

MID YEAR REVIEW 2011

An in-depth look at the budget and economic factors of significance in the 2011 budget year as of 6/30/11



7/26/2011



State's Legislative Mindset

- ▣ "Look, we're making hard decisions at the state level...It is time for local government to make decisions at the local level. We're giving them a lot of tools..." - **Governor Kasich 3-21-11**
- ▣ "We cannot continue doing business the same old way. We've got to rein in spending ...and I hope it will foster increased interest in local governments working together." - **Senate Pres. Niehaus 6-29-11**
- ▣ "My personal belief is that taxes should be levied at the local level..." - **Rep. Robert Sprague 6-17-11**



Economic Factors

- ▣ Poor Investment Income on cash balances
- ▣ Continued reduction of State Reimbursement of *OUR LOCAL* tax dollars
- ▣ Modest Economic recovery through 2012
- ▣ Ohio historically slow to pull out of recessions
- ▣ State legislated potential control and authority over local governments not adjusting to budget realities via a 'Fiscal Caution' designation



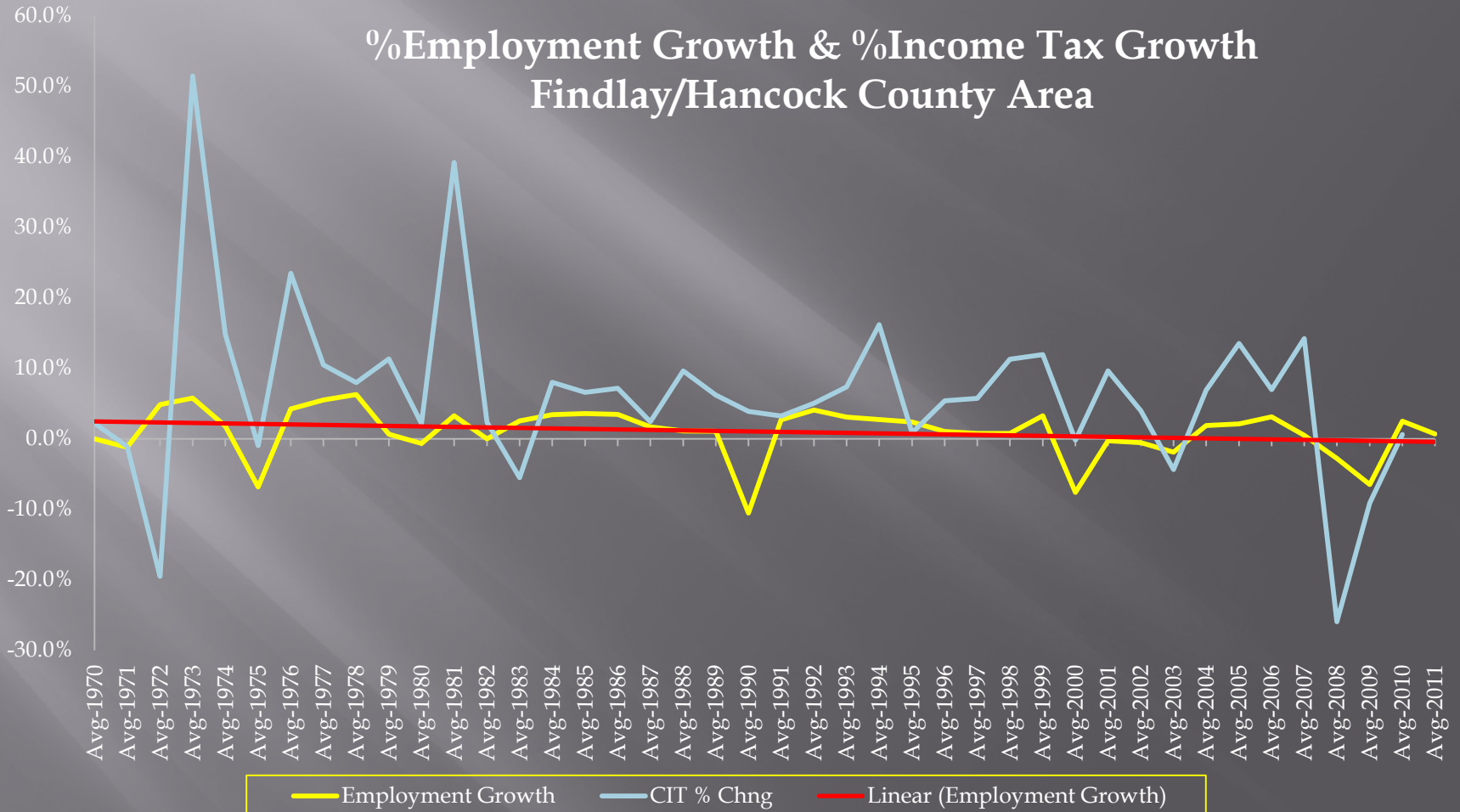
Economic Factors The Next 17 Months

- ▣ Falling off of 3 year $\frac{1}{4}\%$ City Income Tax Increase (**\$3.5MM**)
- ▣ Loss of Local Government Funds (**\$0.23MM '11; \$0.46MM '12**)
- ▣ Permanent Loss of Tangible Personal Property Tax (**\$0.37MM**)
- ▣ Elimination of Estate Tax (**\$0.8MM '13**)

*Over **\$5 Million Dollars** in Revenue Reductions
21% of our current General Fund Revenue!*



Economic Factors





Observations

- ▣ Extra $\frac{1}{4}\%$ getting City through this downturn
- ▣ However, City has used capital funds and some reserves to subsidize operations
- ▣ Return to normal Local 'Full Employment' will not make up $\frac{1}{4}\%$ Income Tax removal. Income Tax on Business Profits is KEY
- ▣ Adding 400 jobs @ \$40,000/year = 1% in additional Income Tax revenue; Adding 10,000 jobs @ \$40,000/year = 25% increase = the $\frac{1}{4}\%$ Income Tax due to expire



Current Action Items

- ▣ Working to enter into an agreement with the State Auditor's Office for Performance Audits, excluding only Water & Sewer Operations. This is just 1 piece of the solution
- ▣ Auditor Staschiak recommending 2 year budget plan be prepared for 2012-2013 (adopt 1 year only)
- ▣ We are doing an internal review of our debt structure and have identified 1 bond to call
- ▣ We are doing an internal review of our investment process to streamline and increase revenue

Findlay has 17 months to plan and implement a transition to our traditional 1% tax base.

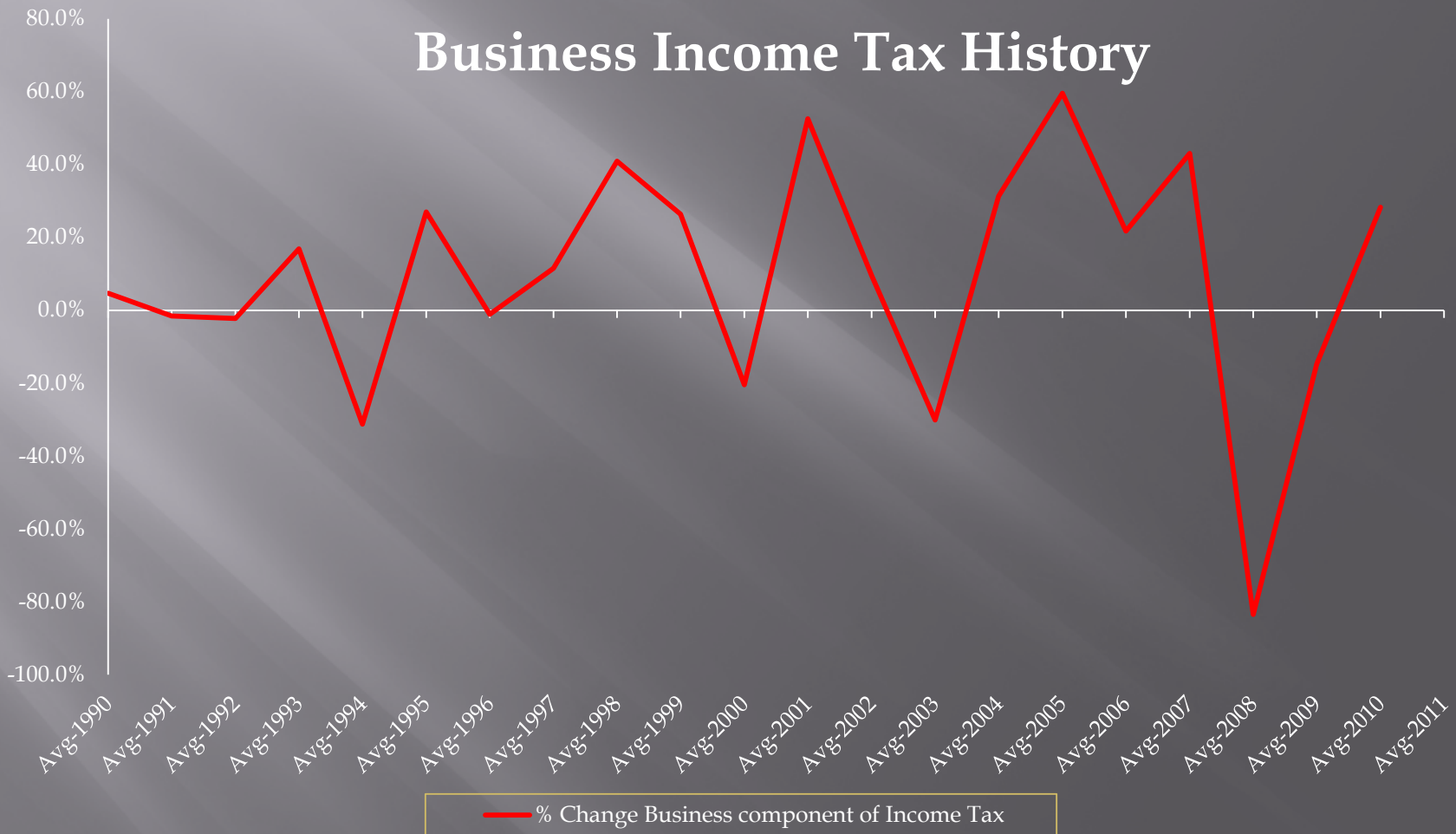


2011 General Revenues

- ▣ Revenues coming in at 2002 levels plus $\frac{1}{4}\%$
- ▣ Estimated Revenues 2011 - \$24,000,000 includes flood re-allocation
- ▣ Mid-Yr Estimated Revenue 2011 - \$23,700,000; \$300,000 below budgeted (minimal growth)
- ▣ Some revenue sources showing modest growth, offsetting a portion of State \$ Grab
- ▣ Business Profits component of City Income Tax is revenue item of current importance.



2011 Revenues





2011 Revenues

- ▣ SCM&R (\$80,000) est.
- ▣ WORC (\$56,000) est.
- ▣ Municipal Court -2% to -5%, fewer citations OSP
- ▣ Engineering Professional Fees (\$12,000) est.
- ▣ CUBE ice reservations (\$50,000) est.
- ▣ Hotel/Motel tax revenue, FLAT since '08
- ▣ Airport \$25,000 revenue error; -2.2% recovering
- ▣ Water Fund -3.4% (\$466,000) est. Need Action
- ▣ Sewer Fund - 1.1% (\$181,000) est. Increased



2011 Expenses

- ▣ Gas/Diesel at 55% due to low budget figure
- ▣ Natural Gas at 75% due to low budget figure and increased usage
- ▣ Parking Fund - Spending \$84,300 to collect \$31,000 in fines
- ▣ Fire Dept. Overtime 100% Used
- ▣ Fire Dept. Comp Conversion 190% **(\$45,000)**
- ▣ GF Salary Increases to be reallocated from existing budgets, no General Fund Appropriation
- ▣ Severance Payout appropriation of **\$130,000**
- ▣ Health Dept. building costs not budgeted for



2011 Employment

- ▣ Full Time Employees - 324
- ▣ Part Time Permanent - 8
- ▣ Elected Employees - 16
- ▣ Seasonal - 39
- ▣ Replaced 11 General Employees YTD
- ▣ Replaced 7 Fire Department Employees
- ▣ Replaced 8 Police/Dispatch Employees
- ▣ Created 3 Full Time Positions in Recreation



Health Insurance

- ▣ Benchmarking now to develop a model as to what benefits should be provided at what cost
- ▣ State Performance Audit comments will be of significance
- ▣ Need to plan the path to what the final product should look like and time needed to get there



Debt

- ▣ Based on current revenue projections have approximately \$35k/year available for debt service in Capital Improvements Plan
- ▣ Water Fund will likely need a bond issue for upcoming projects. (Revenues behind planned capital expenditures) We have a 1998 issue which should be called (\$15k/year savings)
- ▣ Best to use short term note for Health Department building renovation to be paid with capital funds over 2-3 years.



Issues

- ❑ Fail to incorporate contingency planning into the budget. Biggest challenge in 2011 has been financial impact of unplanned expenses
- ❑ No Formal Organizational Structure for some service departments which has impacted hire/advancement decisions
- ❑ Tend to re-appropriate unexpected non-grant revenues without consideration to full budget
- ❑ Consideration for impact of reduced revenues in our long term planning is missing



Key Policies

- ▣ A General Fund 'Minimum Reserve Balance Policy' currently at \$3MM
- ▣ A 'Five Year Capital Improvement Plan Policy'
- ▣ A 'Debt Policy' holding Capital Improvements debt to 33% of its revenues
- ▣ A \$1.0MM 'Rainy Day Reserve Account' for OPERATIONAL EXPENSES in an emergency
- ▣ A \$1.0MM 'Self Insurance Fund' for general liabilities

These balances indicate Findlay's 'Fiscal Health', a Plan must be implemented for transition to our traditional 1% income tax with state cuts...



Action Plan 5 Months

- ❑ **CRITICAL - City Must Create an Action Plan for dealing with coming loss of revenue**
- ❑ **Plan must be in place BEFORE issuance of any long term debt**
- ❑ **Budget 2011 action items that address current expenditure excesses and revenue shortfalls**
- ❑ **Prepare 2 year operations budget for transition**

Thursday 7/21 S&P contacted Auditor's office and will be doing a review of our credit 8/4/11