



**The PFM Group**

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**Q4 2013 Financial Results**

This report analyzes preliminary, unaudited financial results for the period January 1, 2013 through December 31, 2013 based on trial balance financial data provided by the City on April 3, 2014. This data included unbudgeted revenues and expenditures from refinancing debt in 2013 (\$3.4 million) and in 2012 (\$15.4 million). The revenues and expenditures from debt refinancing are excluded from the numbers and analysis presented in this report.

**Overview**

The City collected 106.7 percent of its budgeted revenues and spent 100.6 percent of its budgeted expenditures in 2013. The net result is a positive annual operating result of \$4.6 million or 6.0 percent of budgeted expenses based on these preliminary, unaudited results.

**2013 Budget to Actual Comparison**

	2013 Q4	2013 Budget	% Spent/Collected
Revenues	82,059,554	76,932,310	106.7%
Expenditures	77,425,581	76,932,310	100.6%
Difference	4,633,973	0	N/A

The results were especially positive in comparison to deficits in 2010 and 2011, and they were better than the \$3.0 million surplus in 2012 using adjusted year-end results.<sup>1</sup> The table below compares the City's budget-to-actual performance in 2012 and 2013. Actual revenues and expenditures in 2012 are adjusted because of an accounting quirk that understated revenues and overstated expenditures, as noted in the fourth quarter report in 2012.

	2013 Q4	2013 Budget	% Spent/Collected	2012 Q4	Difference (\$)	Difference (%)
Revenues	82,059,554	76,932,310	106.7%	76,963,257	5,096,297	6.6%
Expenditures	77,425,581	76,932,310	100.6%	73,981,284	3,444,297	4.7%
Difference	<b>4,633,973</b>	<b>0</b>	<b>N/A</b>	<b>2,981,973</b>	<b>1,652,000</b>	<b>N/A</b>

<sup>1</sup> The Coordinator is using 2012 figures provided by the City in early 2014. These figures differ from the preliminary, unaudited results discussed in the Q4 2012 financial report, which showed an \$886,000 positive operating result. The Q4 2012 report was based on the preliminary, unaudited results that were available in early 2013, and the City adjusts its records during the 2012 audit process.



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### Seven Key Findings

#### Revenue

- The City increased its **property tax** rate by 9 percent in 2013 and revenues increased by 8.6 percent. The 2013 preliminary actual results suggest an 87 percent collection rate, which was also the collection rate in 2012. The 2014 budget assumes a 90 percent collection rate, so there is risk the City will not reach its budget target this year.
- **Earned income tax** revenue is pivotal to the City's financial performance. The City received \$3.1 million (or 19 percent) more than budgeted in 2013 because of improvements in how the tax is collected under Pennsylvania Act 32 of 2008.
- To mitigate the need for further tax increases and fund an increase in Community Development staffing, the City increased revenue projections for **housing inspection fees, housing rental permits** and other fees or service charges managed by the Community Development department. Housing inspection fee revenue fell \$557,000 (or 42 percent) short of budget, and the City reduced its 2014 budget projection accordingly. Rental permit revenue fell \$448,000 (or 36 percent) short because of the delayed launch of the delinquent collection process.

#### Expenditures

- The City stayed within its budget for **salaries, temporary wages and holiday pay**, despite adding 21 firefighters during the year. Fire Department salary spending was \$461,000 higher than budgeted, and those expenses were offset by federal grant revenue. Police salary spending was \$505,000 less than budgeted.
- The Police Department spent close to the same amount on **overtime** in 2013 as in 2012. Once reimbursement from external parties are included, Police spent \$325,000 (or 25 percent) more than budgeted last year. The Fire Department spent \$422,000 (or 66 percent) more than budgeted last year, but \$646,000 less than in 2012.
- The City spent \$875,000 (or 18.6 percent) more than budgeted on **police officer health insurance** because the 2013 budget assumed the City would reduce the number of retired officers with City-funded coverage. A June 2013 arbitration ruling has thus far prevented the City from doing so.
- The City spent \$541,000 (or 6 percent) more than budgeted on **non-personnel operating costs**. The City spent more than budgeted on external legal services in the Law Department and Charter Review Board and light, power and gas utility costs.



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On the revenue side, the City collected \$5.1 million (or 6.6 percent) more in 2013 than in 2012, setting aside an accounting quirk that understated the 2012 revenues.<sup>2</sup> The City collected more revenue from its real estate tax and its earned income tax than in 2012 after increasing both tax rates in 2013.

City revenues from licenses, permits and fines and service charges fell short of budget by more than \$1.5 million combined. The largest shortfalls were in housing inspection fees (\$547,000); new construction permits (\$545,000); and housing rental permits (\$448,000).

On the expenditure side, the City spent \$3.4 million (or 4.7 percent) more in 2013 than in 2012, setting aside the \$5.0 million extra debt service payment that the City made in 2012.<sup>3</sup> The higher spending level was largely due to the increased pension contributions based on the Minimum Municipal Obligation (MMO) and increased transfer to the Self Insurance Fund.

From a different perspective, the City spent \$1.5 million (or 1.9 percent) more than budgeted once the budget contingency is removed. The contingency provides a small margin to handle unanticipated expenses or revenue shortfalls, but should not otherwise be spent. The areas with the largest spending over budget were overtime (\$820,000) and debt service (\$494,000). The City spent \$229,000 less than budgeted on employee salaries.

## REVENUES

The City had \$82.1 million in General Fund revenues in 2013. The table below compares the City's revenue performance to the 2013 budget and 2012.

Major Revenues	2013 Q4	2013 Budget	% Collected	2012 Q4	Difference (\$)	Difference (%)
Real Estate Taxes	20,735,249	20,606,517	100.6%	18,563,997	2,171,252	11.7%
Act 511 Taxes	24,971,555	20,986,686	119.0%	22,231,322	2,740,234	12.3%
Licenses, Permits, Fine	5,638,546	6,512,327	86.6%	5,402,783	235,763	4.4%
Intergovernmental	10,169,222	8,629,963	117.8%	9,315,453	853,769	9.2%
Charges for Services	5,367,949	6,192,233	86.7%	5,398,277	(30,327)	-0.6%
Interest and Rent	1,417,771	1,113,000	127.4%	823,481	594,290	72.2%
Other	5,789,261	4,921,584	117.6%	5,307,945	481,316	9.1%
Transfers in	7,970,000	7,970,000	100.0%	7,620,000	350,000	4.6%
<b>Total Revenues</b>	<b>82,059,554</b>	<b>76,932,310</b>	<b>106.7%</b>	<b>74,663,257</b>	<b>7,396,297</b>	<b>9.9%</b>

<sup>2</sup> 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.

<sup>3</sup> The City paid \$5 million toward its unfunded debt loan ahead of schedule in early 2012.



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***Property taxes***

Property taxes represent about a quarter of all General Fund revenues. The City increased its tax millage by 9 percent last year. The City collected 8.6 percent more current year revenue than in 2012, a little less than the rate increase, suggesting that the City’s collection rate was lower than the 89 percent assumed in the 2013 budget.

	2013 Q4	2013 Budget	% Collected	2012 Q4	Difference (\$)	Difference (%)
Current Year	19,171,145	19,706,517	97.3%	17,645,325	1,525,820	8.6%
Prior Years	1,402,448	1,000,000	140.2%	941,109	461,339	49.0%
Penalties and Interest	477,848	200,000	238.9%	274,315	203,533	74.2%
Discount for Early Payment <sup>4</sup>	(316,192)	(300,000)	105.4%	(296,924)	(19,268)	6.5%
Property Tax Legal Fees	0	0	N/A	172	(172)	-100.0%
<b>Property Tax Subtotal</b>	<b>20,735,249</b>	<b>20,606,517</b>	<b>100.6%</b>	<b>18,563,997</b>	<b>2,171,252</b>	<b>11.7%</b>

While current year property tax revenue fell \$535,000 (or 2.7 percent) short of budget, collections from prior years covered the shortfall. Prior year tax revenues were \$402,000 (or 40.2 percent) higher than budgeted and the additional penalties and interest assessed for late payment of taxes were more than double the \$200,000 budgeted.

The Berks County Tax Claim Bureau started collecting prior year real estate tax in 2012 and the County uses a longer collection cycle than the City’s prior tax collector. So the City received some prior year revenue initially anticipated to arrive in 2012 in early 2013 instead.

***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. Buoyed by the strong EIT revenues, the City collected 119.0 percent of its budget target last year.

<sup>4</sup> Tax payers receive a discount for paying their property taxes early. The City budgets that discount as a negative number against the revenues.



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**Act 511 Tax Receipts**

	2013 Q4	2013 Budget	% Collected	2012 Q4	Difference (\$)	Difference (%)
Earned Income Tax	19,396,538	16,271,686	119.2%	16,824,024	2,572,515	15.3%
Business Privilege Tax	1,483,238	1,550,000	95.7%	2,048,382	(565,144)	-27.6%
Real Estate Transfer Tax	2,825,536	1,900,000	148.7%	1,972,840	852,696	43.2%
Local Services Tax	1,204,472	1,200,000	100.4%	1,315,032	(110,561)	-8.4%
Per Capita Tax	61,771	65,000	95.0%	71,043	(9,273)	-13.1%
<b>Act 511 Taxes Subtotal</b>	<b>24,971,555</b>	<b>20,986,686</b>	<b>119.0%</b>	<b>22,231,322</b>	<b>2,740,234</b>	<b>12.3%</b>

The earned income tax accounted for 77.7 percent of Act 511 tax revenue in 2013. Berks EIT, Incorporated handles EIT collections for the City and all other governments in Berks County under the terms of Act 32 of 2008. The City collected \$2.6 million (or 15.3 percent) more than in 2012. Two factors caused the increase. First, the City increased the resident EIT levy from 3.1 percent to 3.3 percent and the non-resident levy from 0.1 percent to 0.3 percent. Second, many Pennsylvania cities, including Reading, saw EIT revenues increase because of changes in the Commonwealth law governing how the EIT is levied and collected.

**How much does the non-resident earned income tax generate?**

This is a common question because the City’s ability to levy a non-resident EIT is linked to its Act 47 status. In 2013 the City received \$2.4 million in non-resident EIT, including prior year money. To estimate the tax’s future value, PFM uses the current year tax receipts to estimate how much is generated by each tenth of a percent in EIT levy. This is also a useful way to measure the difference between resident and non-resident earnings and changes in both.

Annualized revenue generated per 0.1% on...	2012	2013
Residents	\$674,000	\$721,000
Non-residents	\$961,000	\$950,000

This calculation demonstrates positive impact of Act 32. The results suggest a 7.0 percent increase in resident earnings when census data suggests actual earnings did not grow that fast. The apparent increase is likely attributable to better collections under Act 32.



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Real estate transfer tax revenues also exceeded the 2013 budget target and 2012 collections. The City received \$926,000 (or 48.7 percent) more than budgeted partly because of the Penn Street properties sale.

The City collected 95.7 percent of its business privilege tax budget target last year. BPT receipts were lower in 2013 than 2012, partly because of adjustments made in the 2012 year-end audit.<sup>5</sup> The 2012 results also included a one-time increase in prior year revenues generated by the City’s tax amnesty program.

***Licenses, Permits & Fees***

This category includes rental housing permit fees, franchise fees, traffic and court fines and business privilege licenses. The City collected 86.6 percent of budgeted revenues in this category and \$236,000 (or 4.4 percent) more than in 2012.

One of the largest items in this category is the City’s charges for rental housing permits.<sup>6</sup> The City collected \$688,000 (or 92.5 percent) of the current year target. The City also had a \$508,000 target for prior year permit revenues, but only collected \$117,000 (or 23.0 percent). The City launched a more aggressive delinquent collection process in the second half of 2013 with an external vendor now pursuing the amounts due to the City. All prior year permit revenues were collected in the fourth quarter of last year.

**Rental Housing Permit Revenues**

	<b>2013 Q4</b>	<b>2013 Budget</b>	<b>% Collected</b>
Current Year	687,501	743,576	92.5%
Prior Years	116,919	508,437	23.0%
<b>Housing/Rental Permit Total</b>	<b>804,419</b>	<b>1,252,013</b>	<b>64.3%</b>

Revenue from new construction permits had the other major variance in this category. The City only collected \$51,000 versus the \$596,000 budget target. That target assumed fees related to the new hotel project, which did not progress far enough to generate that revenue last year. The \$51,000 total was also less than a third of the revenue generated in 2012.

<sup>5</sup> The 2012 year-end audit increased 2012 and decreased 2013 BPT current receipts by \$158,593 and BPT prior receipts by \$25,154.

<sup>6</sup> Revenue from payments for housing rental inspections is tracked separately in the Charges for Service category.



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**Other Licenses, Permits and Fees**

	2013 Q4	2013 Budget	% Collected	2012 Q4	Difference (\$)	Difference (%)
District court summary offenses	893,490	825,000	108.3%	868,031	25,459	2.9%
Franchise fees	745,544	725,000	102.8%	720,254	25,291	3.5%
New construction permits	50,604	596,000	8.5%	168,525	(117,920)	-70.0%
Traffic fines motor codes	417,486	325,000	128.5%	343,502	73,985	21.5%
Business privilege licenses	287,267	350,000	82.1%	359,096	(71,828)	-20.0%
Quality of life fines	330,608	390,000	84.8%	374,650	(44,042)	-11.8%
Other	2,109,126	2,049,314	102.9%	1,677,510	431,617	25.7%
<b>Subtotal</b>	<b>4,834,127</b>	<b>5,260,314</b>	<b>91.9%</b>	<b>4,511,566</b>	<b>322,560</b>	<b>7.1%</b>

*Intergovernmental Revenues*

The City collected 117.8 percent of total budgeted intergovernmental revenues. All items in this category met or exceeded the budget target except the intergovernmental funding for the Reading Public Library. The City’s 2013 budget anticipated a \$122,000 reduction from 2012 levels, but the preliminary 2013 results were another \$39,000 lower than budgeted.

The largest item in this category is the Commonwealth pension aid, which the City received in full and above the budget target. The City received more aid than budgeted because it hired additional firefighters under the federal Staffing for Adequate Fire and Emergency Response (SAFR) grant, and each firefighter counts as two units in the Commonwealth’s aid calculation. The amount of Commonwealth aid per unit also increased by 8.7 percent over 2012 levels.

**Intergovernmental Revenues**

	2013 Q4	2013 Budget	% Collected	2012 Q4	Difference (\$)	Difference (%)
Pension-State Contributions	3,068,643	2,800,000	109.6%	2,701,960	366,683	13.6%
Meter Surcharge	1,700,000	1,700,000	100.0%	1,699,992	8	0.0%
RAWA Supplement	1,500,000	1,500,000	100.0%	1,500,000	0	0.0%
RPA Supplement	810,000	810,000	100.0%	810,000	0	0.0%
Grants and Gifts	1,507,921	222,963	676.3%	1,135,761	372,160	32.8%
Reading Public Library	581,193	620,000	93.7%	706,041	(124,848)	-17.7%
Other	1,001,465	977,000	102.5%	761,698	239,767	31.5%
<b>Intergovernmental Subtotal</b>	<b>10,169,222</b>	<b>8,629,963</b>	<b>117.8%</b>	<b>9,315,453</b>	<b>853,769</b>	<b>9.2%</b>



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The City received a portion of the \$2.7 million SAFER grant in 2013, increasing the grant and gift revenue above the budgeted amount. That revenue reimburses the City for the 21 additional firefighter positions.

*Charges for Services*

The City collected 86.7 percent of budgeted revenues from charges for services and \$30,000 less than a year ago. The largest item in this category is the City’s charges for EMS service where the City collected \$130,000 (or 4.7 percent) more than a year ago.

While housing inspection revenues were \$249,000 (or 48.4 percent) higher than in 2012, they were only 58.3 percent of the budget target. Revenue that the Police Department generates by providing additional coverage to specific entities at a reimbursable rate is reported in the Police Service/Copy Service line. The Department generated \$70,000 more than budgeted in 2013, but \$96,000 less than in 2012.

The table below shows other large items in this category. Admissions fee receipts were lower than in 2012 because of adjustments in the 2012 year-end audit,<sup>7</sup> and the City did not receive any revenues related to zoning housing appeals in 2013.

**Service Charge Revenues**

	2013 Q4	2013 Budget	% Collected	2012 Q4	Difference (\$)	Difference (%)
EMS User Fees	2,894,160	2,836,638	102.0%	2,764,506	129,654	4.7%
Housing Inspection	764,633	1,311,643	58.3%	515,326	249,307	48.4%
Admissions Fee/Tax	409,628	510,000	80.3%	459,675	(50,047)	-10.9%
Kenhorst Police Contract	418,581	418,581	100.0%	410,374	8,207	2.0%
Police Service/Copy Service	239,868	170,000	141.1%	336,159	(96,291)	-28.6%
Zoning Housing Appeals	0	100,000	0.0%	-	0	0.0%
Police Reimb. - RSD	N/A	N/A	N/A	280,292	(280,292)	-100.0%
Other	641,078	845,371	75.8%	631,944	9,134	1.4%
<b>Charges for Services Subtotal</b>	<b>5,367,949</b>	<b>6,192,233</b>	<b>86.7%</b>	<b>5,398,277</b>	<b>(30,327)</b>	<b>-0.6%</b>

*Interest and rent*

The City collected 127.4 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

<sup>7</sup> The 2012 year-end audit increased 2012 and decreased 2013 admission fee receipts by \$72,027.



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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. Other interest and rent revenues include rental fees for other City properties and bond interest.

**Interest and Rent Revenues**

	2013 Q4	2013 Budget	% Collected	2012 Q4	Difference (\$)	Difference (%)
Rental - Parking Authority	999,996	1,000,000	100.0%	399,996	600,000	181.3%
Rental on Stadium	300,000	22,000	1363.6%	22,000	278,000	1263.6%
Other	117,775	91,000	129.4%	401,485	(283,710)	-70.7%
<b>Interest &amp; Rental Subtotal</b>	<b>1,417,771</b>	<b>1,113,000</b>	<b>127.4%</b>	<b>823,481</b>	<b>594,290</b>	<b>72.2%</b>

*Other Revenues*

The City collected 117.6 percent of the total budget in the other revenues category and \$481,000 (or 9.1 percent) more than through the same period in 2012. The largest item in this category is the City employees’ contributions to the cost of health insurance.<sup>8</sup> Total employee contributions were 29.6 percent higher than in 2012 because last year was the first in which police officers made higher contributions in compliance with the Recovery Plan and similar to other employee groups.

The City also received a higher than budgeted indirect cost reimbursement from the Water Fund because the final calculation that determines the payment was completed after the 2013 budget target was set at a lower amount based on internal estimates. For the same reason the City received less than budgeted for its indirect cost reimbursement from community development – the internal estimate was higher than the final calculation that set the actual payment for 2013.

**Other Revenues**

	2013 Q4	2013 Budget	% Collected	2012 Q4	Difference (\$)	Difference (%)
Emp. Insurance Contribution	1,451,416	1,465,845	99.0%	1,120,222	331,195	29.6%
Indirect Cost Reimb - Sewer	1,161,432	1,066,442	108.9%	1,161,432	0	0.0%
CDBG Revenue to Fund Codes	500,000	500,000	100.0%	0	500,000	N/A
Heart & Lung Reimbursement	363,523	300,000	121.2%	356,658	6,865	1.9%

<sup>8</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).



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	2013 Q4	2013 Budget	% Collected	2012 Q4	Difference (\$)	Difference (%)
Indirect Cost Reimb - CD	189,996	282,497	67.3%	352,476	(162,480)	-46.1%
Rdg. Housing Auth - Reimb.	282,834	265,000	106.7%	177,949	104,884	58.9%
Indirect Cost Reimb- Recycling	250,216	254,896	98.2%	383,905	(133,689)	-34.8%
Indirect Cost Reimb- Water	757,476	250,000	303.0%	757,476	0	0.0%
Direct Cost Reimb. - Trades	140,946	170,000	82.9%	171,661	(30,715)	-17.9%
Other	691,422	366,904	188.4%	826,166	(134,744)	-16.3%
<b>Other Revenues Subtotal</b>	<b>5,789,261</b>	<b>4,921,584</b>	<b>117.6%</b>	<b>5,307,945</b>	<b>481,316</b>	<b>9.1%</b>

*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.<sup>9</sup> The City also transfers \$3.0 million per year from the Wastewater Treatment Plant Fund to the General Fund as restricted by the November 2005 federal consent decree. Both transfers are made on a monthly basis throughout the year.

**Interfund Revenues**

	2013 Q4	2013 Budget	% Collected	2012 Q4	Difference (\$)	Difference (%)
Transfer from Water Fund	4,970,000	4,970,000	100.0%	4,420,000	550,000	12.4%
Transfer from Sewer Fund	3,000,000	3,000,000	100.0%	3,000,000	0	0.0%
Other	0	0	0.0%	200,000	-200,000	-100.0%
<b>Transfers Subtotal</b>	<b>7,970,000</b>	<b>7,970,000</b>	<b>100.0%</b>	<b>7,620,000</b>	<b>350,000</b>	<b>4.6%</b>

**EXPENDITURES**

The City had \$77.4 million in General Fund expenditures in 2013, which was 100.6 percent of the \$76.9 million budget. However, that budgeted figure includes a \$982,000 contingency, which was not intended for use during the year. Once the contingency is removed, the City spent \$1.5 million (or 1.9 percent) more than budget. The areas with the largest spending over budget were overtime (\$820,000) and debt service (\$494,000).

<sup>9</sup> The lease agreement also sets RAWA’s supplemental payment to the General Fund, which is tracked under the intergovernmental revenues as “RAWA supplement.”



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The City spent \$3.4 million (or 4.7 percent) more in 2013 than 2012. The higher spending level was mostly due to the increased pension contributions based on the Minimum Municipal Obligation (MMO) and increased transfer to the Self Insurance Fund in 2013.

Major Expenditures	2013 Q4	2013 Budget	% Spent	2012 Q4	Difference (\$)	Difference (%)
Salaries, wages & holiday pay	27,257,424	27,486,737	99.2%	27,761,117	(503,694)	-1.8%
Overtime	2,995,212	2,175,563	137.7%	3,652,795	(657,584)	-18.0%
Pensions	9,947,536	9,919,726	100.3%	6,392,011	3,555,524	55.6%
Fringe benefits	10,021,828	9,968,428	100.5%	10,076,987	(55,159)	-0.5%
Other personnel	1,408,166	1,639,017	85.9%	1,570,098	(161,932)	-10.3%
Debt service	13,267,796	12,774,079	103.9%	12,523,181	744,615	5.9%
Operating costs	9,005,931	8,770,024	102.7%	9,430,144	(424,213)	-4.5%
Other expenses	882,218	577,137	152.9%	878,784	3,434	0.4%
Contingencies	3,486	985,615	0.4%	8,473	(4,986)	-58.9%
Interfund transfer expenses	2,635,984	2,635,984	100.0%	1,687,693	948,291	56.2%
<b>Total Expenditures</b>	<b>77,425,581</b>	<b>76,932,310</b>	<b>100.6%</b>	<b>73,981,284</b>	<b>3,444,297</b>	<b>4.7%</b>

**Personnel**

The majority of the City’s budget is for personnel costs, most of which goes toward the “regular” pay of City employees - salaries, temporary wages, and holiday pay. These categories accounted for 91 percent of the 2013 Personnel budget. Overtime pay represents another 7.2 percent and the remaining 1.8 percent covers longevity, any settlement payments and uniform/clothing allowance.

The table below shows spending for salaries, temporary wages, and holiday pay by department. Most departments were close to the 100 percent spending level expected at year’s end. The Fire Department exceeded its budget and spent \$497,000 (or 6.5 percent) more than in 2012 because of increased headcount related to the SAFER grant. Community Development spent \$132,000 (or 7.0 percent) more than last year because of increased headcount in the Property Maintenance Division.

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

	2013 Q4	2013 Budget	% Spent	2012 Q4	Difference (\$)	Difference (%)
Police	12,443,931	12,949,255	96.1%	13,373,569	(929,638)	-7.0%



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	2013 Q4	2013 Budget	% Spent	2012 Q4	Difference (\$)	Difference (%)
Fire	8,169,630	7,708,755	106.0%	7,673,087	496,543	6.5%
Public Works	1,445,056	1,455,686	99.3%	1,653,368	(208,312)	-12.6%
Administration	1,601,153	1,630,694	98.2%	1,606,379	(5,227)	-0.3%
Community Dev	2,010,589	2,082,784	96.5%	1,878,551	132,037	7.0%
Other	1,587,065	1,659,563	95.6%	1,576,163	10,902	0.7%
<b>Total</b>	<b>27,257,424</b>	<b>27,486,737</b>	<b>99.2%</b>	<b>27,761,117</b>	<b>(503,694)</b>	<b>-1.8%</b>

Police spent \$930,000 (or 7.0 percent) less in 2013 than 2012. 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.

***Overtime***

The City's overtime expenditures exceeded the budget target, although they were \$658,000 (or 18.0 percent) less than in 2012.

	2013 Q4	2013 Budget	% Spent	2012 Q4	Difference (\$)	Difference (%)
Police	1,873,721	1,479,063	126.7%	1,899,901	(26,180)	-1.4%
Fire	1,061,913	640,000	165.9%	1,707,489	(645,576)	-37.8%
Public Works	53,461	54,500	98.1%	42,590	10,871	25.5%
Other	6,116	2,000	305.8%	2,815	3,301	117.3%
<b>Total</b>	<b>2,995,212</b>	<b>2,175,563</b>	<b>137.7%</b>	<b>3,652,795</b>	<b>(657,584)</b>	<b>-18.0%</b>

The Police Department spent close to the same amount on overtime as in 2012 and \$395,000 (or 26.7 percent) more than budgeted. As discussed in the Police Overtime Analysis produced by PFM in September 2013, reporting police overtime expenditures alone misses part of the story. Some of the Department's overtime expenditures are covered by private parties, other governmental entities, or grants. Accounting for these reimbursements, the City had \$1.6 million in unreimbursed Police overtime expenditures last year, which was \$325,000 (or 24.8 percent) more than budgeted and \$70,000 (or 4.5 percent) more than in 2012.



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**Police Overtime Spending, Net of Reimbursement**

	Budget	Q4 Actual	Difference (\$)	Difference (%)
FY12 Overtime	1,187,500	1,899,901	(712,401)	-60.0%
FY12 Reimbursement	135,000	336,159	201,159	149.0%
<b>FY12 Unreimbursed</b>	<b>1,052,500</b>	<b>1,563,742</b>	<b>(511,242)</b>	<b>-48.6%</b>
FY13 Overtime	1,479,063	1,873,721	(394,658)	-26.68%
FY13 Reimbursement	170,000	239,868	69,868	41.10%
<b>FY13 Unreimbursed</b>	<b>1,309,063</b>	<b>1,633,854</b>	<b>(324,791)</b>	<b>-24.81%</b>

The Fire Department exceeded its budget for 2013, though it spent \$646,000 (or 37.8 percent) less than in 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 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 were \$9.9 million, which was \$3.6 million (or 55.6 percent) higher than in 2012.

	2013 Q4	2013 Budget	% Spent	2012 Q4	Difference (\$)	Difference (%)
Police	6,057,188	6,057,187	100.0%	3,663,428	2,393,760	65.3%
Fire	2,286,857	2,286,857	100.0%	1,903,873	382,984	20.1%
Employees & Officers	1,603,491	1,575,682	101.8%	824,710	778,781	94.4%
<b>Total</b>	<b>9,947,536</b>	<b>9,919,726</b>	<b>100.3%</b>	<b>6,392,011</b>	<b>3,555,524</b>	<b>55.6%</b>



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*Employee insurance (Fringe Benefits)*

The City spent 100.5 percent of its fringe benefit budget in 2013, which was \$55,000 (or 0.5 percent) less than in 2012. Reported spending by departments other than police and fire was particularly low compared to budget.

**Fringe Benefit Expenditures by Department**

Fringe Benefits	2013 Q4	2013 Budget	% Spent	2012 Q4	Difference (\$)	Difference (%)
Police	5,584,356	4,709,012	118.6%	5,208,425	375,930	7.2%
Fire	2,547,077	2,706,153	94.1%	2,610,668	(63,591)	-2.4%
Community Dvlpmt	540,719	764,450	70.7%	583,502	(42,783)	-7.3%
Public Works	537,824	688,005	78.2%	727,322	(189,497)	-26.1%
Admin. Services	450,091	657,427	68.5%	513,220	(63,129)	-12.3%
Other	361,761	443,381	81.6%	433,849	(72,088)	-16.6%
<b>Total</b>	<b>10,021,828</b>	<b>9,968,428</b>	<b>100.5%</b>	<b>10,076,987</b>	<b>(55,159)</b>	<b>-0.5%</b>

Police spending exceeded budget by 18.6 percent because the 2013 budget assumed the City would reduce the number of retired police employees receiving City-funded health insurance. A June 2013 arbitration ruling has prevented the City from doing so thus far.

*Other personnel*

The City spent another \$1.4 million on other personnel-related expenditures last year, which was \$162,000 (or 10.3 percent) less than in 2012. Spending on these items is lower than a year ago because of reduced spending on premium pay, social security and unemployment compensation.

Other Personnel	2013 Q4	2013 Budget	% Spent	2012 Q4	Difference (\$)	Difference (%)
Premium Pay	327,511	369,659	88.6%	380,906	(53,395)	-14.0%
Social Security	909,153	978,333	92.9%	961,642	(52,489)	-5.5%
Unemployment Comp	37,837	150,000	25.2%	133,050	(95,213)	-71.6%
Penny Fund	4,117	500	823.4%	12,491	(8,374)	-67.0%
Uniforms/Clothing Allowance	129,548	140,525	92.2%	82,009	47,539	58.0%
<b>Total</b>	<b>1,408,166</b>	<b>1,639,017</b>	<b>85.9%</b>	<b>1,570,098</b>	<b>(161,932)</b>	<b>-10.3%</b>



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***Debt Service***

The City spent 103.9 percent of its debt service budget through December 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). The second payment is usually larger it includes interest and principal.

Actual debt service spending in 2013 exceeded budget by \$494,000 (or 3.9 percent) because the amount budgeted for the General Obligation Bonds, Series 2008 C and D did not include refinancing fees.

	2013 Q4	2013 Budget	% Spent	2012 Q4 <sup>10</sup>	Difference (\$)	Difference (%)
Debt Service	13,267,796	12,774,079	103.9%	12,523,181	744,615	5.9%

***Operating Costs***

Representing 11.4 percent of the total budget, this is the category for materials and externally provided services used in regular government operations. This category includes utility, legal services, equipment, and building maintenance costs. The City spent \$424,000 less on operating expenses in 2013 than in 2012, although spending on contracted services, maintenance agreements and utilities (light, power and gas) all exceeded the budget target.

**Operating Costs**

Operating Costs	2013 Q4	2013 Budget	% Spent	2012 Q4	Difference (\$)	Difference (%)
Contracted Services	2,094,181	1,937,376	108.1%	2,266,740	(172,559)	-7.6%
Maintenance Agreements	931,751	853,635	109.2%	965,979	(34,227)	-3.5%
Light & Power	732,748	612,723	119.6%	777,321	(44,573)	-5.7%
Gas	749,124	575,000	130.3%	777,659	(28,535)	-3.7%
General Plant Supplies	240,993	411,667	58.5%	260,468	(19,475)	-7.5%
Maintenance/Repair Equipment	298,713	327,540	91.2%	183,854	114,859	62.5%
Fees	274,867	319,385	86.1%	296,823	(21,955)	-7.4%
Other Operating Cost	3,683,554	3,732,698	98.7%	3,901,300	(217,747)	-5.6%
<b>Operating Costs Subtotal</b>	<b>9,005,931</b>	<b>8,770,024</b>	<b>102.7%</b>	<b>9,430,144</b>	<b>(424,213)</b>	<b>-4.5%</b>

<sup>10</sup> This does not include the \$5 million unbudgeted payment made toward the 2010 unfunded debt.



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On a whole the City spent \$173,000 (or 7.6 percent) less on contracted services than in 2012, though spending levels vary by department. The Law Department spent \$297,000 more than budgeted on external legal services while other units, like the Managing Director’s Office and Human Resources, barely spent any of their allocation. The table below shows the variances in contracted services among departments.

**Contracted Services by Department**

	2013 Q4	2013 Budget	% Spent	2012 Q4	Difference (\$)	Difference (%)
Mayor's Office	3,297	2,500	131.9%	112,629	(109,332)	-97.1%
Managing Director	1,075	80,000	1.3%	67,252	(66,177)	-98.4%
Accounting	146,884	92,218	159.1%	135,796	11,087	8.2%
Public Works	547,612	474,143	115.5%	623,034	(75,421)	-12.1%
Police	294,301	352,565	83.5%	48,589	245,712	505.7%
Fire	119,360	116,500	102.5%	179,437	(60,077)	-33.5%
CD	93,010	165,450	56.2%	35,896	57,114	159.1%
HR	5,875	71,000	8.3%	55,525	(49,650)	-89.4%
Law	392,227	95,000	412.9%	518,947	(126,721)	-24.4%
Recreation	488,000	488,000	100.0%	489,634	(1,634)	-0.3%
Human Relat. Commission	2,540	0	N/A	0	2,540	N/A
<b>Subtotal</b>	<b>2,094,181</b>	<b>1,937,376</b>	<b>108.1%</b>	<b>2,266,740</b>	<b>(172,559)</b>	<b>-7.6%</b>

*Other expenses*

The table below shows other expenses in the General Fund. 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 marginal difference in the Contingencies line. The City theoretically should not spend much in category, which was the case the last two years.

	2013 Q4	2013 Budget	% Spent	2012 Q4	Difference (\$)	Difference (%)
Contingencies	3,486	985,615	0.4%	8,473	(4,986)	-58.9%
Miscellaneous	882,218	577,137	152.9%	878,784	3,434	0.4%
Interfund transfers	2,635,984	2,635,984	100.0%	1,687,693	948,291	56.2%

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) over 2012 levels.

We have grouped all other expenses into the category above called miscellaneous. This category exceeded budget by 52.9 percent, largely driven by legal service expenditures for the Charter



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Review Board. Those expenses were \$115,000 (or 91.5 percent) more than in 2012 and four times higher than the 2013 budget target.