



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

Two Logan Square
Suite 1600
18th & Arch Streets
Philadelphia, PA
19103-2770

215 567-6100
215 567-4180 fax
www.pfm.com

Q2 2013 Financial Results

This report summarizes preliminary financial results for the period January 1, 2013 through June 30, 2013 based on trial balance financial data provided by the City on July 9, 2013. By its nature, quarterly financial data is unaudited and subject to change. The data in this report may also differ from other reports that review the City’s financial performance solely on a cash basis.

Overview

The City collected 57.8 percent of its budgeted revenues and spent 38.7 percent of its budgeted expenditures through June 2013. Because of the seasonal collection cycle for the City’s largest revenues, the City usually collects more than 50 percent of its revenue halfway through the year. Similarly the City usually spends less than half of its budget halfway through the year because it makes the full \$9.9 million pension contribution and most of its \$12.8 million debt service payments in the second half of the year.

Budget to Actual Comparison

	2013 Q2	2013 Budget	% Spent/ Collected
Revenues	44,455,327	76,932,310	57.8%
Expenditures	29,800,463	76,932,310	38.7%
Difference	14,654,864	0	N/A

On the revenue side, the City collected \$1.8 million (or 4.2 percent) more in the first half of 2013 than in the first half of 2012, setting aside an accounting quirk that understates the 2012 revenues.¹ The City collected more revenue from its real estate tax and its earned income tax than a year ago after increasing both taxes over 2012 levels. Revenues from new construction permits and EMS user fees are trailing last year's pace.

On the expenditure side, the City spent \$745,000 (or 2.4 percent) less in the first half of 2013 than in the first half of 2012, setting aside the \$5.0 million extra debt service payment that the City made in 2012.² Spending for salaries is generally on target with the budgeted allocations halfway through the year, though the City will likely spend more than budgeted on police and fire overtime.

¹ As explained in the Q4 FY2012 report, the City budgeted a \$2.3 million payment from the Greater Berks Development Fund for 2012, but actually received the payment in December 2011. The City’s financial reports include the \$2.3 million payment in its 2011 fiscal year.

² The City paid \$5 million toward its unfunded debt loan ahead of schedule in early 2012.



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

Two Logan Square
Suite 1600
18th & Arch Streets
Philadelphia, PA
19103-2770

215 567-6100
215 567-4180 fax
www.pfm.com

Eight Trends to Watch

Revenue

- *The City increased its **property tax** rate by 9 percent this year. Will the revenue also increase by 9 percent or will higher taxes lead to a lower collection rate? Through June, current year revenues are up 8.4 percent.*
- *The City also increased the **earned income tax** on residents and non-residents. EIT revenues are outpacing 2012 levels and outperforming the 2013 budget projection.*
- *The 2013 budget increased revenue projections related to housing inspections and zoning activity over 2012 levels. Some of these revenues are underperforming the year end projections so far. The City shows \$0 on a \$508,000 projection for **prior year housing rental permits** through June, though the related delinquent collections process is now underway. Revenue for **housing inspections** are at 31.6 percent of the target midway through the year.*
- *The City has collected 35 percent of its budget target for **EMS user fees** through June. We expected the City to collect less than 50 percent of budget midway through the year because the budget assumes a fourth ambulance will be added in the second half of the year. But EMS fees are also \$148,000 less than a year ago. This needs to be watched closely when the fourth ambulance is activated.*

Expenditures

- *Salary spending is generally on target with the 2013 budget halfway through the year. The City reports spending \$644,000 less on **police salaries, wages and holiday pay** than a year ago. The 2013 budget anticipated lower spending in these areas, partly due to officer turnover.*
- *The City will likely spend more than budgeted on **police and fire overtime** in 2013. Through June, police overtime spending is \$121,000 more than last year when the City spent \$1.9 million. The City budgeted \$1.5 million budgeted for this year. The City has spent 25 percent less on fire overtime than a year ago, but it has also spent 80 percent of its budget through June.*
- *The City reports spending 44.5 percent of its budget for **employee health insurance (fringe benefits)**. However, reported expenditures have lagged behind actual expenditures in prior reports, so it is too soon to know if there are actual savings.*
- *The City has spent less than 50 percent of its budget for most non-personnel operating costs, including **contracted services**. The City has also spent 21 percent less on contracted services than a year ago. This is partly due to a timing quirk for the Recreation Commission payment, but there is also lower spending overall.*



The PFM Group

Public Financial Management, Inc.
 PFM Asset Management LLC
 PFM Advisors

Two Logan Square
 Suite 1600
 18th & Arch Streets
 Philadelphia, PA
 19103-2770

215 567-6100
 215 567-4180 fax
 www.pfm.com

REVENUES

The City had \$44.5 million in General Fund revenues through June 2013, which is 57.8 percent of the annual budgeted total. The table below compares the City’s revenue performance through June 2013 to this year’s budget and to last year through June.

	2013 Q2	2013 Budget	% Collected		2012 Q2	Difference (\$)	Difference (%)
Property taxes	17,160,731	20,606,517	83.3%		15,705,763	1,454,968	9.3%
Act 511 taxes	12,341,305	20,986,686	58.8%		10,839,079	1,502,226	13.9%
Licenses, Permits, Fine	2,813,719	6,512,327	43.2%		3,131,149	(317,430)	-10.1%
Intergovernmental Revenues	2,292,638	8,629,963	26.6%		2,521,623	(228,985)	-9.1%
Charges for service	2,353,505	6,192,233	38.0%		2,209,986	143,519	6.5%
Interest and rentals	828,816	1,113,000	74.5%		258,966	569,850	220.0%
Other revenues	2,679,614	4,921,584	54.4%		1,925,167	754,447	39.2%
Interfund transfer revenues	3,985,000	7,970,000	50.0%		3,810,000	175,000	4.6%
General Fund Total	44,455,327	76,932,310	57.8%		40,401,733	4,053,594	10.0%

Property taxes

Property taxes represent about a quarter of all General Fund revenues. The City increased its tax millage by 9 percent in the 2013 budgets. Through the first six months, the City has collected 8.4 percent more revenue than a year ago, a little less than the rate increase. We will continue to monitor this trend for any drop in collections related to the tax increases.

	2013 Q2	2013 Budget	% Collected		2012 Q2	Difference (\$)	Difference (%)
Current year	16,708,280	19,706,517	84.8%		15,419,086	1,289,194	8.4%
Prior years	662,017	1,000,000	66.2%		483,823	178,194	36.8%
Penalties and interest	106,531	200,000	53.3%		140,000	-33,469	-23.9%
Discount for early payment ³	(316,097)	(300,000)	105.4%		(296,283)	-19,814	6.7%
Property tax subtotal	17,160,731	20,606,517	83.3%		15,746,626	1,414,105	9.0%

³ Tax payers receive a discount for paying their property taxes early. The City budgets that discount as a negative number against the revenues.



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

Two Logan Square
Suite 1600
18th & Arch Streets
Philadelphia, PA
19103-2770

215 567-6100
215 567-4180 fax
www.pfm.com

The City has received close to two-thirds of its budget target for prior year tax revenues through June and \$178,000 more than a year ago. The Berks County Tax Claim Bureau handles delinquent real estate tax collection and anticipates revenues will be higher than last year. The County uses a longer collection cycle than the City’s prior tax collector, which resulted in lower revenues last year when the County began delinquent collections.

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 58.8 percent of its budgeted Act 511 Taxes through June 2013.

	2013 Q2	2013 Budget	% Collected		2012 Q2	Difference (\$)	Difference (%)
Earned Income Tax	9,246,332	16,271,686	56.8%		8,121,196	1,125,136	13.9%
Business Privilege Tax	1,443,945	1,550,000	93.2%		1,310,932	133,013	10.1%
Real Estate Transfer Tax	1,061,468	1,900,000	55.9%		822,255	239,214	29.1%
Local Services Tax	584,707	1,200,000	48.7%		581,113	3,595	0.6%
Per Capita Tax	4,853	65,000	7.5%		3,584	1,269	35.4%
Act 511 tax subtotal	12,341,305	20,986,686	58.8%		10,839,079	1,502,226	13.9%

The earned income tax is by far the largest of these taxes, making up 74.9 percent of Act 511 tax revenue through June 2013. Berks EIT, Incorporated handles EIT collections for the City and all other governments in Berks County under the terms of Act 32 of 2010. As the Finance Department has reported, revenues have outpaced last year’s levels thus far.

Like the property tax, the Business Privilege Tax (BPT) is due during the second quarter with a discount available for early payment and penalties for late payment. The City collected 93.2 percent of its BPT budget target through June 2013. BPT receipts are also \$133,013 (or 10 percent) more than through June 2012. Last year the City administered a BPT tax amnesty program that boosted prior year collections by \$139,000 (or 48.8 percent) above 2012 budgeted levels. While the City’s prior year collections will be lower this year, current year collections are ahead of last year’s pace.

Licenses, Permits & Fees

This category includes rental housing permit fees, franchise fees, traffic and court fines and business privilege licenses. The City collected 43.2 percent of budgeted revenues in this category and \$317,430 (or 10.1 percent) less than it did last year.



The PFM Group

Public Financial Management, Inc.
 PFM Asset Management LLC
 PFM Advisors

Two Logan Square
 Suite 1600
 18th & Arch Streets
 Philadelphia, PA
 19103-2770

215 567-6100
 215 567-4180 fax
 www.pfm.com

One of the largest items in this category is the City’s charges for rental housing permits.⁴ The City budgeted \$744,000 for current year permit revenues and has nearly hit the annual target through June. Given the ongoing inspection activity, the City will exceed the \$744,000 target. However, the City also has a \$508,000 budget target for prior year permit revenues and the June data does not show any revenue. The delinquent collection process related to the \$508,000 target is now underway with an external vendor actively pursuing the amounts due to the City.

Rental Housing Permit Revenues

	2013 Q2	2013 Budget	% Collected
Current year	737,174	743,576	99.1%
Prior years	0	508,437	0.0%
Housing/rental permit total	737,174	1,252,013	58.9%

Revenue for new construction permits is the other major variance in this category. The City has only collected \$38,000 through June 2013 versus the \$596,000 budget target and the \$129,000 collected through June 2012. The \$596,000 target assumed fees related to the new hotel project, which have since been removed from the City’s 2013 revenue projection.

Other Licenses, Permits and Fees

	2013 Q2	2013 Budget	% Collected	2012 Q2	Difference (\$)	Difference (%)
District court summary offenses	431,601	825,000	52.3%	375,355	56,246	15.0%
Franchise fees	180,224	725,000	24.9%	175,312	4,912	2.8%
New construction permits	38,034	596,000	6.4%	128,925	(90,890)	-70.5%
Quality of life fines	191,796	390,000	49.2%	224,885	(33,089)	-14.7%
Business privilege licenses	250,188	350,000	71.5%	230,105	20,083	8.7%
Traffic fines motor codes	131,131	325,000	40.3%	117,628	13,503	11.5%
Other	853,570	2,049,314	41.7%	949,287	(95,717)	-10.1%
Subtotal	2,076,545	5,260,314	39.5%	2,201,497	(124,952)	-5.7%

Intergovernmental Revenues

The City collected 26.6 percent of total budgeted intergovernmental revenues. The largest item in this category is the Commonwealth pension aid, which the City receives in the second half of

⁴ Revenue from payments for housing rental inspections is tracked separately in the Charges for Service category.



The PFM Group

Public Financial Management, Inc.
 PFM Asset Management LLC
 PFM Advisors

Two Logan Square
 Suite 1600
 18th & Arch Streets
 Philadelphia, PA
 19103-2770

215 567-6100
 215 567-4180 fax
 www.pfm.com

the year. This category also includes the Reading Parking Authority's (RPA) contribution to the General Fund, a portion of the Reading Area Water Authority (RAWA) contribution to the General Fund and reimbursement for costs at the Reading Public Library.

	2013 Q2	2013 Budget	% Collected	2012 Q2	Difference (\$)	Difference (%)
Pension-State Contributions	0	2,800,000	0.0%	0	0	N/A
Meter Surcharge	708,333	1,700,000	41.7%	849,996	(141,663)	-16.7%
RAWA supplement	750,000	1,500,000	50.0%	750,000	0	0.0%
RPA supplement	405,000	810,000	50.0%	405,000	0	0.0%
Grants and Gifts	78,894	222,963	35.4%	255,080	(176,186)	-69.1%
Reading Public Library reimb.	169,615	620,000	27.4%	154,819	14,796	9.6%
Other	180,796	977,000	18.5%	106,729	74,068	69.4%
Intergovernmental subtotal	2,292,638	8,629,963	26.6%	2,521,623	(228,985)	-9.1%

The City received a \$2.7 million grant from the US Department of Homeland Security under the Staffing for Adequate Fire and Emergency Response (SAFER) program. The City will receive a portion of the grant in 2013, increasing the grant and gift revenue above the \$222,963 budgeted amount. The grant revenue will reimburse the City for the 21 additional firefighter positions.

Charges for Services

The City collected 38.0 percent of budgeted revenues from charges for services and \$144,000 more than a year ago. The largest item in this category is the City's charges for EMS service where the City has collected \$148,000 (or 13.0 percent) less than a year ago. The City needs to monitor this revenue to make sure that pace improves since increased EMS revenue is assumed to fund the planned addition of a fourth regularly scheduled ambulance later this year.

The second largest item is the City's charges for rental housing inspections. In 2012 the City budgeted \$1.2 million for revenue in this category and reported \$515,000, all in the second half of the year. This year the City budgeted \$1.3 million and has collected less than a third of the target halfway through the year. This revenue line needs to be reviewed carefully for proper projection in the 2014 budget process.

The table below shows other large items in this category. The City's admissions tax receipts are 29.6 percent ahead of last year's collections through June and the City is close to its revenue target for police copy services.



The PFM Group

Public Financial Management, Inc.
 PFM Asset Management LLC
 PFM Advisors

Two Logan Square
 Suite 1600
 18th & Arch Streets
 Philadelphia, PA
 19103-2770

215 567-6100
 215 567-4180 fax
 www.pfm.com

Service Charge Revenue

	2013 Q2	2013 Budget	% Collected		2012 Q2	Difference (\$)	Difference (%)
EMS User Fees	993,508	2,836,638	35.0%		1,141,691	(148,183)	-13.0%
Housing Inspection	414,107	1,311,643	31.6%		0	414,107	N/A
Other	357,678	845,371	42.3%		345,441	12,237	3.5%
Admissions Fee/Tax	239,646	510,000	47.0%		184,921	54,725	29.6%
Kenhorst Police Contract	209,291	418,581	50.0%		205,187	4,104	2.0%
Police Service/Copy Service	139,275	170,000	81.9%		101,758	37,517	36.9%
Zoning Housing Appeals	0	100,000	0.0%		N/A	N/A	N/A
Police Reimbursement - RSD ⁵	N/A	N/A	N/A		230,987	(230,987)	-100.0%
Charges for service subtotal	2,353,505	6,192,233	38.0%		2,209,986	143,519	6.5%

Interest and rent

The City collected 74.5 percent of the budget target for interest and rent because of an accounting change related to FirstEnergy Stadium. The Reading Fightin' Phils pay the City approximately \$300,000 a year with \$22,000 for rent and the rest to cover debt service on a bank loan related to the Stadium. Previously the City only budgeted the \$22,000 for the rental payment. Going forward the City will also report the \$278,000 payment that covers Stadium related debt. The City's debt service payments should also be \$278,000 higher than budgeted so there is no net impact on the City's financial performance.

Interest and Rent Revenues

	2013 Q2	2013 Budget	% Collected		2012 Q2	Difference (\$)	Difference (%)
Rental - Parking Authority	499,998	1,000,000	50.0%		199,998	300,000	150.0%
Rental on Stadium	300,000	22,000	1363.6%		22,000	278,000	1263.6%
Other	28,818	91,000	31.7%		36,968	(8,150)	-22.0%
Interest & rental subtotal	828,816	1,113,000	74.5%		258,966	569,850	220.0%

Other Revenues

The City collected 54.4 percent of the total budget for this catch-all category and \$754,000 (or 39 percent) more than in the first half of 2012. The largest item in this category is the City

⁵ The City's 2013 budget does not include any anticipated reimbursement from the Reading School District for supplementary coverage at District facilities.



The PFM Group

Public Financial Management, Inc.
 PFM Asset Management LLC
 PFM Advisors

Two Logan Square
 Suite 1600
 18th & Arch Streets
 Philadelphia, PA
 19103-2770

215 567-6100
 215 567-4180 fax
 www.pfm.com

employees' contributions to the cost of health insurance.⁶ Total employee contributions are double the amount reported through June 2012 because the police officers are making higher contributions in compliance with the Recovery Plan, similar to other employee groups.

This category also includes indirect cost revenues where other funds (e.g. Wastewater, Community Development, Recycling) reimburse the General Fund for the cost of services provided (e.g. Information Technology, Human Resources, Payroll).

	2013 Q2	2013 Budget	% Collected		2012 Q2	Difference (\$)	Difference (%)
Employee insurance contribution	790,369	1,465,845	53.9%		376,422	413,947	110.0%
Indirect cost reimb. - Sewer	556,969	1,066,442	52.2%		516,500	40,469	7.8%
CDBG Revenue to Fund Codes	145,116	500,000	29.0%		0	145,116	N/A
Indirect cost reimb. - CD	141,249	282,497	50.0%		95,000	46,249	48.7%
Rdg. Housing Auth.-Reimb.	92,537	265,000	34.9%		34,076	58,461	171.6%
Indirect cost reimb. - Recycling	126,278	254,896	49.5%		67,170	59,108	88.0%
Indirect cost reimb. - Water	251,869	250,000	100.7%		339,020	(87,151)	-25.7%
Heart & Lung reimbursement	170,974	250,000	68.4%		114,603	56,371	49.2%
Direct cost reimb. - Trades	48,022	170,000	28.2%		79,176	(31,154)	-39.3%
Other	356,232	416,904	85.4%		303,201	53,031	17.5%
Subtotal for other revenues	2,679,614	4,921,584	54.4%		1,925,167	754,447	39.2%

Interfund revenues

The City transfers \$4.97 million from the Water Fund to the General Fund as an annual payment from the Reading Area Water Authority (RAWA) to lease the City's system. The lease agreement between the City and RAWA sets the transfer amount.⁷ 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.

	2013 Q2	2013 Budget	% Collected		2012 Q2	Difference (\$)	Difference (%)
Transfer from Water Fund	2,485,000	4,970,000	50.0%		2,210,000	275,000	12.4%

⁶ 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).

⁷ The lease agreement also sets RAWA's supplemental and RAWA's supplemental payment to the General Fund, which is tracked under the intergovernmental revenues



The PFM Group

Public Financial Management, Inc.
 PFM Asset Management LLC
 PFM Advisors

Two Logan Square
 Suite 1600
 18th & Arch Streets
 Philadelphia, PA
 19103-2770

215 567-6100
 215 567-4180 fax
 www.pfm.com

	2013 Q2	2013 Budget	% Collected		2012 Q2	Difference (\$)	Difference (%)
Transfer from Sewer Fund	1,500,000	3,000,000	50.0%		1,500,000	0	0.0%
Other	0	0	N/A		100,000	(100,000)	N/A
Transfer subtotal	3,985,000	7,970,000	50.0%		3,810,000	175,000	4.6%

EXPENDITURES

The City had \$29.8 million in General Fund expenditures through June 2013, which is 38.7 percent of the \$76.9 million budget. The City spent \$745,000 (or 2.4 percent) less than it did through June 2012. The table below compares the City’s expenditure performance through June 2013 to this year’s budget and to last year through June.

	2013 Q2	2013 Budget	% Spent		2012 Q2	Difference (\$)	Difference (%)
Salaries, wages & holiday pay	13,576,868	27,486,737	49.4%		13,902,705	(325,837)	-2.3%
Overtime	1,463,538	2,175,563	67.3%		1,499,009	(35,470)	-2.4%
Pensions	0	9,919,726	0.0%		0	0	N/A
Fringe benefits	4,439,841	9,968,428	44.5%		4,682,864	(243,023)	-5.2%
Other personnel	829,345	1,639,017	50.6%		871,909	(42,565)	-4.9%
Debt service	3,938,428	12,774,079	30.8%		4,142,769	(204,341)	-4.9%
Operating costs	3,837,118	8,770,024	43.8%		4,308,603	(471,485)	-10.9%
Other expenses	395,512	577,137	68.5%		292,783	102,728	35.1%
Contingencies	1,821	985,615	0.2%		1,689	132	7.8%
Interfund transfer expenses	1,317,992	2,635,984	50.0%		843,846	474,146	56.2%
General Fund Total	29,800,463	76,932,310	38.7%		30,546,178	(745,715)	-2.4%

Personnel

The majority of the Personnel budget is for the “regular” pay of City employees - salaries, temporary wages, and holiday pay. These categories make up 91 percent of the 2013 Personnel budget. Overtime pay represents another 7.2 percent of budget. The remaining 1.8 percent includes longevity, any settlement payments and uniform/clothing allowance.

The table below shows spending for salaries, temporary wages, and holiday pay by department. All departments are close to the 50 percent spending level expected halfway through the year. The Fire Department is a little higher than 50 percent and \$299,000 (or 8.1 percent) higher than last year because of increased headcount related to the SAFER grant. Community Development



The PFM Group

Public Financial Management, Inc.
 PFM Asset Management LLC
 PFM Advisors

Two Logan Square
 Suite 1600
 18th & Arch Streets
 Philadelphia, PA
 19103-2770

215 567-6100
 215 567-4180 fax
 www.pfm.com

has spent \$127,000 (or. 14.4 percent) more than last year because of increased headcount in the Property Maintenance Division.

Salaries, Temporary Wages and Holiday Pay by Department

	2013 Q2	2013 Budget	% Spent	2012 Q2	Difference (\$)	Difference (%)
Police	6,277,055	12,949,255	48.5%	6,921,360	(644,305)	-9.3%
Fire	3,992,944	7,708,755	51.8%	3,693,757	299,188	8.1%
Public Works	719,275	1,455,686	49.4%	815,788	(96,513)	-11.8%
Admin. Services	790,000	1,630,694	48.4%	782,144	7,856	1.0%
Comm. Development	1,010,984	2,082,784	48.5%	883,819	127,166	14.4%
Other	786,610	1,659,563	47.4%	805,838	(19,228)	-2.4%
Total	13,576,868	27,486,737	49.4%	13,902,705	(325,837)	-2.3%

Police has spent \$644,000 (or 9.3 percent) less than a year ago through June. One possible explanation is that several police officers retired in 2012, impacting salary spending in two ways. As officers retired, they converted unused leave into cash payments, increasing the 2012 spending levels. The City hired new officers to fill their vacancies, and those officers have lower starting salaries, reducing the 2013 spending levels. This needs to be monitored along with the department's overtime spending to see if it is a sustained trend.

Overtime

The City's overtime expenditures remain high relative to budget: The Police Department spent \$121,000 (or 15 percent) more through June in 2013 than last year when overtime spending finished at \$1.9 million. We are working on a detailed analysis of the Department's use of overtime with recommendations for reducing it.

	2013 Q2	2013 Budget	% Spent	2012 Q2	Difference (\$)	Difference (%)
Police	920,004	1,479,063	62.2%	799,355	120,649	15.1%
Fire	512,750	640,000	80.1%	682,585	(169,835)	-24.9%
Public Works	28,012	54,500	51.4%	15,026	12,986	86.4%
Other	2,772	2,000	138.6%	2,042	730	35.7%
Total	1,463,538	2,175,563	67.3%	1,499,009	(35,470)	-2.4%



The PFM Group

Public Financial Management, Inc.
 PFM Asset Management LLC
 PFM Advisors

Two Logan Square
 Suite 1600
 18th & Arch Streets
 Philadelphia, PA
 19103-2770

215 567-6100
 215 567-4180 fax
 www.pfm.com

The Fire Department has already spent most of its budget for 2013, though it spent \$170,000 (or 24.9 percent) less than in the first half of 2012 when overtime spending finished at \$1.7 million.

Benefits

This category includes the City's annual required contributions to the employee pension funds 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 required 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 2013 are \$9.9 million, which is \$3.5 million (or 55 percent) higher than a year ago. The City will make those contributions in the second half of the year before the December 31st statutory deadline.

	2013 Q2	2013 Budget	% Spent	2012 Q2	Difference (\$)	Difference (%)
Police	0	6,057,187	0.0%	0	0	N/A
Fire	0	2,286,857	0.0%	0	0	N/A
Employees & Officers	0	1,575,682	0.0%	0	0	N/A
Total	0	9,919,726	0.0%	0	0	N/A

Employee insurance (Fringe Benefits)

According to the City's data, it spent less than half of its fringe benefit budget halfway through 2013. It has also spent \$243,000 (or 5.2 percent) less than during the first half of 2012. Reported spending for the non-public safety units is particularly low compared to budget.

Fringe Benefit Expenditures by Department

	2013 Q2	2013 Budget	% Spent	2012 Q2	Difference (\$)	Difference (%)
Police	2,385,157	4,709,012	50.7%	2,456,286	(71,129)	-2.9%
Fire	1,188,529	2,706,153	43.9%	1,200,914	(12,385)	-1.0%



The PFM Group

Public Financial Management, Inc.
 PFM Asset Management LLC
 PFM Advisors

Two Logan Square
 Suite 1600
 18th & Arch Streets
 Philadelphia, PA
 19103-2770

215 567-6100
 215 567-4180 fax
 www.pfm.com

	2013 Q2	2013 Budget	% Spent	2012 Q2	Difference (\$)	Difference (%)
Public Works	230,644	688,005	33.5%	346,616	(115,972)	-33.5%
Admin. Services	222,550	657,427	33.9%	257,670	(35,120)	-13.6%
Comm. Development	240,262	764,450	31.4%	242,315	(2,053)	-0.8%
Other	172,699	443,381	39.0%	179,063	(6,364)	-3.6%
Total	4,439,841	9,968,428	44.5%	4,682,864	(243,023)	-5.2%

If this information is accurate, it is a financial positive for the City. However, the *reported* spending on fringe benefits has lagged behind *actual* spending levels in prior years, so it is too early to conclude that there are actual savings in this area.

Despite the reported spending levels to date, the City anticipates it will spend more than budgeted on fringe benefits this year. The City’s 2013 budget assumed it would reduce the number of retired employees receiving City-funded health insurance. To date, the City has not significantly reduced the number of retired employees on its health insurance roles. While it is still possible that the City will achieve savings this year and into the future, it will not receive a full year of savings as the 2013 budget anticipated.

We will continue to monitor this trend during the year.

Other personnel

The City spent another \$829,000 on miscellaneous personnel-related expenditures through June 2012. Spending on these items is lower than a year ago because of reduced expenditures for premium pay and unemployment compensation.

	2013 Q2	2013 Budget	% Spent	2012 Q2	Difference (\$)	Difference (%)
Premium Pay	268,754	369,659	72.7%	302,796	(34,042)	-11.2%
Social Security	463,576	978,333	47.4%	481,031	(17,455)	-3.6%
Unemployment Comp	17,639	150,000	11.8%	43,139	(25,500)	-59.1%
Penny Fund	1,318	500	263.6%	1,604	(287)	-17.9%
Uniforms/Clothing Allowance	78,058	140,525	55.5%	43,339	34,719	80.1%
Total	829,345	1,639,017	50.6%	871,909	(42,565)	-4.9%

Debt Service

The City spent 30.8 percent of its debt service budget through June 2013. 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). Because of the schedules for



The PFM Group

Public Financial Management, Inc.
 PFM Asset Management LLC
 PFM Advisors

Two Logan Square
 Suite 1600
 18th & Arch Streets
 Philadelphia, PA
 19103-2770

215 567-6100
 215 567-4180 fax
 www.pfm.com

principal and interest payments over the 12-month period, the City makes most of its debt service payments in the second half of the year.

	2013 Q2	2013 Budget	% Spent	2012 Q2	Difference (\$)	Difference (%)
Debt service	3,938,428	12,774,079	30.8%	4,142,769	(204,341)	-3.6%

Operating Costs

Representing 11.4 percent of the total budget, this is the category for materials and services that are used in regular government operations. It includes utility costs, legal services, equipment, and building maintenance costs. Overall, first-quarter expenditures in this category were less than 50 percent except for maintenance agreements and gas where the City spent 53.6 and 59.8 percent respectively.

Operating Costs

	2013 Q2	2013 Budget	% Spent	2012 Q2	Difference (\$)	Difference (%)
Contracted Services	855,611	1,937,376	44.2%	1,084,622	(229,011)	-21.1%
Maintenance agreements	457,960	853,635	53.6%	612,116	(154,156)	-25.2%
Light & Power	192,346	612,723	31.4%	280,753	(88,407)	-31.5%
Gas	343,815	575,000	59.8%	284,583	59,232	20.8%
Other Operating Cost	1,987,385	4,791,290	41.5%	2,046,529	(59,144)	-2.9%
Total	3,837,118	8,770,024	43.8%	4,308,603	(471,485)	-10.9%

The City spent \$229,000 (or 21 percent) less on contracted services through June compared to last year. The biggest difference is in the City’s payment to the Recreation Commission. The City’s budgeted payment is \$488,000 in both years, but the City paid a larger share of it in the first half of 2012 (\$368,000 versus \$244,000).

Setting aside that timing quirk, the City has spent \$66,000 less than a year ago on contracted services in the Managing Director’s office, \$60,000 less in fire suppression and \$57,000 less in the Mayor’s Office. Countering these variances, the City spent \$88,000 more than a year ago on in the Police Department.

The City spent \$154,000 (or 25.2 percent) less than a year ago on maintenance agreements. Most of that difference occurs in Information Technology (\$146,000) where the City also budgeted \$112,000 less than last year.



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

Two Logan Square
Suite 1600
18th & Arch Streets
Philadelphia, PA
19103-2770

215 567-6100
215 567-4180 fax
www.pfm.com

Other expenses

The table below shows other expenses in the General Fund.

	2013 Q2	2013 Budget	% Spent		2012 Q2	Difference (\$)	Difference (%)
Contingencies	1,821	985,615	0.2%		1,689	132	7.8%
Other expenses	395,512	577,137	68.5%		292,783	102,728	35.1%
Interfund transfers	1,317,992	2,635,984	50.0%		843,846	474,146	56.2%

Contingencies represent the City’s fund balance. Rather than budgeting revenues higher than expenditures and showing a fund balance, the City budgets expenditures to equal revenues, with the difference in the Contingencies line. The City theoretically should not spend much in these lines, which has been the case so far in 2013.

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. The size of this transfer increased by \$948,000 (or 56 percent) in 2013 and the spending to date reflects that increase.