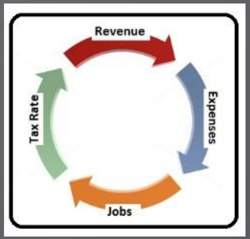
MID YEAR REVIEW 2013

An in-depth report of economic factors of significance and Findlay's budget progress as of 6/30/13

Economic Factors

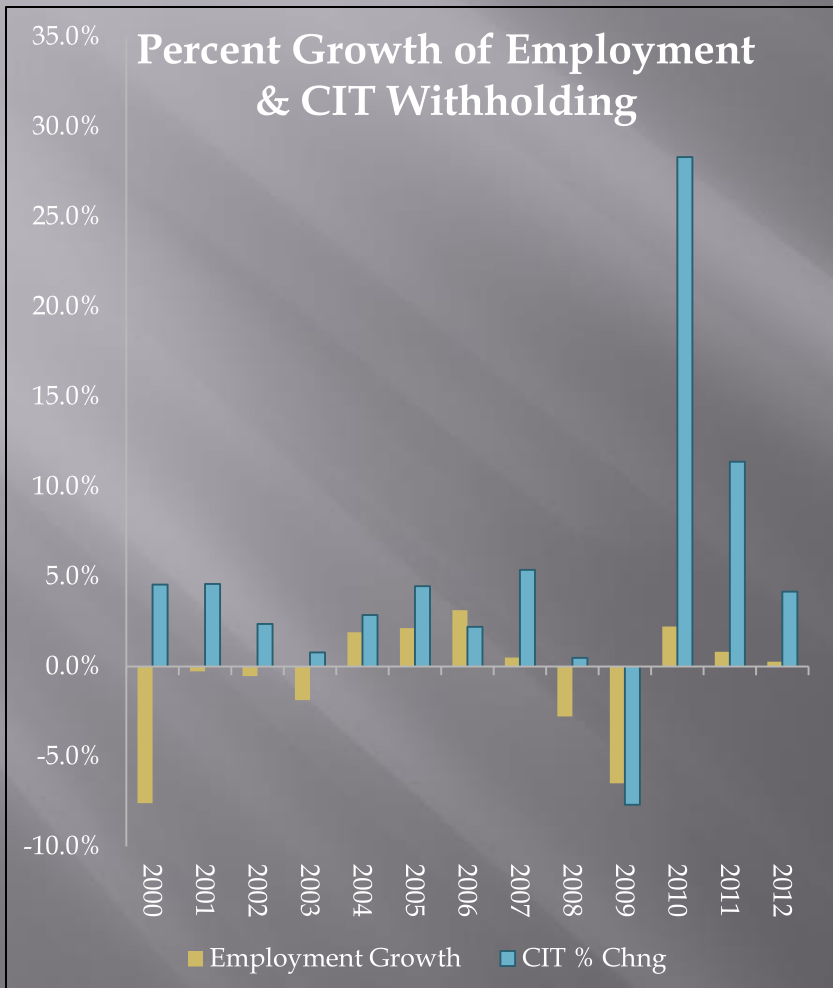
- "Factors Restraining U.S. Economy Should Lessen" Dallas Fed February 2013
- State ODJFS reports County Employment at 37,600 June '13 compared to 37,500 June '12
- County Sales tax below projections and is -3.8%per County Auditor
- Lowest interest rates in recent history continue

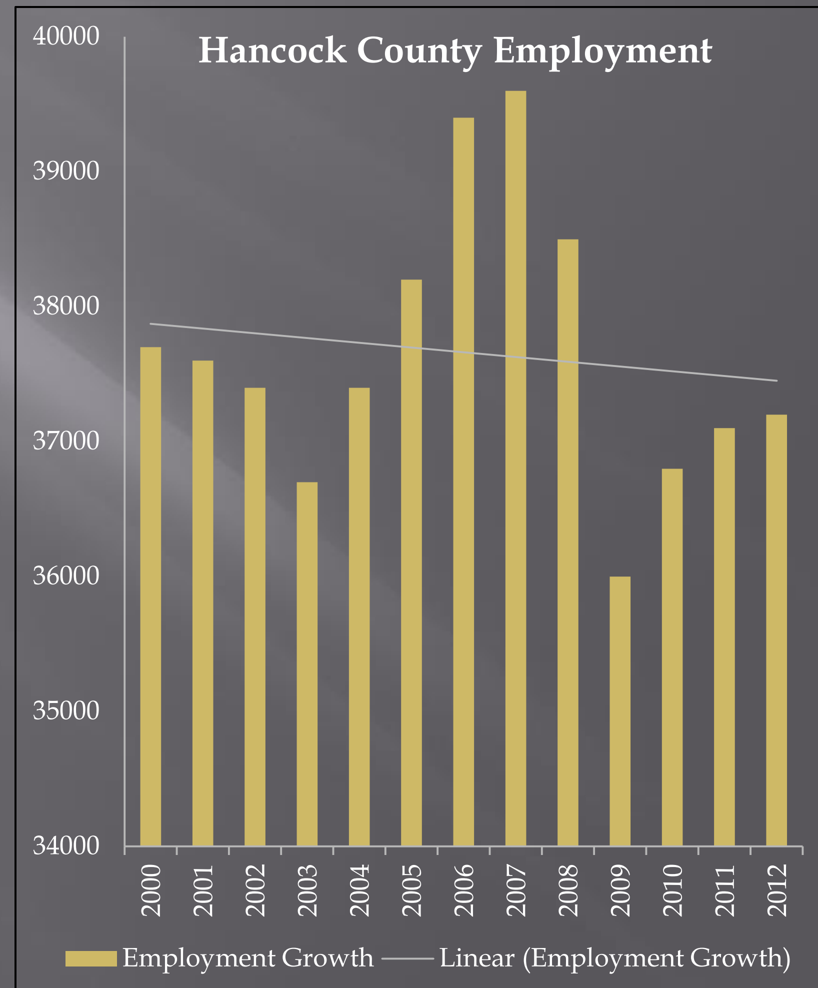
Economic Factors



- Growth of Marathon Petroleum is having a positive impact; +300 jobs added in 2013
- Impact of potential sale of Cooper Tires unknown as this time
- City 2014 or 2015 expense budget has yet to be determined
- Business profit tax payments continue to be a key component to watch

Economic Factors





Significant Financial Accomplishments

- Reserve amounts established and maintained across most key Funds
- Investment custodian protecting financial holdings of the City
- Debt Post Compliance Policy in place to provide IRS and Bond agreement compliance
- Completed the paperless purchase order process
- Increased relevant reporting summaries to Council including: Snapshot, Debt Report, and Pre-budget meeting (recognized as significant by State Auditor)

2013 FUNDS as of 6/30/13

As % of 2013 Budget

- SCM&R (subsidized): Expenses -7.1% Revenue +3.9%
- Airport (subsidized): Expenses -3.3% Revenue +7.9%
- Water: Expenses -9.0% Revenue -2.5%
- WPC Sewer: Expenses -5.1% Revenue -0.8%
- Parking (subsidized): Expenses -0.7% Revenue +17.6%

Capital Improvements

- Revenue projection of $2,406,925 will be exceeded (transfer)
- Debt payments of $970,600; 22.4% of the capital improvement's 2013 budgeted revenue when $1.5MM transfer included; originally budgeted at 33%
- GFOA Best Budgeting Practices recommended minimum reserve 25% of debt service plus match & contingencies;
  - Currently above the $243,000 for debt(25%) leaving $2,600,000 for additional projects, match, contingencies, and carry forward
- Cash balance of fund as of 7/15/13 is $2,104,100
- 2013 increase in capital funding important however deferred capital maintenance cost obligations should be calculated (as done with streets, deferred amount estimated between $4MM-$7.7MM)
- 2014 GF-Cap Improvements Allocation projected at 83%/17% per SSD 5-year Capital Plan

2013 General Fund Expenses

- Expense budget 2013 is $27,727,000
- Mid-Yr. expenses $14,077,000 or 50.8% of budget

- Legislation needed at next meeting:
  - Fire Department $110,000 – personal services
  - Zoning $1,700 – personal services
  - Service Safety Director $30,500 – personal services
  - Severance payout reserve $150,000 – 7 retirees

2013 General Fund Revenues

- Revenue Budget 2013 is $24,197,000
- Mid-Yr. Receipts $13,384,117 or 55.7% of budget (including dept. capital appropriations and subsidies)
- Projected year end Cash balance for 2013 is currently $1,700,000 above your minimum reserve
- City income tax running above projection of $18,640,000 estimate; currently +13.5% of budget
- Hotel/Motel tax -9.0% of budget
- Estate tax and Real Estate tax on budget
- Interest earnings +49.7% of budget
- Local Government funds -1.6% of budget

2013 Income Tax

- City income tax running above projection of $18,640,000 estimate; currently +13.5% of budget
- However, total collections -2.38% year to year as of 7/22/13
- Through June '13 current year *withholding* is up $1,124,000 compared to June '12
- To put into context this translates into $200,000,000 new payroll for 2013
  - Equates to every withholder getting a 15% raise or 5,000 jobs at $40,000 each
- This cannot be explained by our income tax administrator
- City Auditor needs data to determine what amount, if any, of this revenue is likely to be repeated year to year

2013 General Fund Revenues

Income tax is just part of the picture. All revenue sources should be reviewed annually and incorporated as part of a 5-year forecast prior to limiting revenue from any single source.

REVENUE DIVERSIFICATION IS VITAL

Hotel/Motel Tax	2.2%
Estate Tax	3.3%
Intergovernmental	2.4%
Real Estate Taxes	8.5%
Engineering & Zoning Fees	0.7%
Parks & Rec functions	3.0%
Courts	5.2%
Health dept.	3.2%
Income Tax	61.2%
Other including interdepartmental transfers	10.3%

These figures represent gross revenue as a percentage of the 2013 GF budget

Employee Count

	2012 year end	2013 6/13
Full Time Employees	310	292
Part Time Permanent	27	24
Elected Employees	16	16
Seasonal	24	44
Full Time Equivalents FTEs	341	327

- Replaced 6 Employees YTD
- Did not replace 6 Full Time Positions
- Layoff of 10 positions YTD

Health Insurance

- Broker is now Corporate One Benefits who has achieved:
  - $125k-135k savings on prescription drug costs
  - $170k savings reduction in Stop Loss insurance
  - Working on a wellness strategy for 2014 implementation
- Have shifted significant amount of cost to employees with deductible and co-pay changes
- Are seeing lower medical claims due to changes, experience and fewer contracts
- Hiring of new broker has helped with our lacking structure to manage day to day improvements for cost containment
- Updated actuarial review nearly complete, will recommend proper reserve; initial indications are account is healthy
- Employee Health Committee will remain in place; role of committee changing with union contract agreements
- Keep in mind the knife cuts both ways we must be cautious about managing reserves (Obama care, pay or play, wellness, HSA, volatility)

Debt

- Based on current revenue projections and City policy we should not issue new debt service in GF Capital Improvements Plan
- 10 year project list to reserve debt capacity as current debt falls off would be prudent
- Water Fund & WPC Sewer Fund will likely need a bond issue for upcoming projects. (WPC should be short duration due to high debt)
- Working on potential call/re-funding mid 2013 with minimal impact to General Fund
- Findlay's bond rating (AA) is at risk until permanent budget solution is enacted including a completed 5-Year Forecast with contingencies

This and That

- 2012 derecho storm
  - $505,000 spent; $459,000 reimbursed; $46,000 net cost
    reimbursement includes $7,600 administrative fee for Auditor's office; reimbursements from insurance and FEMA
- Have identified +$45,000 in potential GF reimbursable revenue in time charges to capital projects that have not been booked
- WORC revenue at 37% of budget
- Internal Service Workers Comp Fund
  - 2013 Reimbursement from BWC is $176,957 (not GF)
  - Estimated savings from retro program participation for the years 2010-2012 is $553,474
- New rules from State for OPERS contractor payments has created a very cumbersome accounts payable process and additional long term liability

Observations

- 2014 and 2015 Budget plans should consider:
  - Expenses, Capital Improvements, Revenue, Flood Mitigation and subsidies in a *sustainable* manner
- City tends to avoid smaller, regular increases to enterprise charges and user fees, causing need for larger sporadic increases
- Cash balances growing
- New statutory requirements have office approaching limits of work hours available
- City is extremely vulnerable to the loss of a major employer

Current Action Items

- Auditor Staschiak recommending 2 year budget plan be prepared for 2014 and 2015, a 5-year forecast and pro forma for water and sewer needed to accompany 5-year capital plan, as well as contingency planning
- Council and Administration need to agree on long term budget forecast that manages cash balances and shows budget works over multiple years
- Elected Official participation in contingency planning is needed due to reliance on local business base
- Issue of private use of recreation assets needs addressed due to tax exempt debt issued
  - specifically with regard to new hockey locker room, youth football and future service contracts at the recreation facilities

Summary

- Cash balances are growing and need actively managed
- Plan should be developed for managing cash balances in excess of minimums or best practice amounts
- Deferred capital maintenance should be identified and costs calculated
- Long-term budget planning is still an outstanding weakness of City
- Income Tax Withholding growth needs to be explained