



# MID YEAR REVIEW 2014

*A report of economic factors, issues of significance and Findlay's budget progress as of 6/30/14, for consideration in order to enable a positive conversation about where we are and where we are headed*

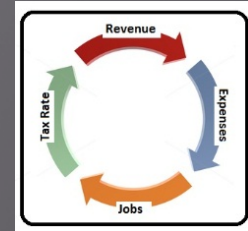


# Economic Factors

- ❑ The Federal Reserve downgraded its outlook for the U.S. economy this year, unemployment at 5 year low, labor participation rate at 36 year low, inflation well below target
- ❑ County Sales tax is up 3.8% over 2013 per County Auditor June '14
- ❑ Lowest interest rates in recent history to continue into 2015
- ❑ Initial indications are the city-wide Community Reinvestment Area (CRA) a positive for job growth
- ❑ Findlay Board of Realtors reports 292 homes sold June '14 compared to 313 homes sold June '13 in Findlay
- ❑ State ODJFS reports County Employment at 38,400 May '14 compared to 37,700 June '13
- ❑ At mid-year review in 2013 City Auditor reported cash balances were growing; City's improving financial position is certainly a positive and is creating new challenges for City

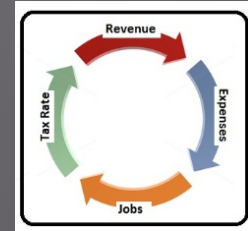


# Economic Factors

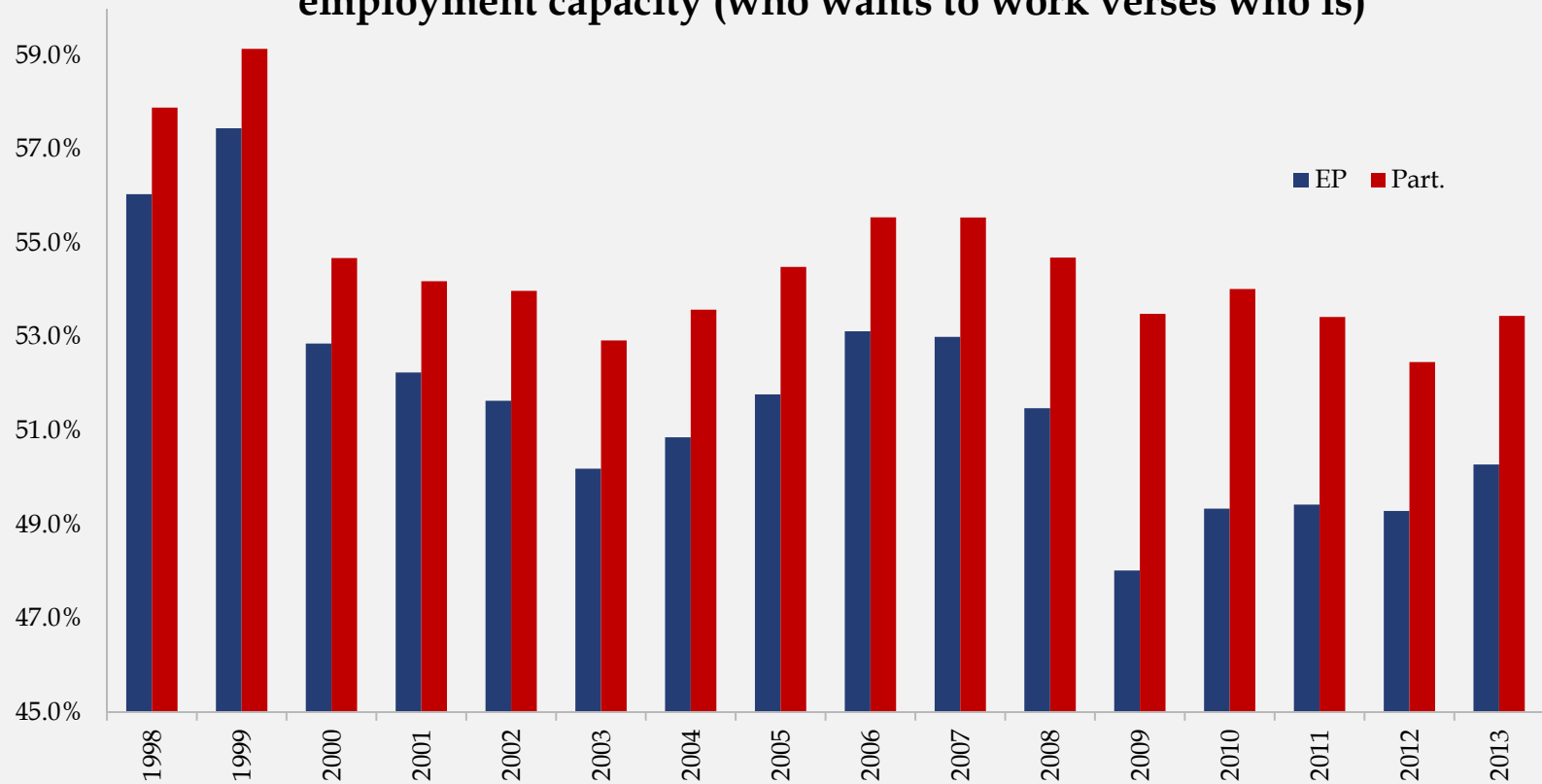


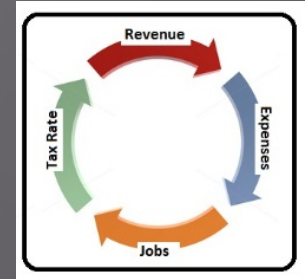


# Economic Factors



**Participation Rate & Employment Population Ratio shows local employment capacity (who wants to work verses who is)**





# CITY FUNDS

7/22/2014



## 2014 General Fund Expenses

- ▣ Expenses budgeted for 2014 are \$26,882,000
- ▣ Mid-Yr. expenses at \$12,759,000 for 2014 or 47.5% compared to \$14,077,000 for 2013 or 50.8% of budget
- ▣ Legislation needed at next meeting:
  - Cemetery \$1,000 – personal services
  - Parks \$3,500 – personal services
  - SCM&R Streets \$42,000 – personal services
  - Water Dist. \$7,000 – personal services
  - Airport \$43,000 – personal services
  - WORC \$1,300 – personal services
  - NEAT \$1,400 – personal services



# 2014 FUNDS as of 6/30/14

## As % of 2014 Budget

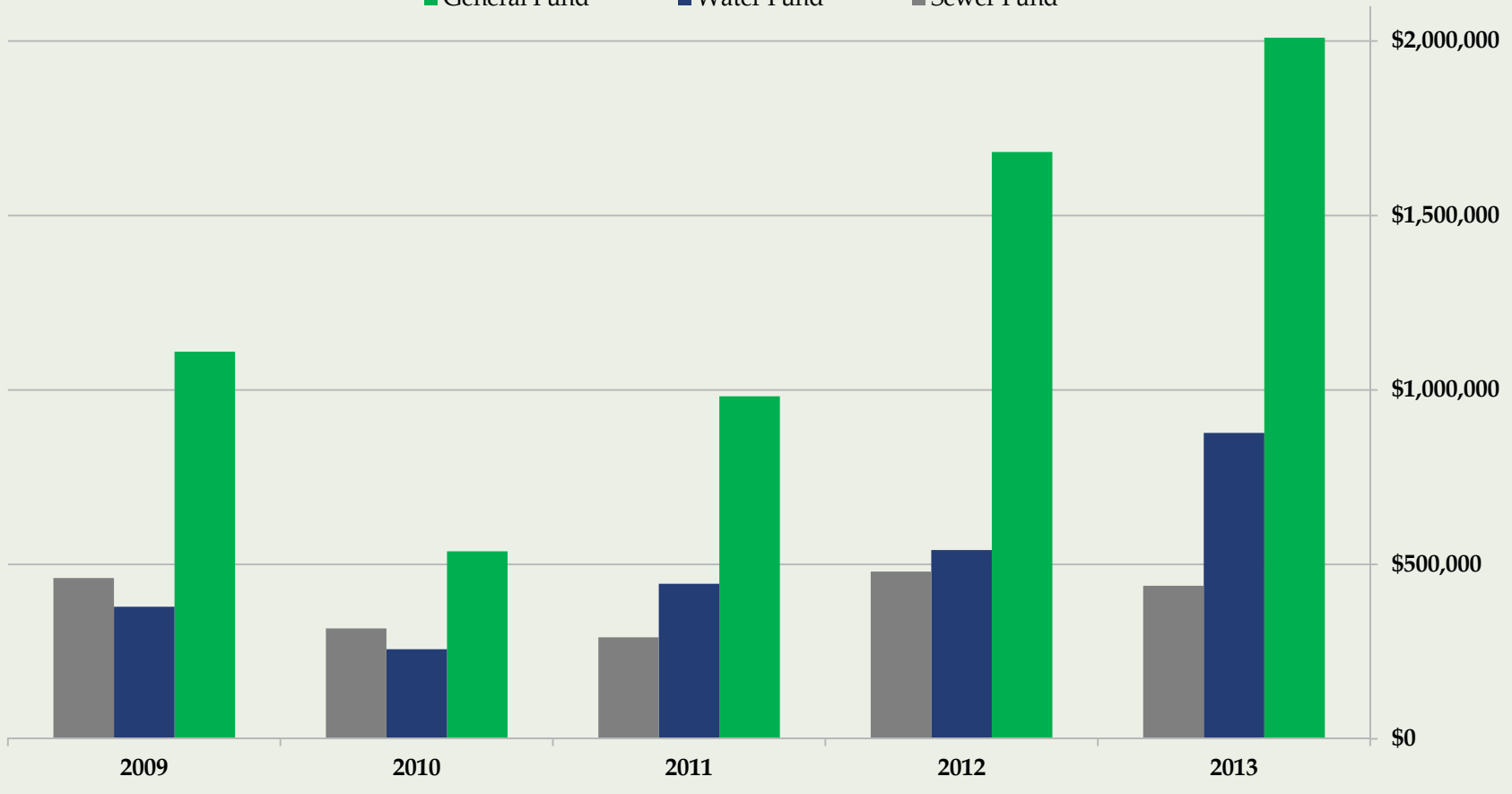
□ Water:	Expenses -8.6%	Revenue +0.5%
□ WPC Sewer:	Expenses -5.2%	Revenue +0.1%
□ SCM&R (subsidized):	Expenses +1.0%	Revenue +16%
□ Airport (subsidized):	Expenses -2.1%	Revenue +6.0%
□ Parking (subsidized):	Expenses +2.5%	Revenue +9.7%



# Annual Appropriations

## Year End Appropriated Operations Budget Carry Forward

■ General Fund   ■ Water Fund   ■ Sewer Fund







# 2014 General Fund Revenues

- ▣ Revenue Budget 2014 is \$27,782,000
- ▣ Mid-Yr. Receipts \$12,294,686 or 44.3% of budget (including dept. capital appropriations and subsidies)
- ▣ Projected year end Cash balance for 2014 is currently \$5,200,000 above your minimum reserve requirement
- ▣ Real Estate tax -1.0% of budget
- ▣ Local Government funds +1.3% of budget



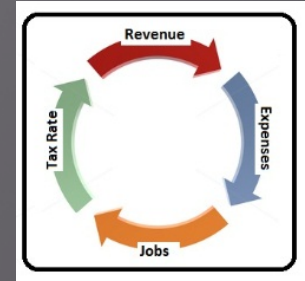
# 2014 General Fund Revenues

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

▪ Income Tax	67.7%
▪ Real Estate Taxes	7.6%
▪ Other including interdepartmental transfers	6.8%
▪ Courts	5.0%
▪ Parks & Rec Functions	3.9%
▪ Health Department	3.8%
▪ Intergovernmental	3.2%
▪ Hotel/Motel Tax	1.3%
▪ Engineering & Zoning Fees	0.7%

*These figures represent gross revenue as a percentage of the 2014 GF budget*

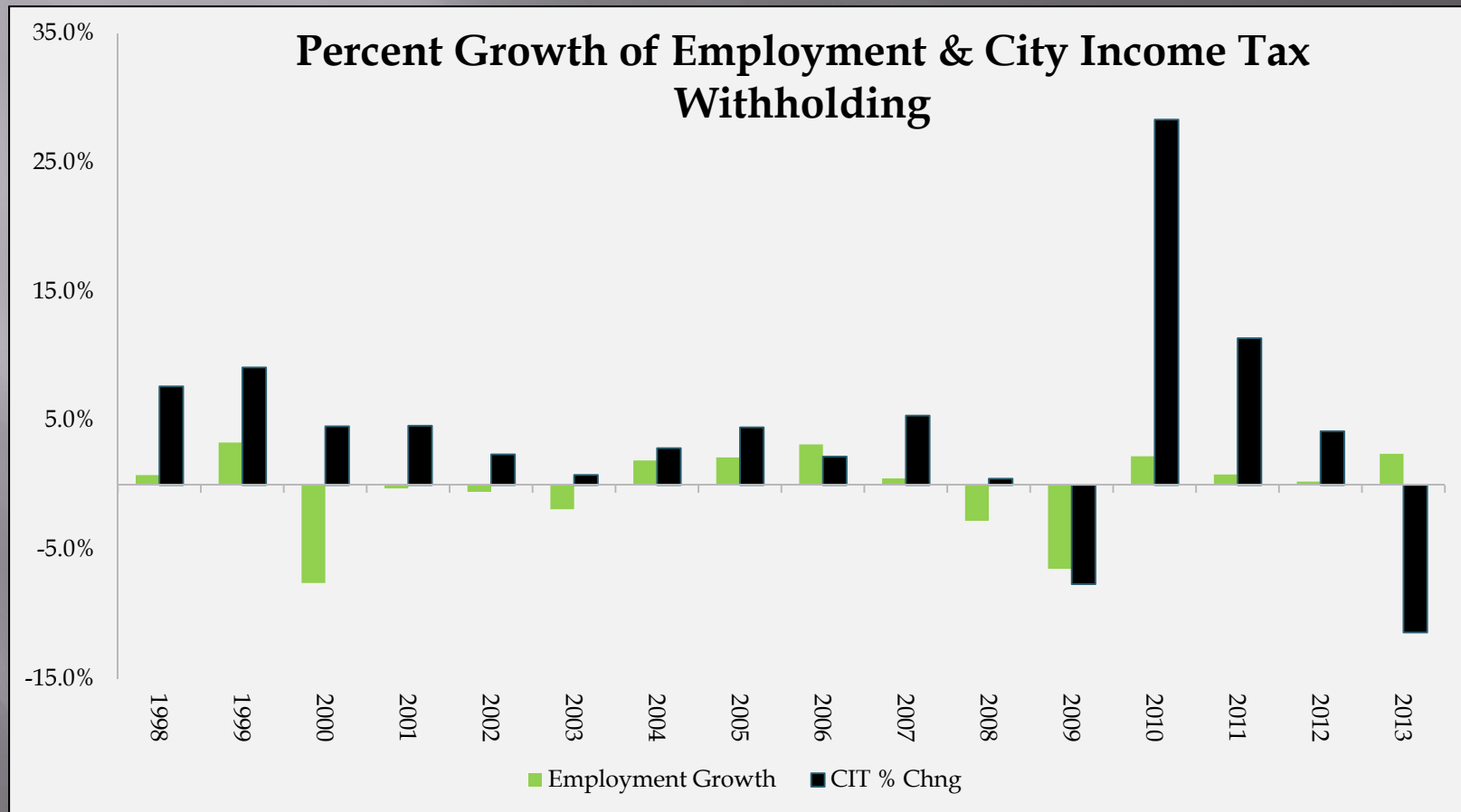
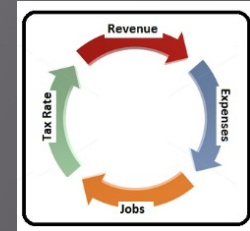


# CITY INCOME TAX

7/22/2014



# Income Tax



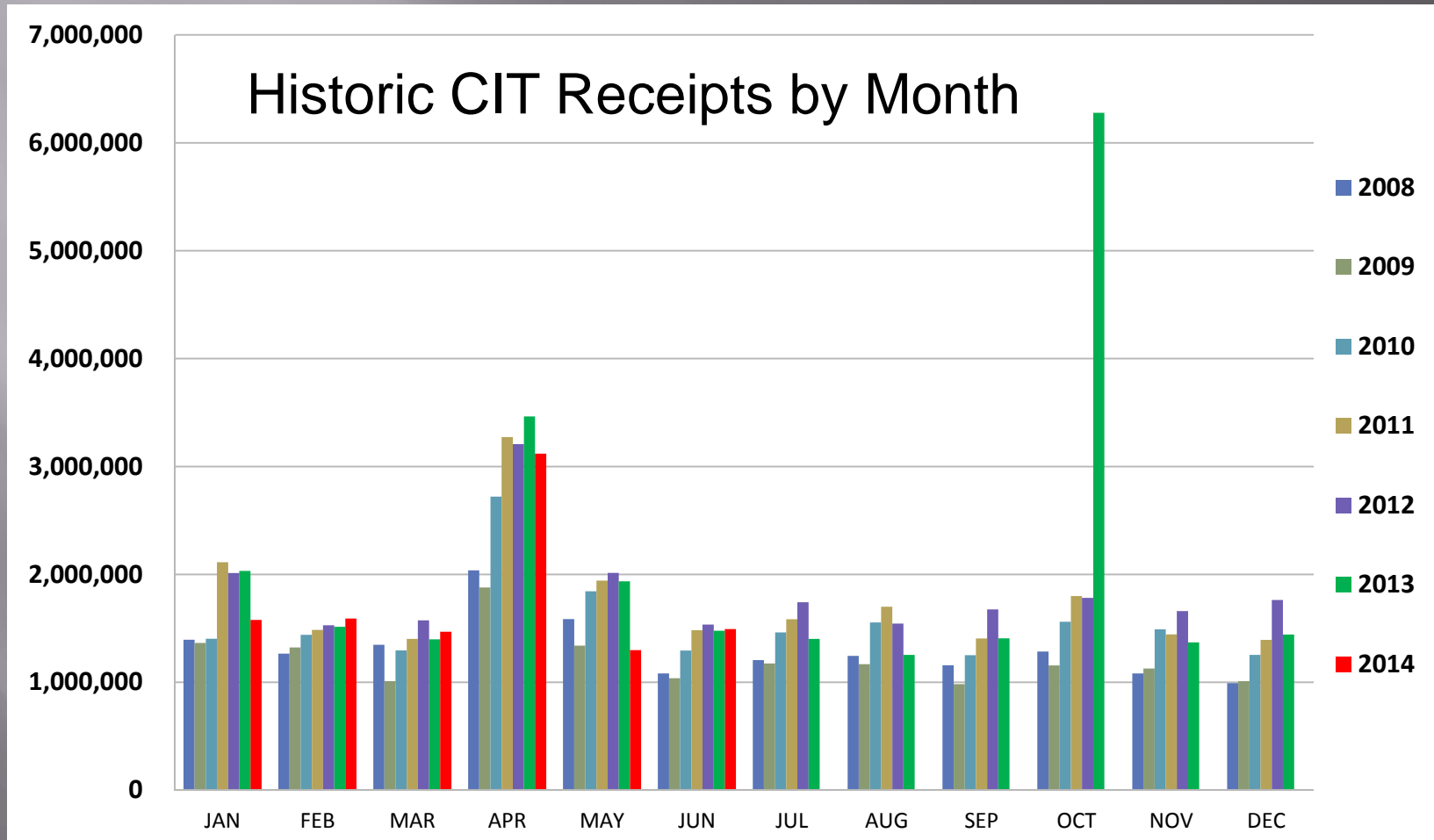
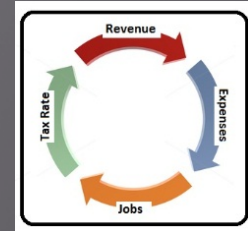


# 2014 Income Tax

- ▣ City income tax running below projection of \$23,158,000 estimate; currently -4.4% of budget
- ▣ Total Income Tax Collections -10.8% y2y
  - ▣ General Fund Allocation 2014 YTD \$8,298,718
  - ▣ General Fund Allocation 2013 YTD \$9,398,927
- ▣ House Bill 5 labeled as 'deeply flawed' by OML
- ▣ City needs to discuss estimated tax payments and its relationship to the windfall provision

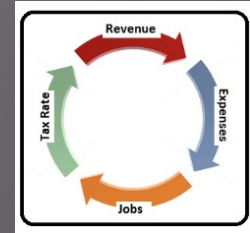


# Income Tax

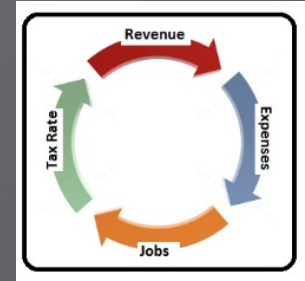




# Income Tax



- ❑ Oct 15<sup>th</sup> 2014 will be receiving money that could have been received as estimated payments to Findlay in April, June, Sept., & Dec. of 2013
- ❑ Allowing such a large payments to be deferred could have a significant impact on operational budget considerations
- ❑ City Auditor knows no justifiable reason to defer such a large percentage of the total income tax collections
- ❑ Increasing the General Fund minimum reserve to 16.7% of expenses in 2014 (an excess of \$4MM) and having \$1MM rainy day account helps protect the city from the volatility of business income tax; 2007 repeat unlikely for a number of reasons



# THIS & THAT





# Capital Improvements

- ❑ 2014 Revenue projection is \$3,693,539 which is -4.4% of budget
- ❑ Budgeted debt payments of \$957,425; 25.9% of the capital improvement's 2014 budgeted revenue and within policy limit
- ❑ GFOA Best Budgeting Practices recommended minimum reserve 25% of debt service plus match & contingencies
- ❑ 2014 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)
  - ❑ ODOT recommends 6.6% of pavement be maintained each year; 200 miles of improved roads in Findlay;  $200 \times 6.6\% = 13.2$  miles per year
- ❑ 2015 GF-Cap Improvements Allocation projected at 82% / 18% per SSD's 5 year Capital Plan



# Employee Count

	2014 <sub>6/21</sub>	2013 <sub>12/31</sub>
▣ Full Time Employees	304	294
▣ Part Time Permanent	29	24
▣ Elected Employees	17	16
▣ Seasonal	55	25
▣ Full Time Equivalents FTEs	322	319
▣ Replaced 4 employees YTD		
▣ 1 employee positions not replaced YTD		
▣ 10 New hires YTD		



# Workers Comp

- ❑ BWC is changing it's billing processes for public entities
- ❑ Changing from paying in arrears to paying as due
- ❑ This will impact the 2015 and 2016 budgets effectively doubling cash outlay in one of those years
- ❑ Currently reviewing plan alternatives and will estimate costs going into those years



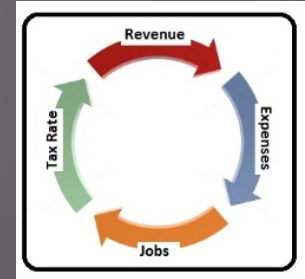
# Health Insurance

- ❑ Doing very well as compared to prior years determining if premium savings will be achieved
- ❑ Working with Corporate One on a wellness strategy for 2014 implementation
- ❑ A significant amount of cost has shifted to the employees with deductible and co-pay changes
- ❑ Updated actuarial review now done annually
- ❑ Employee Health Committee will remain in place; role of committee has changed with union contract agreements



# Liability Insurance

- ▣ City contracts an annual audit of its liability coverage's. The purpose being to identify omission, concerns and areas of importance with regard to our coverage
- ▣ The report is prepared by 'Insurance Audit Independent Risk Management and Insurance Counsel'
- ▣ Report and Executive Summaries are available for review



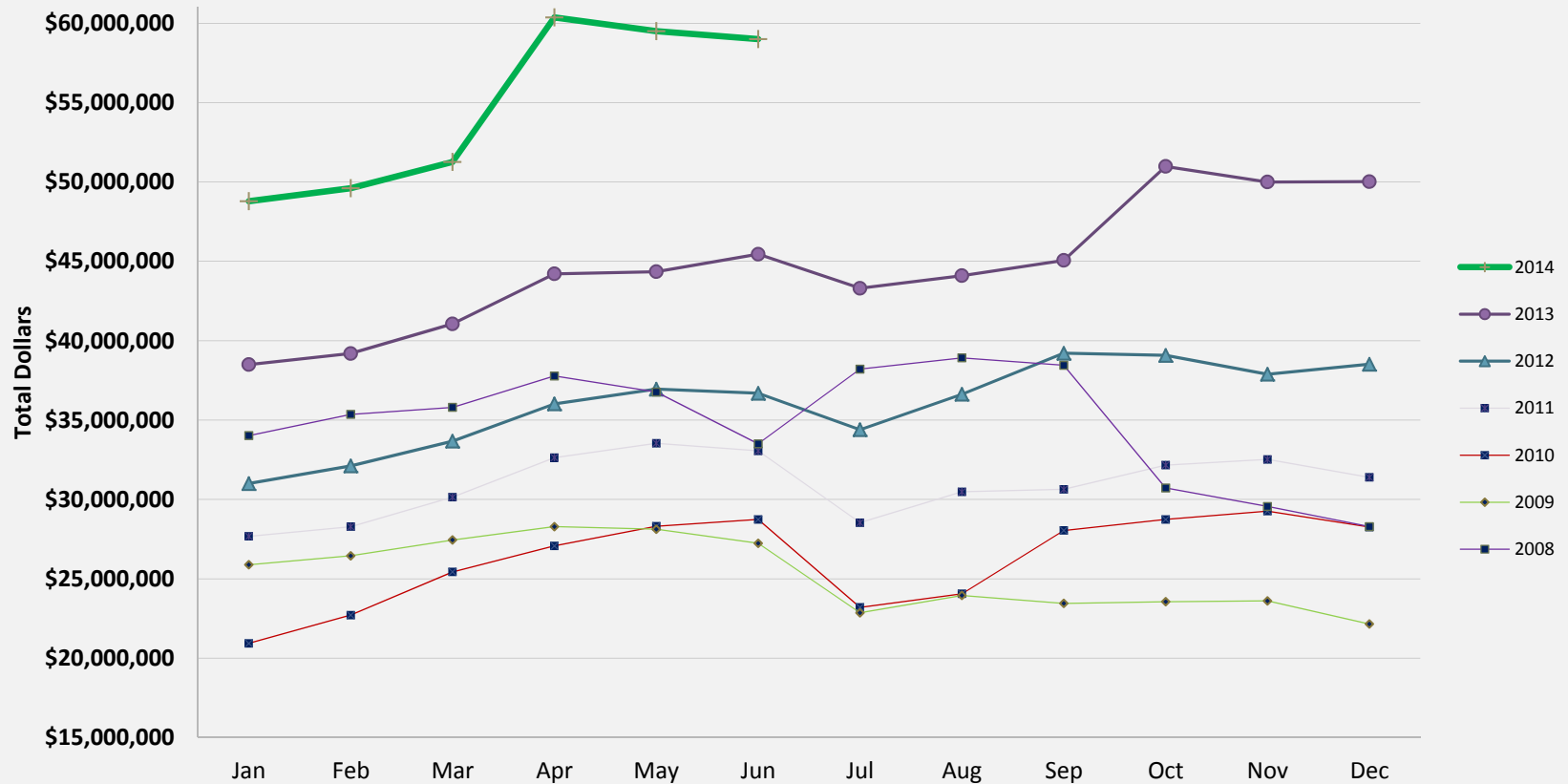
# CASH & PLANNING

7/22/2014



# Cash Balances

## Month End Cash & Investments Balance





# Major Fund/Accounts Balances

	<b>Minimum or Reserve</b>	<b>Amount Above Reserve</b>
▣ General Fund <sub>6/30</sub>	\$4.4 MM	\$5.2 MM
▣ Capital Improvements <sub>6/30</sub>	\$0.3 MM	\$5.3 MM
▣ SCM&R Streets Fund <sub>6/30</sub>	\$0.1 MM	Subsidized
▣ Airport Fund <sub>6/30</sub>	\$0.2 MM	Subsidized
▣ Water Fund <sub>4/30</sub>	\$1.2 MM	\$3.6 MM
▣ Sewer Fund <sub>4/30</sub>	\$2.1MM	\$1.2MM
▣ City Income Tax Fund	\$0.1MM	\$0.4 MM
▣ Rainy Day Account	\$1.0MM	\$0.0MM

*Minimum or Reserve based on best practice review of each fund or account;  
unappropriated fund balances total \$31,015,000 as of 6/30/14*





# What are others doing?

- ❑ As part of planning communities are now mapping condition of water, sewer and storm lines (similar to our street report began 2006, refined since). Have learned unexpected things
- ❑ State budget process calls for a July submission of Tax Budget (financial plan) for operations for the next year. The County Budget Commission is permitted to amend local requirement; however, Findlay should complete tax budget for following year in July (use 2-year operations budget created in fall)
- ❑ Long term planning is becoming the norm. Good plans have included significant community involvement
- ❑ Some communities have established boundaries for reserves requiring refunds or tax rate reductions if exceeded



# Financial Forecasting

- “Long-term financial planning...is an organizational competency that is refined over time.” - GFOA’s *Financing the Future*
- “Lack of long-term financial planning has been a key contributor to some of the biggest challenges facing Ohio local governments”  
- Auditor Yost’s Local Government Services Presentation 2014
- City deserves some credit, can find references to some planning going back several administrations



# Financial Forecasting

**skinnyohio**  
smarter, streamlined government

Dave Yost  
Auditor of State



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Planning & Financial Management

## Financial Forecasting

Forecasting is a key component in determining future operations, problems, and opportunities. Good financial forecasts benefit governments by enabling decision-makers to:

- Develop an understanding of available funding
- Evaluate financial risk
- Assess the likelihood that services can be sustained
- Assess the level at which capital investment can be made
- Identify future commitments and resource demands
- Identify the key variables that cause changes in the level of revenue and expenditures

Governments at all levels find forecasting beneficial in determining available resources and developing budgeted expenditure amounts. Most public entities use forecasts that extend three to five years beyond the current budget period, although some entities use 10-year forecasts. In any case, the forecast should be monitored and updated on a regular basis.

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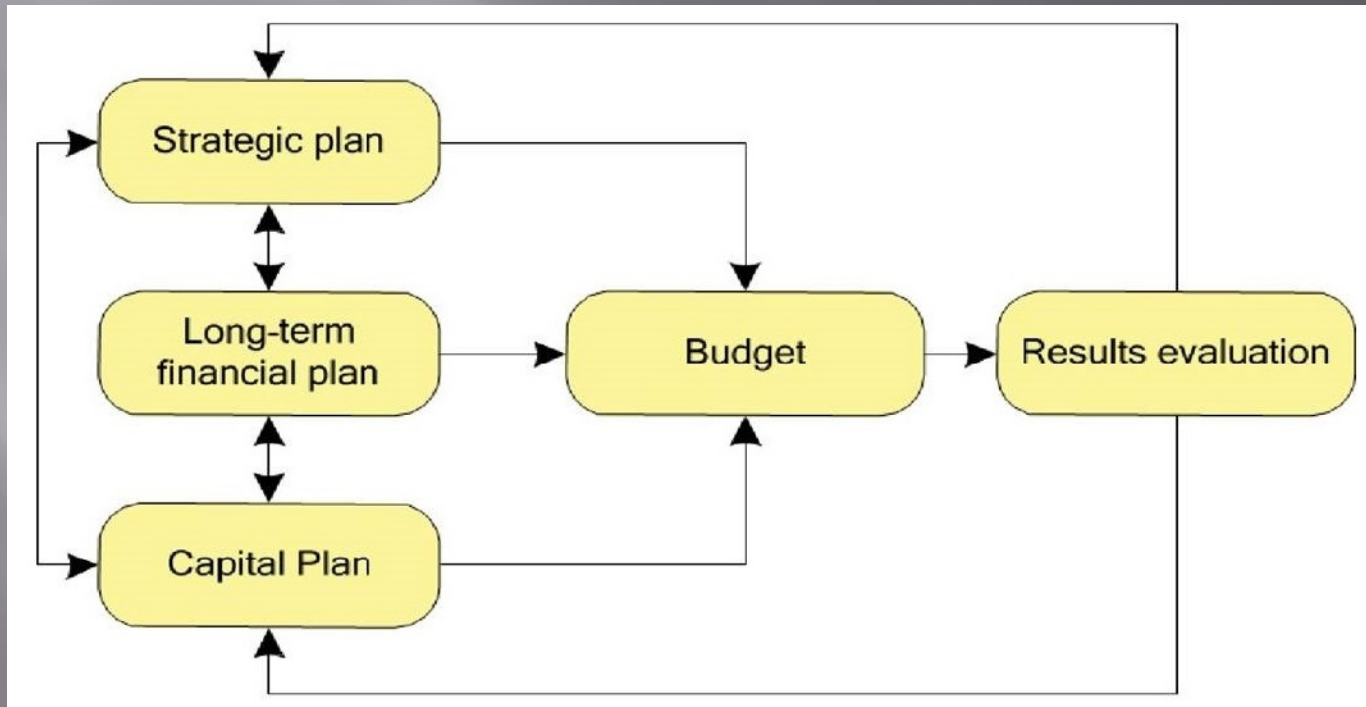
# Planning Components

- ▣ 2 Year Operations Budget 2015 - 2016
- ▣ 5 Year Operating Forecast (Resolution 002-2014 in place for enterprise funds)
- ▣ 5 Year Capital Plan (Resolution 002-2014)
- ▣ 5 Year Debt Plan
- ▣ Balanced Budget Policy
- ▣ Employment Growth Targets

*These are some components of Strategic, Capital & Long term plans*



# Planning Components





# Financial Forecasting

- ❑ As of today the City has a 5 month budget.
- ❑ Rating Agencies specifically look at 5-year forecasts, legislated financial policies, and financial trends
- ❑ Better to plan while we have the money!
- ❑ A strategic plan puts Findlay in a position where it is able to make the best decisions where there is a significant long term financial impact on operations
- ❑ Some Ohio Cities with 5-year financial plans : Cincinnati, Mansfield, Monroe, Pickerington, Sydney, Westerville, local entity - Findlay City Schools



# Summary

- ❑ **Many of our current issues are results of our improved financial condition**
- ❑ Business component of Income Tax needs to be addressed with regard to estimated payments and windfalls
- ❑ Cash balances have grown well beyond minimum reserves and a plans should be developed to properly manage them
- ❑ Year end carry-forward was very large in 2013, most notably in Capital Improvements account and the General Fund. We are on the same path in 2014, this could give the appearance there is less money available during the fiscal year than there actually is



# Summary continued

- ❑ Long-term budget planning is still an outstanding weakness of City, should be addressed prior to adding recurring cost or new large cost items. City risks falling behind the financial forecasting wave
- ❑ 2015 and 2016 Budget plans should consider:
  - Expenses, Capital Improvements, Revenue, Flood Mitigation and subsidies in a *sustainable* manner
- ❑ Top 10 Employers has constantly changed. New and growing local companies a positive for Findlay and regional economy. Proper contingency planning will allow the City to adjust to a future loss of a major employer
- ❑ Potential Health Department merger should be reviewed by respective County & City Auditor's for financial compliance issues prior to completing a merger plan