

PRE-2012 BUDGET

Significant information, revenue data,
and projections for preparing the 2012
Operations Budget





Time Line



Findlay Auditor's office must base financial assumptions on facts as they are known today. Today, Findlay has 14 months to plan and implement a transition to our traditional 1% income tax base or take other actions.

We cannot control many outside factors, we can plan for a successful transition to 2013!



2012 Economic Factors

- ❑ Continued reduction of State Reimbursement of *Our Local tax dollars* in 2012 and beyond
- ❑ Poor Investment Income on cash balances
- ❑ Modest Economic recovery through 2012, Ohio is historically slow to pull out of recessions (State projects 1.8% employment growth through 2018)
- ❑ Must *balance 2012 budget & maintain healthy reserves*, to prevent Ohio Auditor's 'Fiscal Caution' label
- ❑ OHIO's attempt to TAKEOVER Income Tax Collections is A MAJOR THREAT to Findlay's finances



What does it mean to have FISCAL HEALTH

- ▣ Healthy Reserves on ALL key Funds
- ▣ Prudent Fiscal Policies
- ▣ Revenue Monitoring & Expense Control
- ▣ Maintain Manageable Debt
- ▣ Financial Compliance
- ▣ Economic Diversification





Fiscal Action Items

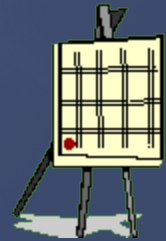
- ❑ Findlay has entered into an agreement with the State Auditor's Office, Performance Audit has started
- ❑ Departments completed update of '5 Year Capital Plan'. Administration now reviewing
- ❑ City Auditor will develop '5 Year Debt Plan' when administrative review of '5 Year Capital Plan' is complete
- ❑ Administration developing '2 Year Operations Budget' (adopting 1 year only)
- ❑ City Auditor developing '3-5 year Operating Forecast'
- ❑ Working toward determining needed ending 2012 carry forward balance for when 1/4% income tax sunsets
- ❑ City Auditor determining recommended minimum balances for all funds
- ❑ City Auditor has completed an internal review of our investment process to streamline and maximize revenue on cash balances
- ❑ Tonight City Council should determine the likely Income Tax allocation for 2012



2011 General Revenues

- ▣ Estimate of General Fund Revenues for 2011
 - ▣ Original year end Projection = \$24,000,000 (incl. flood re-alloctn.)
 - ▣ 3rd Quarter year end Projection = \$25,500,000 (+6.25%)

- ▣ The Plus & Minus
 - ▣ Estate Tax Windfall \$500,000 (estate tax ends 1/1/2013 for city)
 - ▣ Income Tax Growth is significant portion
 - ▣ However, several areas have significant shortfalls





Income Tax Revenue

- Income tax is approximately 64% of General Fund Revenue
- Base 1% Income Tax Revenues at 2004/05 (pre-boom) levels plus the additional temporary 1/4%
 - Original year end Projection = \$19,000,000
 - 3rd Quarter year end Projection = \$21,000,000
- Of Reported 15% (\$2MM) growth in the tax YTD:
 - \$1,000,000 due to increased past years collections
 - \$577,000 due to timing issue of 1/4% collections
 - Balance of increase appears to be due to improved economic conditions
- Adjusted growth is approximately 4.8% (same as peers)
- Not a strong basis for significant growth in 2012



Other 2011 Revenues

- ❑ Real Estate & Personal Property Taxes **(\$348,000) 14%**
 - ❑ WORC **(\$68,000) 41%** est.
 - ❑ Municipal Court fines are down **(\$120,000) 11%** across board, however General Fund share appears on budget. Per ODOT I-75 Scale will not re-open
 - ❑ Engineering Fees **(\$36,000) 23%** est.
 - ❑ CUBE ice reservations **(\$43,000) 8%** est.
 - ❑ SCM&R **(\$31,500) 1.6%** est. (subsidized fund)
 - ❑ Airport revenues appear on budget with original subsidy (subsidized fund)
 - ❑ Water Fund revenues recovering
 - ❑ Sewer Fund revenues recovering
 - ❑ City has not received **(\$200,000)** Radio Contract Payment from Sprint/Nextel
 - ❑ Should address user fees as standard part of budgeting
- Total (\$846,500)**



2011 Expenses

City Auditor has very limited view of expected year end expenses until 2011 projected budgets are completed by the departments.

- ▣ Gas/Diesel anticipate shortfall
- ▣ Natural Gas anticipate shortfall
- ▣ Fire Dept. Overtime & Comp Conversion will need additional money in 2011
- ▣ GF Salary Increases reallocated from existing budgets, no General Fund appropriation made
- ▣ Health Department will need additional money in 2011
- ▣ Will be several miscellaneous needs, should always look at *re-allocation before appropriation*



Windfall Considerations

- 1st restore & maintain General Fund and Self Insurance fund to policy balances in 2011
 - Approximately \$1,100,000 GF; \$151,000 SIF
- Could appropriate cash to remodel Health Department \$500,000 *max*
- Could fund additional flood costs or obligations \$200,000
- Consider treating entire 2012 Estate tax as windfall and exclude from operations budget, municipal portion of tax is eliminated in 2013





2012/2013 Revenues

- ▣ City Auditor providing total revenue available for operations and fund subsidies, the administration must allocate by department (except for Elected officials)^{hmwf}

- ▣ Estimated Total GF Revenues using current info
 - 2012 estimated to be \$24,500,000
 - 2013 estimated to be \$20,380,000

- ▣ Income Tax Revenue Estimates before allocation
 - 2012 estimated to be \$20,600,000
 - 2013 estimated to be \$16,480,000 ('04/'05)

Auditor will continue to adjust numbers through year end



Capital Improvements

- ▣ Deferral of Capital Projects, Maintenance, and improvements is reducing financial flexibility
- ▣ Consider Restoration of Income Tax Allocation to a pre-recession allocation of 20%+
- ▣ Department 2012 Capital Requests are \$9MM

		Capital Improvements	General Fund (GF) Portion	Carry Forward & Other GF Revenue	Total Available for GF Operations
2012 Options	25%	\$4,750,000	75% \$14,250,000	\$8,506,879	\$22,756,879
	22%	\$4,180,000	78% \$14,820,000	\$8,506,879	\$23,326,879
	20%	\$3,800,000	80% \$15,200,000	\$8,506,879	\$23,706,879
	16%	\$3,040,000	84% \$15,960,000	\$8,506,879	\$24,466,879
2011	16%	\$3,006,239	84% \$14,282,712	\$9,165,114	\$23,447,826



Health Insurance

- ❑ Reserve will be underfunded through 2012, too large of deficit to recapture in a single year, even after 2011's \$710,000 infusion
- ❑ Currently estimating 43% premium growth for 2012, due to necessary reserve recapture. Will receive quote in next few weeks to determine final number
- ❑ Union contracts locked in benefits with no changes, eligibility is only path for across board savings initiatives until 2013
- ❑ Other companies changes forcing employees and spouses to our health plan
- ❑ Comparisons completed, need to develop a model for what benefits should be provided at what cost. Findlay benefits compare well with like cities in Ohio, we note 3 areas for possible future improvement
- ❑ City Auditor has prepared initial list of potential savings items for the Mayor, third party administrator verifying numbers
- ❑ State Performance Audit comments will likely recommend additional potential savings



Debt

- At current CIT allocation (16%), *NO debt* should be issued in 2012 for General Fund Capital Improvements (5 years)
- 47% of Capital Debt(GF) is Recreation Facilities
- Water Fund will likely need a bond issue for upcoming projects
- Sewer debt position improving, *NO debt* should be issued in 2012 (6 years)
- Will continue to look for opportunities to save and will prepare Debt Summary 1st Quarter '12



Conclusions

- ❑ Revenue growth not in core items. Windfalls should be used to fund 2011 Policy and Reserve shortfalls (Self insurance, General fund)
- ❑ Should take corrective action, where possible, on 2011 budget line item expense excesses and revenue shortfalls
- ❑ 2 year operations budget for transition preparation
- ❑ Must determine the likely Capital Improvements allocation before budgets started on 10/20/11
- ❑ Capital Improvement allocation 2012 will be ___%



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Questions?

