline as was the case this year.<sup>4</sup> If the total premiums decline, and the City is paying a higher share of the smaller amount,

<sup>3</sup> The expenditure section of this report discusses the City’s expenses related to employee health insurance. Please note that this revenue line does not include the expenses that the City employees pay to medical care providers at the time of receiving service (e.g. office or prescription drug copayments, deductibles).

<sup>4</sup> If the total premium costs increase by more than five percent, than the City employees would make higher contributions to cover the difference. Employees also could reduce their contributions by selecting a different kind of coverage (i.e. moving from Preferred Plus to Preferred).



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then the employee’s share drops. So employees with single coverage under the Preferred Plus option are contributing 30 percent less in 2014 than in 2013 and employees with family coverage under the Preferred option are contributing 29 percent less.

**Other Revenues**

	2014 Q1	2014 Budget	% Collected	2013 Q1	Difference (\$)	Difference (%)
Employee Insurance Contribution	305,879	1,500,000	20.4%	386,936	(81,057)	-20.9%
Indirect Cost Reimb - Sewer	290,074	1,161,432	25.0%	266,611	23,463	8.8%
CDBG Revenue to Fund Codes	0	500,000	0.0%	0	0	N/A
Heart & Lung Reimbursement	67,047	290,000	23.1%	88,049	(21,002)	-23.9%
Indirect Cost Reimb - CD	0	189,996	0.0%	70,624	(70,624)	-100.0%
Rdg. Housing Auth - Reimb.	47,884	200,000	23.9%	15,755	32,129	203.9%
Indirect Cost Reimb- Recycling	110,586	250,216	44.2%	63,724	46,862	73.5%
Indirect Cost Reimb- Water	95,671	0	N/A	62,500	33,171	53.1%
Direct Cost Reimb. - Trades	0	170,000	0.0%	13,158	(13,158)	-100.0%
Other	84,751	456,949	18.5%	145,632	(60,881)	-41.8%
<b>Other Revenues Subtotal</b>	<b>1,001,891</b>	<b>4,718,593</b>	<b>21.2%</b>	<b>1,112,988</b>	<b>(111,097)</b>	<b>-10.0%</b>

*Interfund revenues*

The City transfers \$5.2 million from the Water Fund to the General Fund as an annual lease payment from the Reading Area Water Authority (RAWA). The lease agreement between the City and RAWA sets the transfer amount.<sup>5</sup> The City also transfers \$3.0 million per year from the Wastewater Treatment Plant Fund to the General Fund each year as restricted by the November 2005 federal consent decree. Both transfers are made on a monthly basis throughout the year. The City also budgeted a \$1.2 million transfer from its fund balance this year to fund capital projects, like paving and information technology upgrades.

	2014 Q1	2014 Budget	% Collected	2013 Q1	2013 Q4	% Collected
From RAWA	1,292,500	5,170,000	25.0%	1,242,500	4,970,000	25.0%
Transfer from Sewer Fund	750,000	3,000,000	25.0%	750,000	3,000,000	25.0%
Transfer from Fund Balance	0	1,230,478	0.0%	0	0	0.0%
<b>Subtotal</b>	<b>2,042,500</b>	<b>9,400,478</b>	<b>21.7%</b>	<b>1,992,500</b>	<b>7,970,000</b>	<b>25.0%</b>

<sup>5</sup> The lease agreement also sets RAWA’s supplemental payment to the General Fund, which is tracked in intergovernmental revenues as “RAWA supplement.”



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**EXPENDITURES**

The City spent \$13.8 million in its General Fund through March 2014, which was 16.4 percent of the \$84.4 million budget. The City spent \$806,000 (or 6.2 percent) more than a year ago with most of the difference in salaries and operating costs as explained below.

	2014 Q1	2014 Budget	% Spent	2013 Q1	Difference (\$)	Difference (%)
Salaries, wages & holiday pay	7,167,045	29,236,011	24.5%	6,833,952	333,093	4.9%
Overtime	662,845	2,497,300	26.5%	718,892	(56,047)	-7.8%
Pensions	0	9,957,024	0.0%	0	0	0.0%
Fringe benefits	2,272,451	10,946,924	20.8%	2,058,081	214,370	10.4%
Other personnel	450,955	1,623,894	27.8%	437,911	13,045	3.0%
Debt service	578,740	13,144,084	4.4%	473,481	105,259	22.2%
Operating costs	1,879,970	11,608,877	16.2%	1,650,802	229,168	13.9%
Other expenses	196,797	671,310	29.3%	204,432	(7,636)	-3.7%
Contingencies	0	2,133,400	0.0%	1,401	(1,401)	-100.0%
Interfund transfer expenses	635,424	2,541,695	25.0%	658,996	(23,572)	-3.6%
<b>Total Expenditures</b>	<b>13,844,228</b>	<b>84,360,519</b>	<b>16.4%</b>	<b>13,037,949</b>	<b>806,278</b>	<b>6.2%</b>

***Personnel***

The majority of the Personnel budget is for the “regular” pay of City employees: their salaries, temporary wages, and holiday pay. These categories make up 87.6 percent of the 2014 Personnel budget. Overtime pay represents another 7.5 percent and the remaining 4.9 percent includes longevity, uniform/clothing allowance and any settlements.

The table below shows spending for salaries, temporary wages, and holiday pay by department. All departments are close to the 25 percent spending level expected through the first quarter of the year. The Fire Department spent \$209,000 more than last year because of the positions added through the SAFER grant. Public Works spent \$67,000 (or 18.5 percent) more than last year because of increased expenses in the Highways division. The City shifted the salary expenses for six equipment operators from the Recycling Fund to the General Fund.



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**Salaries, Temporary Wages and Holiday Pay by Department**

	<b>2014 Q1</b>	<b>2014 Budget</b>	<b>% Spent</b>	<b>2013 Q1</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
Police	3,177,952	12,940,169	24.6%	3,190,717	(12,765)	-0.4%
Fire	2,193,299	8,850,984	24.8%	1,983,857	209,442	10.6%
Public Works	427,255	1,803,899	23.7%	360,676	66,578	18.5%
Admin. Services	469,319	1,651,797	25.2%	402,148	67,170	16.7%
Comm Development	492,732	2,139,443	23.0%	501,540	(8,809)	-1.8%
Other	406,489	1,849,719	24.7%	395,013	11,475	2.9%
<b>Subtotal</b>	<b>7,167,045</b>	<b>29,236,011</b>	<b>24.5%</b>	<b>6,833,952</b>	<b>333,093</b>	<b>4.9%</b>

**Overtime**

The City's overtime expenditures through March 2014 were \$56,000 (or 7.8 percent) less than through March 2013.

	<b>2014 Q1</b>	<b>2014 Budget</b>	<b>% Spent</b>	<b>2013 Q1</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
Police	388,918	1,814,500	21.4%	479,269	(90,351)	-18.9%
Fire	205,168	641,300	32.0%	216,537	(11,368)	-5.3%
Public Works	64,226	39,500	162.6%	20,840	43,386	208.2%
Other	4,534	2,000	226.7%	2,247	2,287	101.8%
<b>Subtotal</b>	<b>662,845</b>	<b>2,497,300</b>	<b>26.5%</b>	<b>718,892</b>	<b>(56,047)</b>	<b>-7.8%</b>

The Police Department spent \$90,000 (or 18.9 percent) less than in Q1 2013. Last year police overtime spending finished at \$1.9 million. As discussed in our September 2013 Police Overtime Analysis, the overtime expenditures are only part of the story. Some overtime expenditures are reimbursed for by private parties, other governmental entities, or grants. Accounting for the reimbursements tracked in the Police Service revenue line, the City had \$344,000 in unreimbursed police overtime expenditures through March, which was \$83,000 (or 19.4 percent) less than through the same period in 2013.



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**Police Department Overtime including Reimbursements<sup>6</sup>**

	Budget	Q1 Actual
FY13 Overtime	1,479,063	479,269
FY13 Reimbursement	170,000	52,280
<b>FY13 Unreimbursed</b>	<b>1,309,063</b>	<b>426,989</b>
FY14 Overtime	1,814,500	388,918
FY14 Reimbursement	275,000	44,877
<b>FY14 Unreimbursed</b>	<b>1,539,500</b>	<b>344,041</b>

The Fire Department spent \$11,000 (or 5.3 percent) less on overtime than through the same period in 2013. The City spent \$1.1 million on fire overtime for all of last year.

**Benefits**

This category includes the City's annual required contributions to the employee pension plans and spending on different types of employee insurance coverage (e.g. medical, prescription, dental, vision, Medicare).

*Pensions*

Pennsylvania law requires the City to make an annual contribution to each of its three employee pension plans. The City's contributions, also known as the Minimum Municipal Obligations (MMOs), are calculated by an external actuary based on the pension plans' assets and liabilities, and accounting for the employees' contributions. The City uses Commonwealth pension aid and General Fund revenues to make the MMO payments. The City's total contributions for 2014 are \$10.0 million, basically the same as in 2013. The City did not make the contributions until September last year and is expected to make the contributions in the second half of this year.

Pension	2014 Q1	2014 Budget	% Spent	2013 Q1	Difference (\$)	Difference (%)
Police	-	6,289,708	0.0%	-	0	0.0%
Fire	-	2,291,508	0.0%	-	0	0.0%
Employees & Officers	-	1,375,808	0.0%	-	0	0.0%
<b>Subtotal</b>	<b>-</b>	<b>9,957,024</b>	<b>0.0%</b>	<b>-</b>	<b>0</b>	<b>0.0%</b>

*Employee insurance (Fringe Benefits)*

<sup>6</sup> This does not include the overtime reimbursements that are recorded as grant and gift revenue.



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The City spent 20.8 percent of its fringe benefit budget through March 2014, which was \$214,000 (or 10.4 percent) more than through March 2013.

**Fringe Benefit Expenditures by Department**

<b>Fringe Benefits</b>	<b>2014 Q1</b>	<b>2013 Budget</b>	<b>% Spent</b>	<b>2013 Q1</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
Admin. Services	124,403	626,849	19.8%	96,568	27,835	28.8%
Public Works	162,370	688,005	23.6%	98,045	64,325	65.6%
Police	1,195,323	5,427,595	22.0%	1,167,048	28,275	2.4%
Fire	579,604	2,981,355	19.4%	521,534	58,070	11.1%
Comm. Development	130,033	795,028	16.4%	100,454	29,579	29.4%
Other	80,718	428,092	18.9%	74,432	6,286	8.4%
<b>Subtotal</b>	<b>2,272,451</b>	<b>10,946,924</b>	<b>20.8%</b>	<b>2,058,081</b>	<b>214,370</b>	<b>10.4%</b>

Fringe benefit spending exceeded first quarter levels for all departments in 2013 and all but two departments in 2012. The table below shows first quarter fringe benefit spending for the last three years.

	<b>2012 Q1</b>	<b>2013 Q1</b>	<b>2014 Q1</b>	<b>Difference from 2012-2014 (\$)</b>	<b>Difference from 2012 - 2014 (%)</b>
Admin Services	124,565	96,568	124,403	(163)	-0.1%
Public Works	168,493	98,045	162,370	(6,123)	-3.6%
Police	1,093,917	1,167,048	1,195,323	101,406	9.3%
Fire	468,672	521,534	579,604	110,932	23.7%
Comm. Development	113,271	100,454	130,033	16,762	14.8%
Other	94,102	74,432	80,718	(13,383)	-14.2%
<b>Total</b>	<b>2,063,019</b>	<b>2,058,081</b>	<b>2,272,451</b>	<b>209,432</b>	<b>10.2%</b>

Because the City is self-insured, fringe benefit spending can vary throughout the year as claims are filed and processed. But we will monitor this trend closely.



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***Other personnel***

The City spent another \$451,000 on other personnel-related expenditures through March. Social security spending is higher because six positions shifted from the Recycling Fund to the General Fund as described earlier.

<b>Other Personnel</b>	<b>2014 Q1</b>	<b>2014 Budget</b>	<b>% Spent</b>	<b>2013 Q1</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
Premium Pay	118,368	337,083	35.1%	125,248	(6,880)	-5.5%
Social Security	246,850	1,045,650	23.6%	233,495	13,355	5.7%
Unemployment Comp	-	100,000	0.0%	-	0	N/A
Penny Fund	1,022	2,035	50.2%	1,318	(295)	-22.4%
Uniforms/Clothing Allowance	84,715	139,126	60.9%	77,850	6,865	8.8%
<b>Subtotal</b>	<b>450,955</b>	<b>1,623,894</b>	<b>27.8%</b>	<b>437,911</b>	<b>13,045</b>	<b>3.0%</b>

***Debt Service***

The City spent 4.4 percent of its debt service budget through March 2014. For most outstanding bonds, loans and notes, the City makes one payment in the second quarter (May or June) and a second payment in the fourth quarter (November or December).

	<b>2014 Q1</b>	<b>2014 Budget</b>	<b>% Spent</b>	<b>2013 Q1</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
Debt Service	578,740	13,144,084	4.4%	473,481	105,259	22.2%

***Operating Costs***

Representing 13.8 percent of the total budget, this is the category for materials and services that the City government uses in its regular operations. It includes utilities, legal services, equipment, and building maintenance.

**Operating Costs**

<b>Operating Costs</b>	<b>2014 Q1</b>	<b>2014 Budget</b>	<b>% Spent</b>	<b>2013 Q1</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
Contracted Services <sup>7</sup>	382,082	2,969,430	12.9%	459,267	(77,185)	-16.8%
Light & Power <sup>8</sup>	183,994	1,488,800	12.4%	88,647	95,347	107.6%

<sup>7</sup> The City increased its contracted services budget target by \$779,000 in the Traffic Engineering Division of Public Works in 2014 to repair three dams and the Pagoda walls.

<sup>8</sup> Includes street lighting.



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Operating Costs	2014 Q1	2014 Budget	% Spent	2013 Q1	Difference (\$)	Difference (%)
Machinery and Equipment	81,466	1,160,575	7.0%	51,378	30,088	58.6%
Maintenance Agreements	329,729	774,050	42.6%	248,100	81,629	32.9%
Gas	115,459	610,000	18.9%	100,915	14,544	14.4%
Other Operating Cost	787,240	4,606,022	17.1%	702,496	84,744	12.1%
<b>Subtotal</b>	<b>1,879,970</b>	<b>11,608,877</b>	<b>16.2%</b>	<b>1,650,802</b>	<b>229,168</b>	<b>13.9%</b>

The City spent \$77,000 (or 16.8 percent) less on contracted services through March compared to last year. The apparent reduction is because of a timing quirk in the City’s payment to the Recreation Commission. The City only made a quarter of the total payment by March 2014 versus paying half of the total through March 2013.

The \$95,000 increase in light and power expense is related to street paving. In prior years the City used money in the separate Liquid Fuels Fund to cover most street lighting expenditures. This year the City will use the money in the Liquid Fuels Fund for street paving and cover the street lighting expenditures with General Fund money. So General Fund spending on this category of expenditures will be higher than in prior years.

The City also increased its budget target for machinery and equipment by \$928,000 to replace basic IT infrastructure. So spending in that line will also be higher than in prior years.

***Other expenses***

The table below shows other expenses in the General Fund.

	2014 Q1	2014 Budget	% Spent	2013 Q1	Difference (\$)	Difference (%)
Contingencies	0	2,133,400	0.00%	1,401	(1,401)	-100.0%
Miscellaneous	196,797	671,310	29.3%	204,432	(7,636)	-3.7%
Interfund transfers	635,424	2,541,695	25.0%	658,996	(23,572)	-3.6%

Rather than budgeting revenues higher than expenditures and showing an anticipated year-end positive result, the City budgets contingencies that bring expenditures approximately equal to revenues. This year the City budgeted \$2.1 million for contingencies, including \$1.1 million for recycling.

The interfund transfer is a payment from the General Fund to the Self Insurance Fund for the actual cost of property, liability and workers compensation claims and associated administrative costs. This transfer increased by \$94,000 this year and the spending through March reflects that increase.