



The PFM Group

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Q3 2013 Financial Results

This report summarizes preliminary financial results for the period January 1, 2013 through September 30, 2013 based on trial balance financial data provided by the City on November 8, 2013. The data provided included unbudgeted revenues and expenditures associated with the City refinancing of General Obligation bonds through September 2013 (\$3.3 million) and September 2012 (\$15.4 million). We excluded the associated revenues and expenditures from all numbers and discussion in this report.

Overview

The City collected 81.6 percent of its budgeted revenues and spent 69.9 percent of its budgeted expenditures through September 2013. Although the results seem positive with revenues collected exceeding expenditures spent by \$8.9 million through September, expenditures are understated as the City had not yet made the majority of its \$12.8 million debt service payments. The table below compares revenues and expenditures through September 2013 with the budget target.

Budget to Actual Comparison

	2013 Q3	2013 Budget	% Spent/Collected
Revenues	62,747,324	76,932,310	81.6%
Expenditures	53,803,241	76,932,310	69.9%
Difference	8,944,083	0	N/A

On the revenue side, the City collected \$3.8 million (or 6.5 percent) more through September 2013 than through the same period in 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 tax rates over 2012 levels. Revenues from business privilege tax, rental housing permits and new construction permits are all trailing last year's pace.

On the expenditure side, the City spent \$9.7 million (or 21.9 percent) more through September 2013 than through September 2012, setting aside the \$5.0 million extra debt service payment that the City made in 2012.² The higher spending level is because the City already made the \$9.9 million annual pension contributions in full for 2013 by September. The City did not make the full pension contribution for 2012 until December.

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.



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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 September, current year revenues are up 8.2 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 those revenues have underperformed relative to the year end projections. The City shows \$0 on a \$508,000 projection for **prior year housing rental permits** through September, though the related delinquent collections process is now underway. Revenue for **housing inspections** was at 45.7 percent of the target through September.
- The City has collected 69.1 percent of its budget target for **EMS user fees** through September. The budget assumes the activation of the fourth ambulance starting in the second half of the year.

Expenditures

- Salary spending is generally on target with 73.9 percent of the total budget spent through September. The City reports spending \$854,000 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.
- Through September, the City already exceeded the budget for **fire overtime** and it will spend more than budgeted on **police overtime**. Through September, police overtime spending is \$75,000 more than last year when the City spent \$1.9 million. The City budgeted \$1.5 million for this year. The City has spent 27 percent less on fire overtime than a year ago, but because the City budgeted \$275,000 (or 30 percent) less on fire overtime in 2013, the overtime spending has already exceeded the budget target.
- The City reports spending 71.3 percent of its budget for **employee health insurance (fringe benefits)**. Reported expenditures have lagged behind actual expenditures in prior reports, so we will continue to watch closely the trend on benefits spending levels.
- Setting aside a timing quirk related to the City's contribution to the Recreation Commission, the City has spent the same amount on **contracted services** through September 2013 as through September 2012.



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REVENUES

The City had \$62.7 million in General Fund revenues through September 2013. The table below compares the City’s revenue performance through September 2013 to this year’s budget and to last year through September.

	2013 Q3	2013 Budget	% Collected	2012 Q3	Difference (\$)	Difference (%)
Property Taxes	18,721,698	20,606,517	90.9%	17,215,010	1,506,688	8.8%
Act 511 Taxes	17,871,533	20,986,686	85.2%	16,079,898	1,791,634	11.1%
Licenses, Permits, Fine	3,884,598	6,512,327	59.6%	4,010,142	(125,545)	-3.1%
Intergovernmental	7,358,819	8,629,963	85.3%	6,678,886	679,933	10.2%
Charges for Services	3,839,213	6,192,233	62.0%	3,712,767	126,446	3.4%
Interest and Rentals	1,097,641	1,113,000	98.6%	343,935	753,706	219.1%
Other Revenues	3,996,323	4,921,584	81.2%	2,878,224	1,118,099	38.8%
Transfers in	5,977,500	7,970,000	75.0%	5,715,000	262,500	4.6%
TOTAL REVENUES	62,747,324	76,932,310	81.6%	56,633,863	6,113,460	10.8%

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. The City has collected 8.2 percent more current year revenue than a year ago through September, a little less than the 9.0 percent rate increase.

	2013 Q3	2013 Budget	% Collected	2012 Q3	Difference (\$)	Difference (%)
Current Year	18,156,370	19,706,517	92.1%	16,774,466	1,381,904	8.2%
Prior Years	679,966	1,000,000	68.0%	580,180	99,787	17.2%
Penalties and Interest	201,495	200,000	100.7%	156,662	44,834	28.6%
Discount for Early Payment ³	(316,133)	(300,000)	105.4%	(296,297)	(19,836)	6.7%
Property Tax Subtotal	18,721,698	20,606,517	90.9%	17,215,010	1,506,688	8.8%

The City has received 68.0 percent of its budget target for prior year tax revenues through September, \$99,800 (or 17.2 percent) more than a year ago. Because the Berks County Tax Claim Bureau currently handles delinquent real estate tax collection and uses a longer collection cycle than the City’s prior tax collector, revenues from delinquent collections is expected to be higher than last year.

³ 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 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 85.2 percent of its budgeted Act 511 Taxes through September 2013.

	2013 Q3	2013 Budget	% Collected	2012 Q3	Difference (\$)	Difference (%)
Earned Income Tax	13,770,459	16,271,686	84.6%	12,154,312	1,616,147	13.3%
Business Privilege Tax	1,340,010	1,550,000	86.5%	1,795,501	(455,491)	-25.4%
Real Estate Transfer Tax	1,895,825	1,900,000	99.8%	1,296,047	599,778	46.3%
Local Services Tax	812,425	1,200,000	67.7%	772,024	40,402	5.2%
Per Capita Tax	52,813	65,000	81.3%	62,015	(9,202)	-14.8%
Act 511 Tax Subtotal	17,871,533	20,986,686	85.2%	16,079,898	1,791,634	11.1%

The earned income tax is by far the largest of these taxes, making up 77 percent of Act 511 tax revenue through September 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. Earned income tax revenues have outpaced last year's level, with the City collecting \$1.6 million (or 13.3 percent) more than it did through September last year.

The City collected 86.5 percent of its business privilege tax budget target through September 2013. Reported BPT receipts are lower in this third quarter report than in the second quarter report because of adjustments made due to the 2012 year-end audit.⁴

Licenses, Permits & Fees

This category includes rental housing permit fees, franchise fees, traffic and court fines and business privilege licenses. The City collected 59.6 percent of budgeted revenues in this category and \$126,000 (or 3.1 percent) less than it did last year.

One of the largest items in this category is the City's charges for rental housing permits.⁵ The City already exceeded the budget target of \$744,000 for current year permit revenues through September. However, the City also has a \$508,000 budget target for prior year permit revenues and the September 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.

⁴ The 2012 year-end audit increased 2012 and decreased 2013 BPT current receipts by \$158,593 and BPT prior receipts by \$25,154.

⁵ Revenue from payments for housing rental inspections is tracked separately in the Charges for Service category.



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Rental Housing Permit Revenues

	2013 Q3	2013 Budget	% Collected
Current Year	777,084	743,576	104.5%
Prior Years	0	508,437	0.0%
Housing/Rental Permit Total	777,084	1,252,013	62.1%

Revenue for new construction permits is the other major variance in this category. The City has only collected \$49,000 through September 2013 versus the \$596,000 budget target and is \$119,000 (or 70.7 percent) less than through the same period last year. 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 Q3	2013 Budget	% Collected	2012 Q3	Difference (\$)	Difference (%)
District court summary offenses	634,226	825,000	76.9%	580,609	53,618	9.2%
Franchise fees	373,306	725,000	51.5%	369,283	4,022	1.1%
New construction permits	49,404	596,000	8.3%	168,525	(119,120)	-70.7%
Traffic fines motor codes	224,396	325,000	69.0%	208,951	15,445	7.4%
Business privilege Licenses	269,932	350,000	77.1%	325,998	(56,066)	-17.2%
Quality of life fines	280,912	390,000	72.0%	303,590	(22,678)	-7.5%
Other	1,275,337	2,049,314	62.2%	1,208,733	66,604	5.5%
Subtotal	3,107,513	5,260,314	59.1%	3,165,689	(58,176)	-1.8%

Intergovernmental Revenues

The City collected 85.3 percent of total budgeted intergovernmental revenues. The largest item in this category is the Commonwealth pension aid, which the City already received in full and above the budget target. The City received more aid than budgeted because it hired additional firefighters under the federal SAFER grant, each of which counts as two units in the Commonwealth’s aid calculation. The amount of Commonwealth aid per unit also increased by 8.7 percent over last year.

	2013 Q3	2013 Budget	% Collected	2012 Q3	Difference (\$)	Difference (%)
Pension-State Contributions	3,068,643	2,800,000	109.6%	2,689,235	379,409	14.1%
Meter Surcharge	1,133,333	1,700,000	66.7%	1,274,994	(141,661)	-11.1%
RAWA Supplement	1,125,000	1,500,000	75.0%	1,125,000	0	0.0%
RPA Supplement	607,500	810,000	75.0%	540,000	67,500	12.5%



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	2013 Q3	2013 Budget	% Collected	2012 Q3	Difference (\$)	Difference (%)
Grants and Gifts	419,151	222,963	188.0%	472,595	(53,444)	-11.3%
Reading Public Library	337,270	620,000	54.4%	313,009	24,262	7.8%
Other	667,921	77,000	68.4%	264,054	403,867	152.9%
Intergovernmental Subtotal	7,358,819	8,629,963	85.3%	6,678,886	679,933	10.2%

At the end of September meter surcharge was lagging behind with the City collecting \$1.1 million through September 2013, \$142,000 (or 11.1 percent) less than through the same period last year. The City currently collects the surcharge as a direct subsidy at \$7.00 per resident, per month.

Grants and Gift revenue exceeded the budget target due to the Staffing for Adequate Fire and Emergency Response (SAFER) program administered by the US Department of Homeland Security. The City received a portion of the \$2.7 million SAFER grant in 2013, increasing the grant and gift revenue above the budgeted amount. The grant revenue will reimburse the City for the 21 additional firefighter positions.

Charges for Services

The City collected 62.0 percent of budgeted revenues from charges for services and \$126,000 more than a year ago. The largest item in this category is the City’s charges for EMS service where the City has collected \$120,000 (or 6.5 percent) more than a year ago.

While housing inspection collections are \$249,000 (or 71.0 percent) higher than through the same period in 2012, they are also only 45.7 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 table below shows other large items in this category. The reason admissions fee receipts is lower in this report than in the second quarter report is because of adjustments made due to the 2012 year-end audit.⁶

Service Charge Revenue

	2013 Q3	2013 Budget	% Collected	2012 Q3	Difference (\$)	Difference (%)
EMS User Fees	1,959,091	2,836,638	69.1%	1,839,175	119,916	6.5%
Housing Inspection	599,014	1,311,643	45.7%	350,226	248,788	71.0%
Admissions Fee/Tax	214,459	510,000	42.1%	235,050	(20,591)	-8.8%
Kenhorst Police Contract	313,936	418,581	75.0%	307,780	6,156	2.0%

⁶ The 2012 year-end audit increased 2012 and decreased 2013 admission fee receipts by \$72,027.



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	2013 Q3	2013 Budget	% Collected	2012 Q3	Difference (\$)	Difference (%)
Police Service/Copy Service	196,993	170,000	115.9%	204,621	(7,628)	-3.7%
Zoning Housing Appeals	0	100,000	0.0%	N/A	N/A	N/A
Police Reimb. – RSD	N/A	N/A	N/A	280,292	(280,292)	-100.0%
Other	555,720	845,371	58.8%	495,622	60,098	12.1%
Charges for Service Subtotal	3,839,213	6,192,233	62.0%	3,712,767	126,446	3.4%

Interest and rent

The City collected 98.6 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. Other interest and rent revenues include rental fees for other City properties and bond interest.

Interest and Rent Revenues

	2013 Q3	2013 Budget	% Collected	2012 Q3	Difference (\$)	Difference (%)
Rental - Parking Authority	749,997	1,000,000	75.0%	266,664	483,333	181.3%
Rental on Stadium	300,000	22,000	1363.6%	22,000	278,000	1263.6%
Other	47,644	91,000	52.4%	55,271	(7,627)	-13.8%
Interest & Rental Subtotal	1,097,641	1,113,000	98.6%	343,935	753,706	219.1%

Other Revenues

The City collected 81.2 percent of the total budget in the other revenues category and \$1.1 million (or 38.8 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.⁷ Total employee contributions are double the amount reported through September 2012 because the police officers are making 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 underlying calculation was completed in 2013 after the budget target was set at a lower amount.

⁷ 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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Other Revenues

	2013 Q3	2013 Budget	% Collected	2012 Q3	Difference (\$)	Difference (%)
Employee Insurance Contribution	1,122,261	1,465,845	76.6%	571,462	550,799	96.4%
Indirect Cost Reimb - Sewer	859,200	1,066,442	80.6%	774,750	84,450	10.9%
CDBG Revenue to Fund Codes	339,415	500,000	67.9%	-	339,415	N/A
Heart & Lung Reimbursement	289,414	300,000	96.5%	130,261	159,152	122.2%
Indirect Cost Reimb - CD	0	282,497	0.0%	142,500	(142,500)	-100.0%
Rdg. Housing Auth - Reimb.	186,889	265,000	70.5%	71,472	115,417	161.5%
Indirect Cost Reimb- Recycling	188,247	254,896	73.9%	100,755	87,492	86.8%
Indirect Cost Reimb- Water	504,673	250,000	201.9%	508,530	(3,857)	-0.8%
Direct Cost Reimb. - Trades	80,477	170,000	47.3%	108,166	(27,689)	-25.6%
Other	425,748	366,904	116.0%	470,328	(44,580)	-9.5%
Other Revenues Subtotal	3,996,323	4,921,584	81.2%	2,878,224	1,118,099	38.8%

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.⁸ 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 Q3	2013 Budget	% Collected	2012 Q3	Difference (\$)	Difference (%)
Transfer from Water Fund	3,727,500	4,970,000	75.0%	3,315,000	412,500	12.4%
Transfer from Sewer Fund	2,250,000	3,000,000	75.0%	2,250,000	0	0.0%
Other	0	0	N/A	150,000	(150,000)	-100.0%
Transfers Subtotal	5,977,500	7,970,000	75.0%	5,715,000	262,500	4.6%

EXPENDITURES

The City had \$53.8 million in General Fund expenditures through September 2013, which is 69.9 percent of the \$76.9 million budget. The City spent \$9.7 million (or 21.9 percent) more than it did through September 2012. The higher spending level compared to the same period in 2012 is

⁸ 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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because the City did not make its pension contributions until December last year. The table below compares the City’s expenditure performance through September 2013 to this year’s budget and to last year through September.

	2013 Q3	2013 Budget	% Spent	2012 Q3	Difference (\$)	Difference (%)
Salaries, wages & holiday pay	20,309,525	27,486,737	73.9%	20,818,634	(509,109)	-2.4%
Overtime	2,267,435	2,175,563	104.2%	2,500,538	(233,103)	-9.3%
Pensions	9,947,536	9,919,726	100.3%	0	9,947,536	N/A
Fringe benefits	7,103,388	9,968,428	71.3%	6,844,763	258,626	3.8%
Other personnel	1,165,648	1,639,017	71.1%	1,246,295	(80,647)	-6.5%
Debt service	4,406,053	12,774,079	34.5%	4,631,426	(225,373)	-4.9%
Operating costs	6,016,335	8,770,024	68.6%	6,325,484	(309,150)	-4.9%
Other expenses	608,013	577,137	105.3%	506,499	101,513	20.0%
Contingencies	2,321	985,615	0.2%	7,249	(4,928)	-68.0%
Interfund transfer expenses	1,976,988	2,635,984	75.0%	1,265,770	711,218	56.2%
Total Expenditures	53,803,241	76,932,310	69.9%	44,146,657	9,656,583	21.9%

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 75 percent spending level expected through the third quarter of the year. The Fire Department is a little higher than 75 percent and \$348,000 (or 6.1 percent) higher than last year because of increased headcount related to the SAFER grant. Community Development has spent \$150,000 (or 11.0 percent) more than last year because of increased headcount in the Property Maintenance Division.

Salaries, Temporary Wages and Holiday Pay by Department

	2013 Q3	2013 Budget	% Spent	2012 Q3	Difference (\$)	Difference (%)
Police	9,293,409	12,949,255	71.8%	10,146,925	(853,516)	-8.4%
Fire	6,038,721	7,708,755	78.3%	5,690,320	348,401	6.1%
Public Works	1,082,291	1,455,686	74.3%	1,236,250	(153,959)	-12.5%
Admin. Services	1,191,081	1,630,694	73.0%	1,193,654	(2,573)	-0.2%
Comm. Development	1,513,588	2,082,784	72.7%	1,363,257	150,331	11.0%
Other	1,190,435	1,659,563	71.7%	1,188,228	2,207	0.2%
Total	20,309,525	27,486,737	73.9%	20,818,634	(509,109)	-2.4%



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Police has spent \$853,000 (or 8.4 percent) less than a year ago through September. 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 have exceeded the budget target, although it is \$233,000 (or 9.3 percent) less than through September 2012.

	2013 Q3	2013 Budget	% Spent	2012 Q3	Difference (\$)	Difference (%)
Police	1,367,871	1,479,063	92.5%	1,293,264	74,607	5.8%
Fire	859,558	640,000	134.3%	1,182,715	(323,158)	-27.3%
Public Works	34,201	54,500	62.8%	22,119	12,083	54.6%
Other	5,805	2,000	290.3%	2,440	3,365	137.9%
Total	2,267,435	2,175,563	104.2%	2,500,538	(233,103)	-9.3%

The Police Department spent \$75,000 (or 5.8 percent) more through September in 2013 than last year when overtime spending finished at \$1.9 million. As discussed in the Police Overtime Analysis produced by PFM in September 2013, reporting police overtime expenditures alone misses part of the story. A significant part of the Department's overtime expenditures are paid for by private parties, other governmental entities, or grants. Including some of these reimbursements that are tracked in the police service revenue line item, the City had \$1.2 million in unreimbursed Police overtime expenditures through September 2013, \$82,000 (or 7.5 percent) more than through the same period in 2012.

	Budget	Q3 Actual	Difference (\$)	Difference (%)
FY12 Overtime	1,187,500	1,293,264	(105,764)	-8.9%
FY12 Reimbursement	135,000	204,621	69,621	51.6%
FY12 Unreimbursed	1,052,500	1,088,643	(36,143)	-3.4%
FY13 Overtime	1,479,063	1,367,871	111,192	7.5%
FY13 Reimbursement	170,000	196,993	26,993	15.9%
FY13 Unreimbursed	1,309,063	1,170,879	138,184	10.6%

The Fire Department already exceeded its budget for 2013, though it spent \$323,000 (or 27.3 percent) less than through September 2012 when overtime spending finished at \$1.7 million.



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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 are \$9.9 million, which is \$3.5 million (or 55 percent) higher than a year ago. As noted earlier, the City made its full MMO payment by September this year, unlike last year when it made the contribution in December. Making a portion of the pension payment early in the year is a good practice since it allows the City to benefit from any investment gains during the early months of the year.

	2013 Q3	2013 Budget	% Spent	2012 Q3
Police	6,057,188	6,057,187	100.0%	0
Fire	2,286,857	2,286,857	100.0%	0
Employees & Officers	1,603,491	1,575,682	101.8%	0
Total	9,947,536	9,919,726	100.3%	0

Employee insurance (Fringe Benefits)

The City spent 71.3 percent of its fringe benefit budget through September 2013, \$259,000 (or 3.8 percent) more than through September 2012. Reported spending for the non-public safety units is particularly low compared to budget.

Fringe Benefit Expenditures by Department

	2013 Q3	2013 Budget	% Spent	2012 Q3	Difference (\$)	Difference (%)
Police	3,936,554	4,709,012	83.6%	3,557,765	378,789	10.6%
Fire	1,834,829	2,706,153	67.8%	1,785,730	49,099	2.7%
Comm. Development	374,655	764,450	49.0%	370,024	4,631	1.3%
Public Works	351,956	688,005	51.2%	489,977	(138,020)	-28.2%
Admin. Services	335,303	657,427	51.0%	356,818	(21,515)	-6.0%
Other	270,090	443,381	60.9%	284,449	(14,358)	-5.0%
Total	7,103,388	9,968,428	71.3%	6,844,763	258,626	3.8%



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While the City was on pace to spend less than budgeted for active employee health insurance, the City anticipates it will spend more than budgeted on total fringe benefit costs this year. The 2013 budget assumed the City 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.

Other personnel

The City spent another \$1.2 million on other personnel-related expenditures through September, \$81,000 (or 6.5 percent) less than through September 2012. Spending on these items is lower than a year ago because of reduced expenditures for premium pay, social security and unemployment compensation.

	2013 Q3	2013 Budget	% Spent	2012 Q3	Difference (\$)	Difference (%)
Premium Pay	324,173	369,659	87.7%	373,240	(49,067)	-13.1%
Social Security	691,402	978,333	70.7%	718,983	(27,580)	-3.8%
Unemployment Comp	17,639	150,000	11.8%	75,711	(58,072)	-76.7%
Penny Fund	3,199	500	639.8%	2,480	719	29.0%
Uniforms/Clothing Allowance	129,235	140,525	92.0%	75,881	53,354	70.3%
Total	1,165,648	1,639,017	71.1%	1,246,295	(80,647)	-6.5%

Debt Service

The City spent 34.5 percent of its debt service budget through September 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 usually includes interest and principal amounts, so the City will make the majority of its debt service payments in the fourth quarter.

	2013 Q3	2013 Budget	% Spent	2012 Q3	Difference (\$)	Difference (%)
Debt Service	4,406,053	12,774,079	34.5%	4,631,426	(225,373)	-4.9%

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.



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Operating Costs

	2013 Q3	2013 Budget	% Spent	2012 Q3	Difference (\$)	Difference (%)
Contracted Services	1,425,712	1,937,376	73.6%	1,306,374	119,339	9.1%
Maintenance Agreements	662,513	853,635	77.6%	785,330	(122,817)	-15.6%
Light & Power	333,443	612,723	54.4%	402,280	(68,837)	-17.1%
Gas	469,589	575,000	81.7%	507,012	(37,424)	-7.4%
Other Operating Costs	3,125,078	4,791,290	65.2%	3,324,489	(199,411)	-6.0%
Total	6,016,335	8,770,024	68.6%	6,325,484	(309,150)	-4.9%

The City spent \$119,000 (or 9.1 percent) more on contracted services through September compared to last year. The higher spending level is because the City made the \$488,000 payment to the Recreation Commission in full by September 2013 versus paying part of the eventual total through September last year.

Setting aside that timing quirk, the City spent roughly the same amount on contracted services through September in 2013 as in 2012. The City has spent \$70,000 less than a year ago on contracted services in the Mayor’s office, \$60,000 less in fire suppression and \$66,000 less in the Managing Directors Office. Countering these variances, the City spent \$116,000 more than a year ago in the Police Department and \$88,000 more in the Accounting and Fiscal Management Office.

Other expenses

The table below shows other expenses in the General Fund.

	2013 Q3	2013 Budget	% Spent	2012 Q3	Difference (\$)	Difference (%)
Contingencies	2,321	985,615	0.2%	7,249	(4,928)	-68.0%
Miscellaneous	608,013	577,137	105.3%	506,499	101,513	20.0%
Interfund transfers	1,976,988	2,635,984	75.0%	1,265,770	711,218	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.



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We have grouped all other expenses in a category called miscellaneous. This includes expenditures related to the Charter Review Board, which were \$137,000 through September 2013 and \$92,000 more than a year ago through September.