

# PRE-2018 BUDGET

Information for discussion prior to  
preparing the 2018-2019 Operations  
Budget



10/03/2017





# What does it mean to have FISCAL HEALTH?

- ▣ Healthy Reserves on ALL key Funds
- ▣ Prudent Fiscal Policies
- ▣ Monitor Revenue & Control Expenses
- ▣ Maintain Manageable Debt
- ▣ Financial Compliance
- ▣ Strategically Planned Progression/Growth

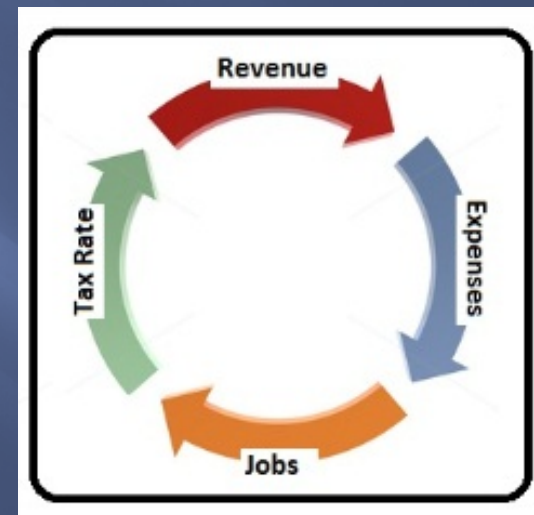
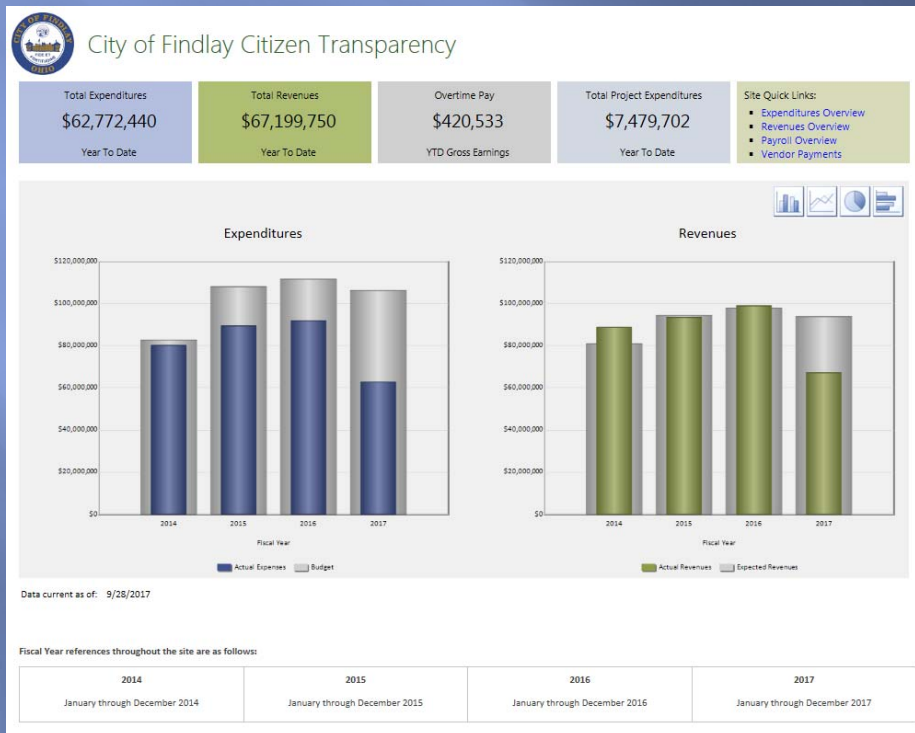


*It's not just spending it's planning and managing*





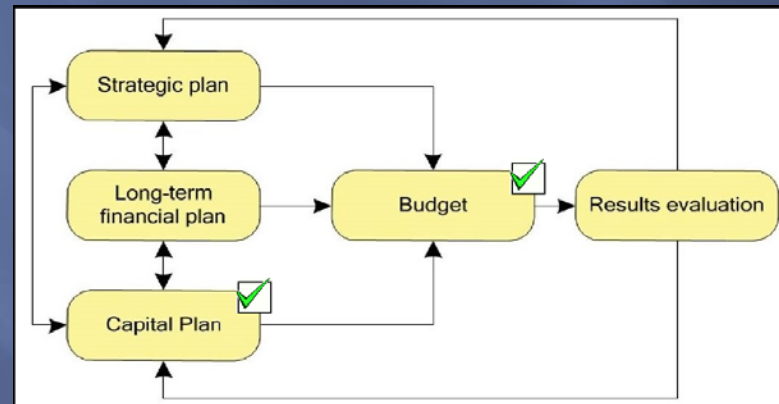
# Planning Components





# Fiscal Process

*Having an item listed in budget or capital plan should not exclude it from a proper review process with regard to the City's Strategic and Long Term Financial Plans*





# General Information



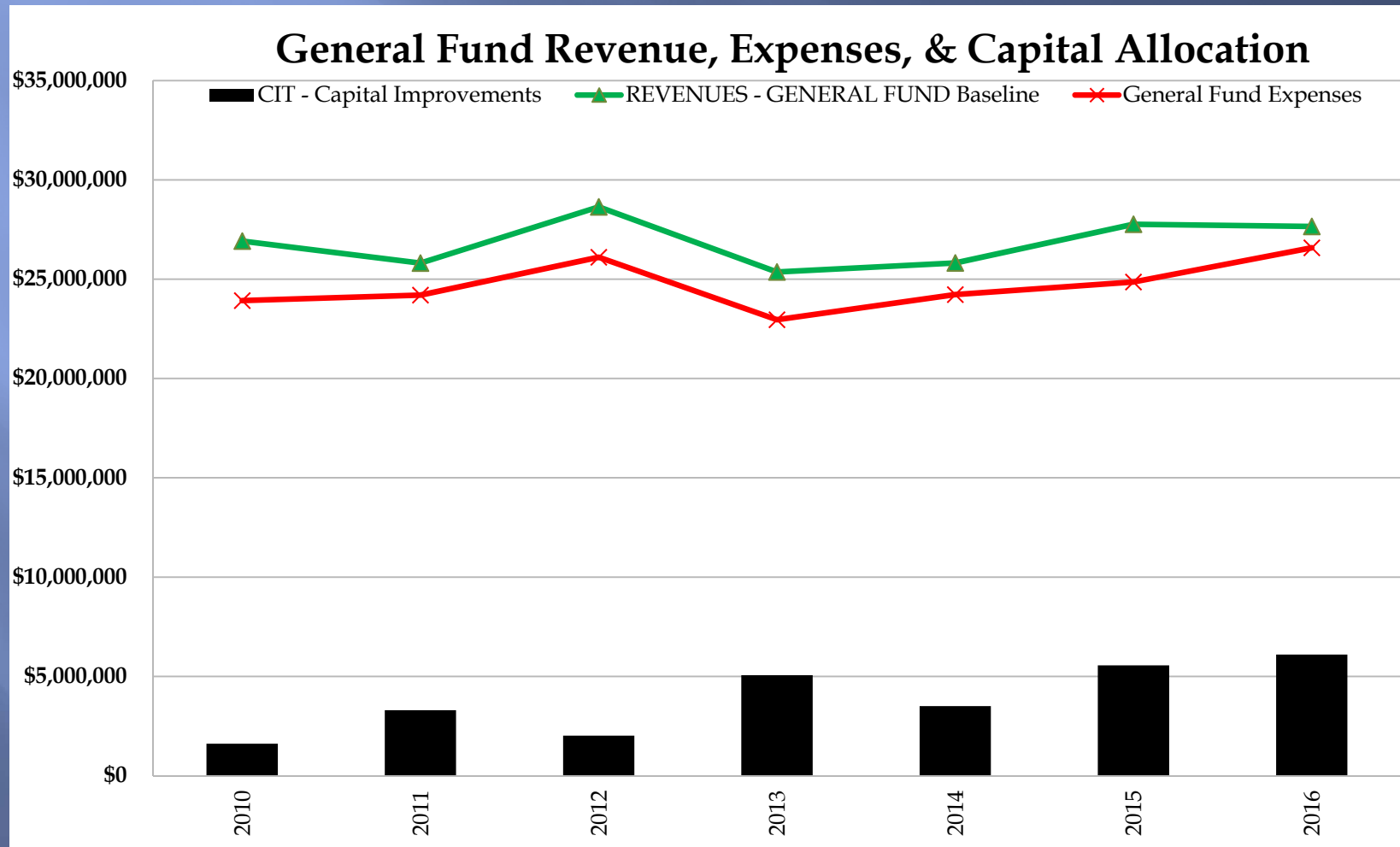
- General Fund Revenues for 2017 to date
  - Revenues currently 67% of budget \*
  - City Income Tax receipts tracking in line with Auditor's budget projection.
  - Appears administration continuing to defer estimated business profits component of income tax
  
- City Income Tax (your largest revenue source) is under full assault by State of Ohio
  
- 2017 & 2018 Capital Improvement allocation proposal by administration is 20% of City Income Tax Receipts as part of Service Safety Director's 5-year Capital Plan. i.e. 80% General Fund 20% Capital Improvements Account. Historic allocation is 78% GF - 22% CI
  
- General Fund Expenses 2017 to date
  - Expenses and encumbrances running 62% of budget \*
  - City Auditor has very limited view of expected year end expenses until each department enters expected 2017 expenses as part of administration's 2017/18 budget process; however, expense projections reflect fully spent appropriations which differ from actual ending numbers (see Unused Operations Appropriations graph)
  
- Looking at large carry-forward balances going into 2018

*\* Through August 31*

*Auditor will continue to adjust numbers through year end*

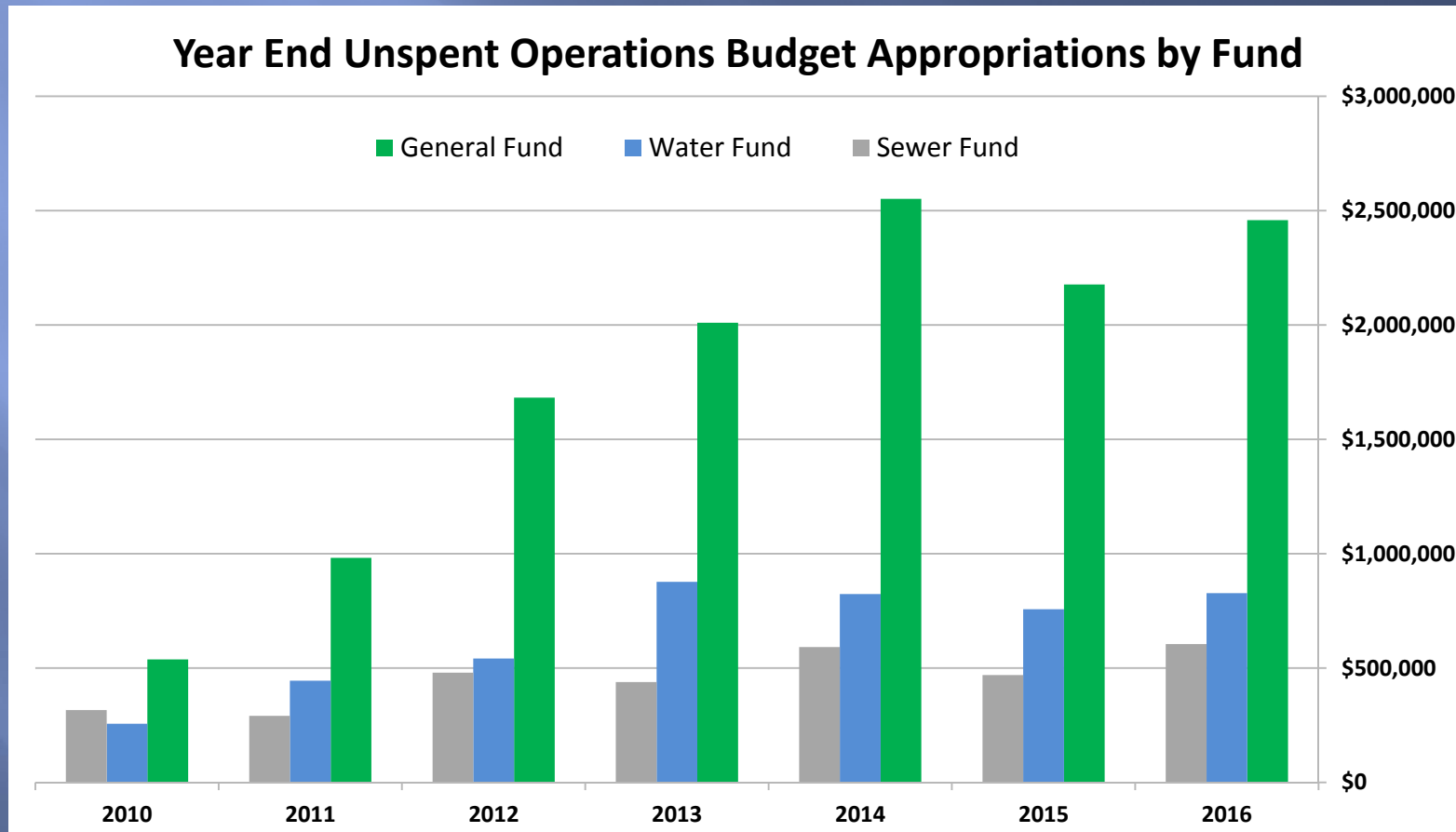


# Actual Historic Trend





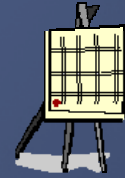
# Budget History







# Unspent Appropriations



- ❑ Large unspent appropriations (carry-over) in operations and capital budgets. Council budget process should allow for consideration of this factor and set policy for acceptable amounts
- ❑ There is a difference between a budgeted deficit and the actual historic performance of the City's budget
- ❑ Council should be considering wage competition in the 2018/2019 budgets; Ordinance needs adopted before end of calendar year. ( meetings 11/21; 12/5; 12/19 )
- ❑ If the allocation in 2016 had been changed to add 1% more to Capital Improvements would have reduced the unspent money from \$2.46 million to \$2.24 million

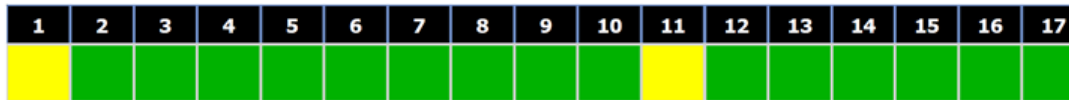


# Capital Improvements

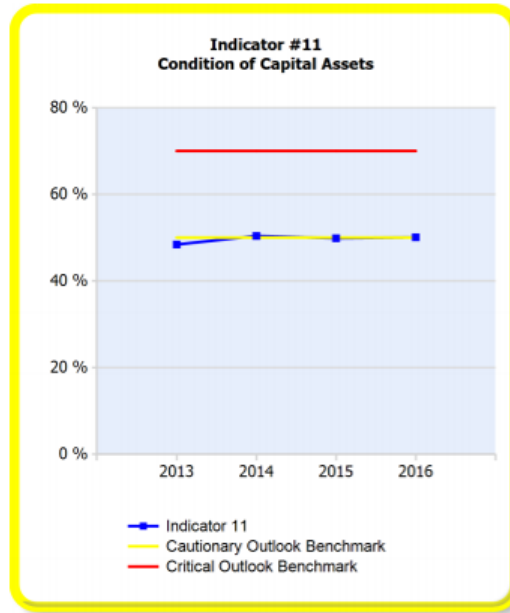
City Of Findlay  
 Hancock County  
 Year Ended: December 31, 2016  
 Accounting Basis: GAAP

Final 2016 Report

2016 Financial Health Indicators at a Glance:



Critical Outlook Financial Health Indicators: 0      Cautionary Outlook Financial Health Indicators: 2



## Indicator #11 - Cautionary Outlook

### Condition of Capital Assets

**Description of indicator and what it means:**

This indicator is accumulated depreciation as a percentage of depreciable capital assets. This indicator will identify apparent situations in which repair or replacement of the local government's capital assets will be necessary. A high percentage indicates capital assets replacement is imminent, and the entity may be delaying replacement of capital assets or significant repairs for cash flow purposes.

**Why is it important?**

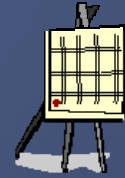
When an entity delays improving or replacing capital assets in order to maintain cash flows for other purposes, improvements and replacements become absolutely necessary and may contribute to financial hardship on an already strained budget.

**Critical Outlook** – Ratio greater than 70%

**Cautionary Outlook** – Ratio between 50% - 70%



# Unspent Appropriations

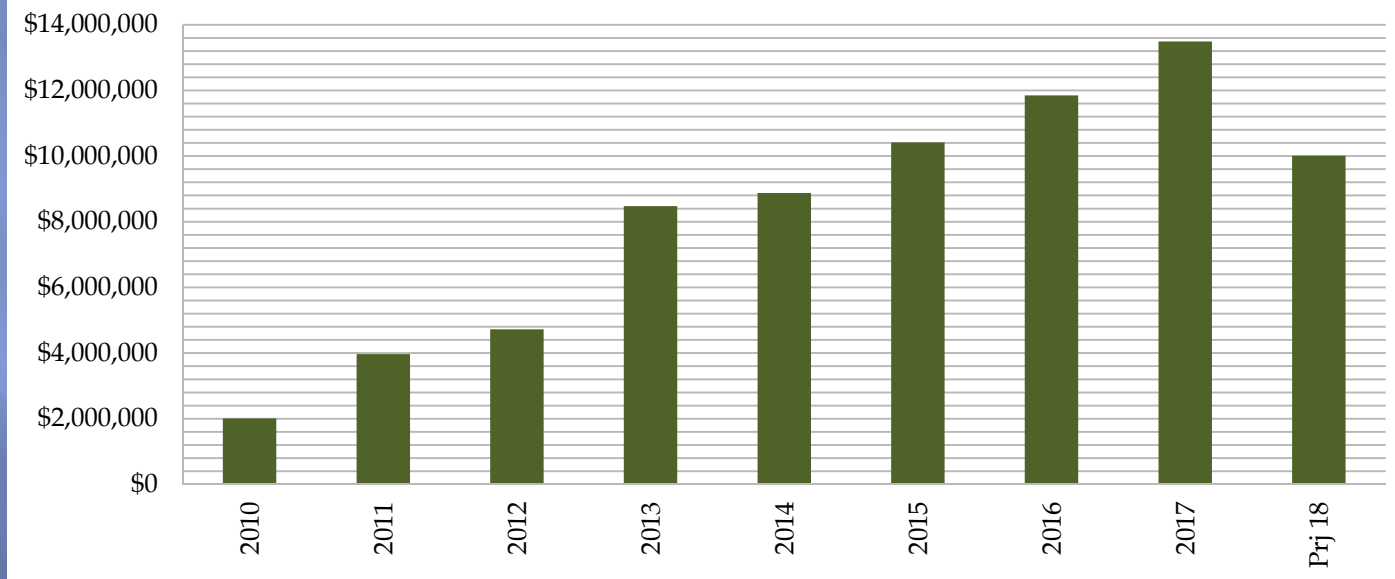


- ❑ Year-end projected cash balance of the Water Fund is \$9.1M vs 2017 operations budget of \$6.6M this is potentially indefensible
- ❑ Year-end projected cash balance of the WPC (Sewer) Fund is \$6.6M vs 2017 operations budget of \$7.5M this is potentially indefensible
- ❑ Fund balances point to an opportunity for a rate reduction or significantly expanded *fully planned and executed capital program*. The infrastructure of the Water Sewer & Storm systems should be completely studied and a 5 year pro-forma put in place on each system per Council's existing rules
- ❑ 'Water and Sewer Model' has not been updated by the administration in the last 2 years



# Budget History

## January 1st General Fund Unrestricted Balance

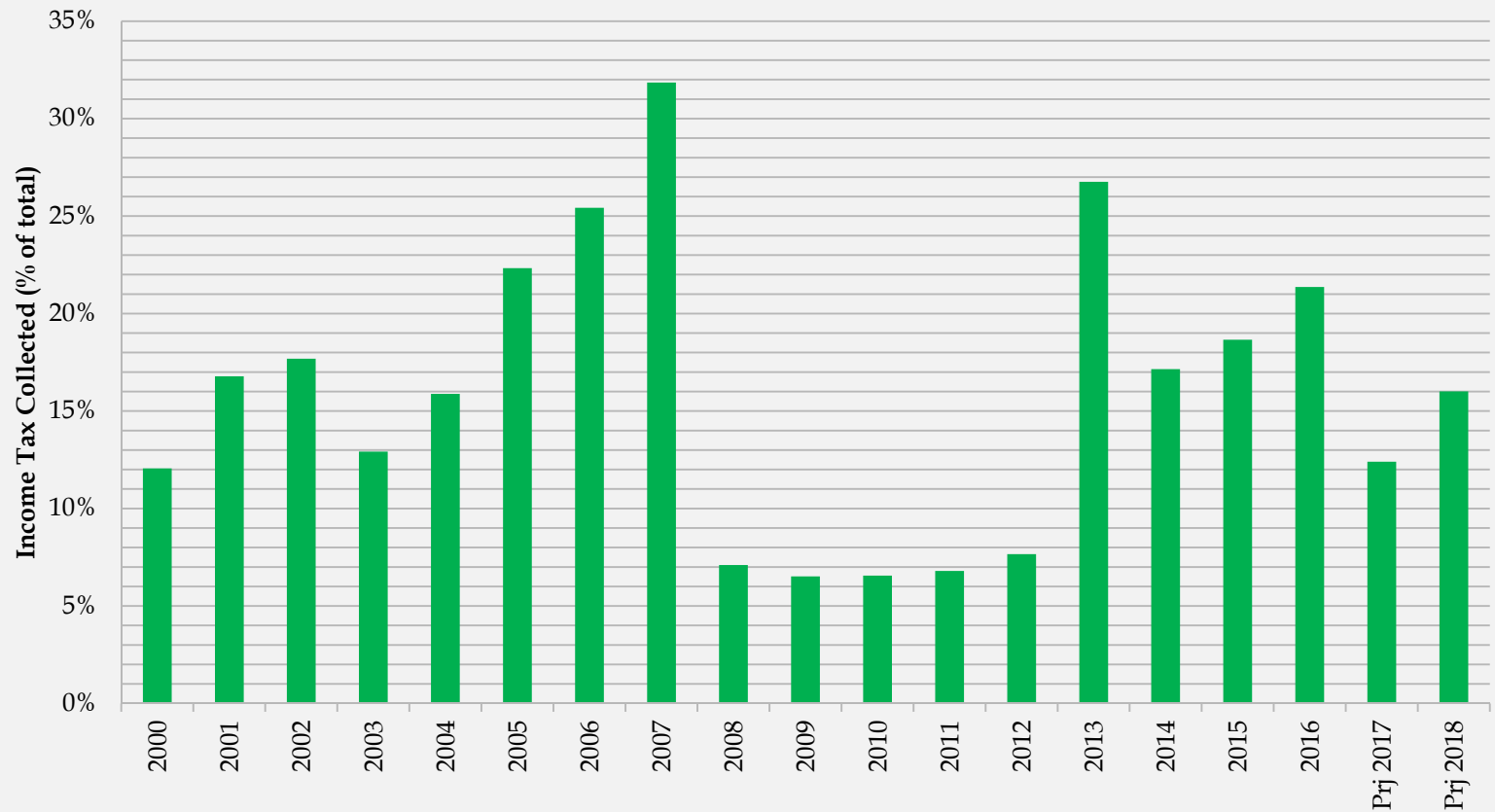


*Note: Projected 2018 does not account for the likely carry-forward of unspent appropriated funds in 2017*



# Budget History

## Business Income Tax Collections



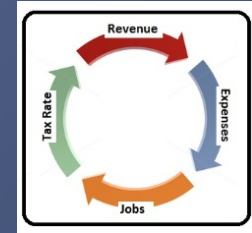


## Items of note

- ❑ Let's be clear, currently, the City's finances are strong
- ❑ City Auditor determining recommended minimum balances for all funds. Administration can spend below minimum balances, but a "corrective action plan" to recapture should be put in place per Council Resolution 002-2014
- ❑ Budget Process was adjusted in 2013 to account for City Income Tax deferrals. Would likely not have a 2017 budgeted deficit (on paper) if practice ended
- ❑ 5 year pro-forma should be completed concurrently with budgeting for the Airport and Parking funds per Council's rules
- ❑ Airport does not appear to be able to cash flow and should be looked at closely by Council, Service & Safety Directors and the Airport Advisory Board

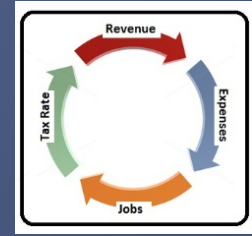


# 2018 Budget Meeting



*The 2018 and 2019 budgets will be created simultaneously; process shows short term sustainability of spending priorities. Findlay's 'AA stable' bond rating can be protected with proper planning. Council must affirm the likely Capital Improvements allocation before budgets started*

- 2-Night review of full budget, starting time & schedule to be determined 12/13 & 12/14
- Wage tables currently being calculated at +2%
- Capital Allocation to be \_\_\_% for 2018 and \_\_\_% 2019



# Questions?

