

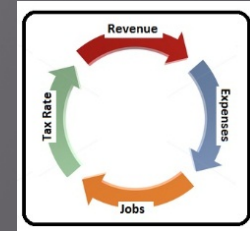


# MID YEAR REVIEW 2015

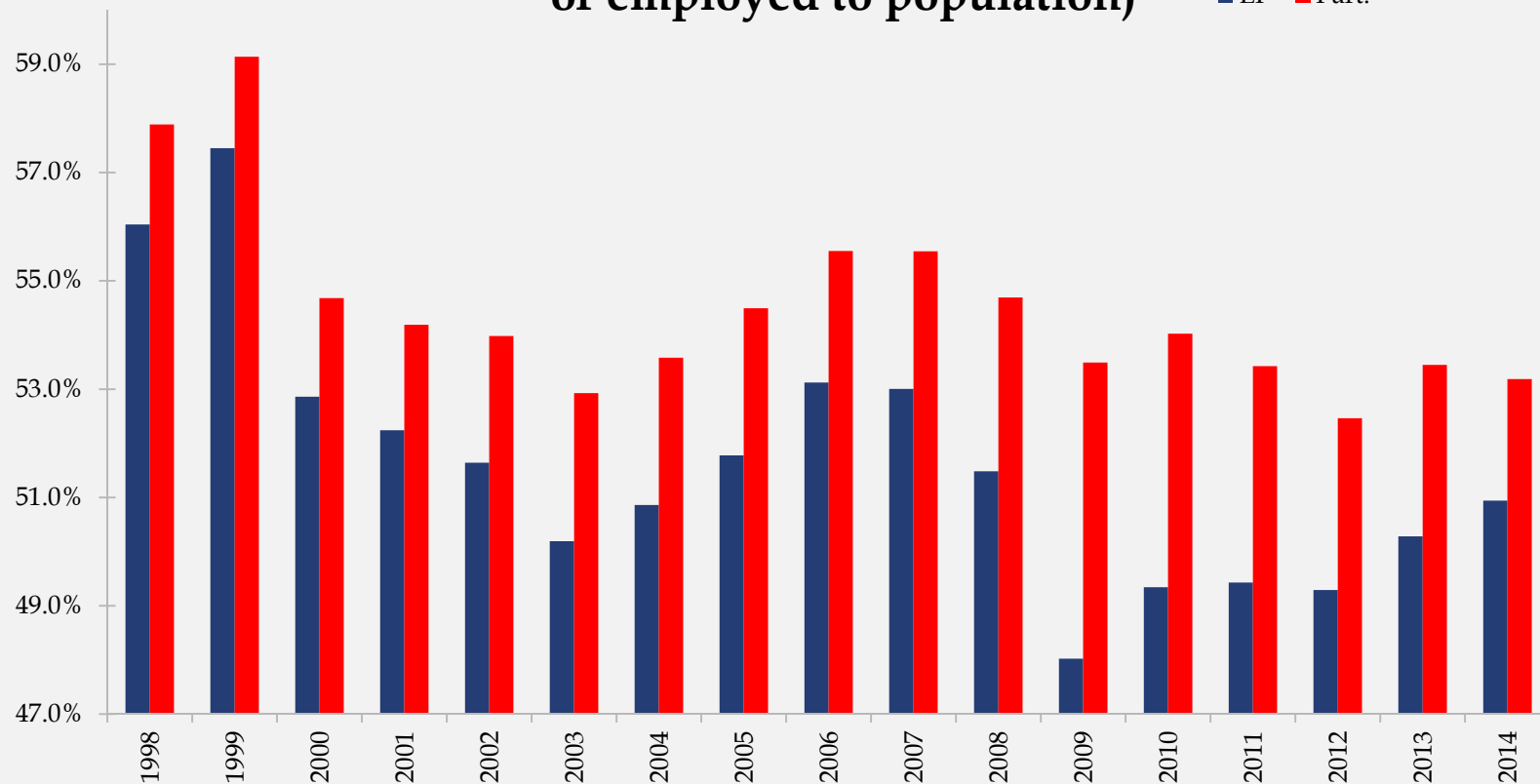
*A report of economic factors, issues of significance and Findlay's budget progress as of 6/30/15, for consideration in order to enable a constructive conversation about where we are and where we are headed*



# Economic Factors



**Participation Rate & Employment Population Ratio (ratio of employed to population)** ■ EP ■ Part.





# Economic Factors

- ❑ Fed concerns continue to be wages, unemployment, labor participation rate, and inflation, hinting at rate hike
- ❑ County Sales tax is up 12.2% over 2014 per County Auditor June '15
- ❑ Lowest interest rates in recent history to continue through 2015
- ❑ Findlay Board of Realtors: 355 homes sold thru June '15; 295 homes sold June '14; 313 homes sold June '13 in Findlay
- ❑ State ODJFS reports County Employment at 39,100 June '15 compared to 38,800 June '14 and 37,700 June '13
- ❑ At mid-year review in 2013 & 2014 City Auditor reported cash balances were growing; City's improving financial position is certainly a positive and is creating new challenges for City



# 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.

Performance Audits

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# What are others doing?

## ▣ Henrico County, Virginia

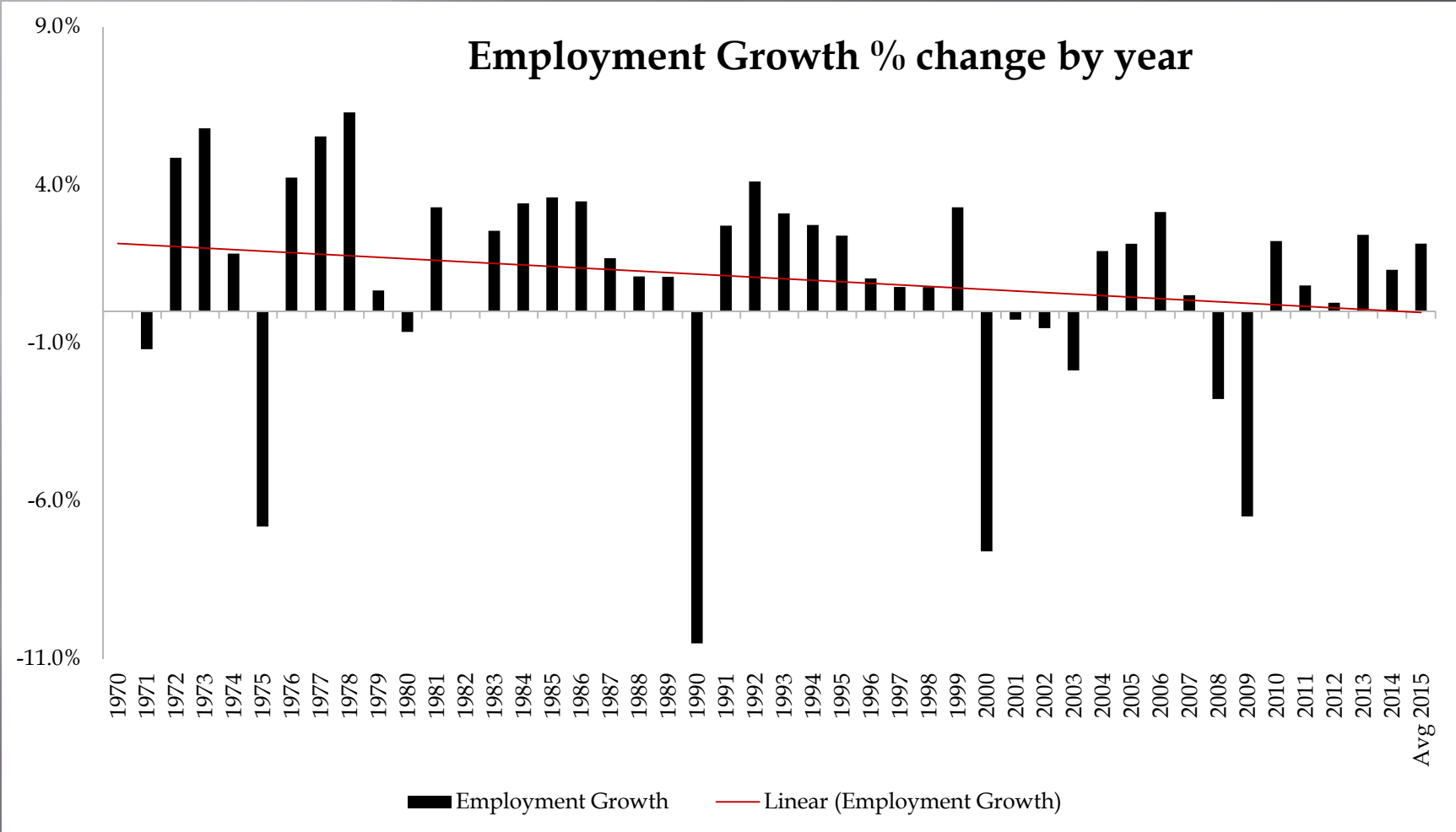
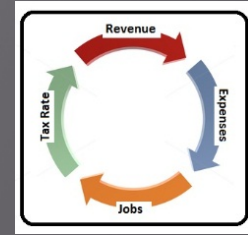
- In 2001 created 5-year plans, built reserves, kept debt levels low, estimated conservatively, as a result was resilient through the recession
- Now anticipates needs 20 years into the future
- Built capacity to deliver services despite economic downturns
- Decision makers apply a 10-10-10 methodology and review the impact of their decisions 10 days, 10 months, and 10 years down the road

*"The approach is fairly simple, but the exercise of subjecting ideas to a formal evaluation process can help decision makers look past the emotional component of decisions and provide evidence to counteract short-sighted, politically motivated decision making"*

*- Government Finance Officers Association 7/8/15*

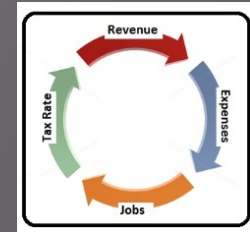


# Economic Factors

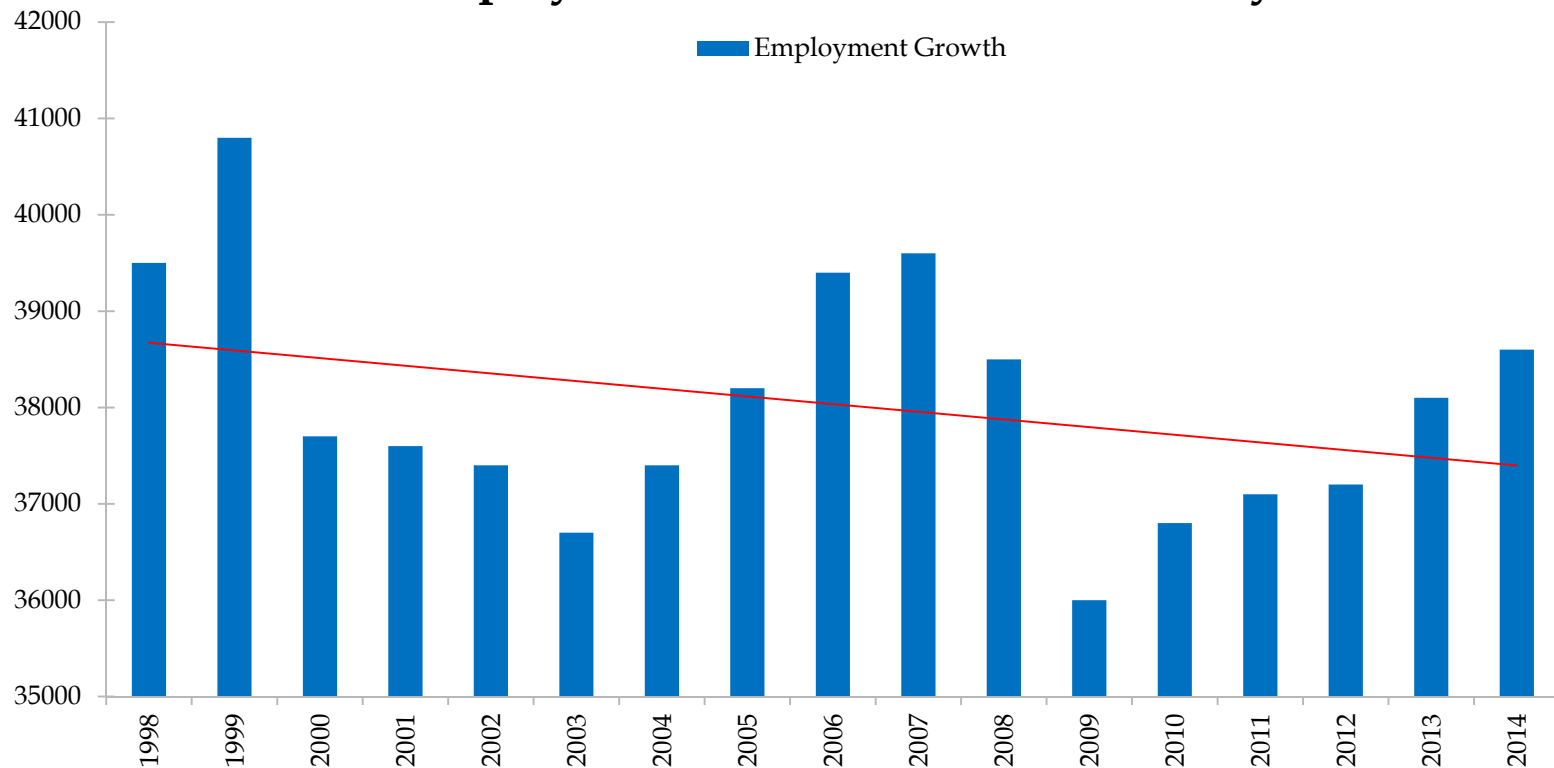




# Economic Factors



## Employed 1998 to date Hancock County





# Components of Strategic, Capital & Long Term Plans

According to the GFOA, "a financially resilient government has recovered its financial stability and gone on to implement strategies, control mechanisms, budgeting techniques, and early warning systems to make sure it can withstand future financial shocks."

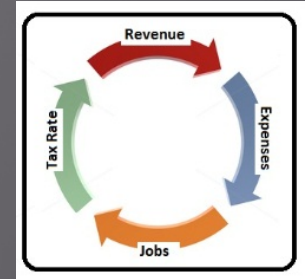
- ❑ 2 Year Operations Budget 2015 - 2016
- ❑ 5 Year Operating Forecast (Resolution 002-2014 in place for enterprise funds) with contingency planning
- ❑ 5 Year Capital Plan (Resolution 002-2014) 10 year potential projects
- ❑ Long Term Debt Plan
- ❑ Balanced Budget Policy
- ❑ Employment Growth Targets





# Financial Forecasting

- ❑ Rating Agencies look at 5-year forecasts, legislated financial policies, and financial trends and contingency planning
- ❑ 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 potentially 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



# CITY FUNDS



# 2015 General Fund Expenses

2015 Budgeted Expenses	\$26,882,000
2015 Appropriated thru 6/30/15	\$27,729,800

Expenses Mid-Yr. 2015 at 51.2% of budget	\$14,656,000
Expenses Mid-Yr. 2014 at 47.5% of budget	\$12,759,100

## Legislation needed at next meeting:

- Cemetery \$1,700 – personal services
- Parks \$1,500 – personal services
- SCM&R Streets \$20,000 – personal services
- NEAT \$100 – personal services
- Self Insurance \$95,000



# 2015 General Fund Revenues

- ▣ Revenue Budget 2015 is \$26,667,154
- ▣ Mid-Yr. Receipts \$14,257,255 or 53.5% of budget (including dept. capital appropriations and subsidies)
- ▣ Projected year end Cash balance for 2015 is currently \$4,200,000 above your minimum reserve requirement
  - Hotel/Motel tax -8.1% of budget
  - Engineering +9.0% of budget
  - Airport -7.8% of budget





# 2015 General Fund Revenues

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

	2015	2014
▣ Income Tax	65.3%	67.7%
▣ Other including interdepartmental transfers	9.7%	6.8%
▣ Real Estate Taxes	7.8%	7.6%
▣ Courts	5.0%	5.0%
▣ Health Department	3.9%	3.8%
▣ Parks & Rec Functions	3.2%	3.9%
▣ Hotel/Motel Tax	2.2%	1.3%
▣ Intergovernmental	2.1%	3.2%
▣ Engineering & Zoning Fees	0.8%	0.7%

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



## 2015 FUNDS as of 6/30/15

### As % of 2015 Budget

- Water: Expenses -10.1% Revenue +0.7%
- WPC Sewer: Expenses +1.1% Revenue -0.4%
- SCM&R (subsidized): Expenses -8.8% Revenue +20.5%
  - Potential for receipt of settlement dollars from the Morton/Cargill salt; claim must be filed by 8/7/15
- Airport: Expenses -9.3% Revenue -7.2%
- Parking (subsidized): Expenses +1.7% Revenue +22.9%



# 2015 Income Tax

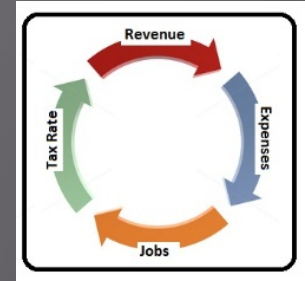
- ▣ City income tax collections of \$12,675,400 estimate; currently 57% of budget It is unknown how much is delinquent-deferred estimated payments
  
- ▣ Total Income Tax Collections
  - General Fund Allocation 2015 YTD \$10,000,927
  - General Fund Allocation 2014 YTD \$8,298,718
  - General Fund Allocation 2013 YTD \$9,398,927



# 2015 Income Tax

- ❑ HB5 has made significant changes that take effect 1/1/16 and will require income tax legislation be passed by Council
- ❑ A complete review of the impact long and short term would be beneficial to all elected officials
- ❑ Timeline should be established for approval of legislation by Income Tax Board and Council
- ❑ Income Tax is certainly being eyed by the State; Findlay's long term planning efforts should be considering this fact





# THIS & THAT



# Capital Improvements

- 2015 Revenue projection is \$3,888,209 running +6.4% of budget excluding \$1,500,000 transfer from General Fund
- 2015 increase in capital funding important; however, long-term capital maintenance cost obligations should be calculated (as done with streets). Include facilities, sidewalks, sewer, storm & water lines
- 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
- Budgeted debt payments of \$926,253; 24% of the capital improvement's 2015 budgeted revenue and within policy limit
  - GFOA Best Budgeting Practices recommended minimum reserve 25% of debt service plus match & contingencies
- 2016 GF-Cap Improvements Allocation projected at 81% / 19% per SSD's 5 year Capital Plan



# Debt

- ❑ Findlay's bond rating (AA) is at risk until a comprehensive permanent budget process is enacted including a completed 5-Year Forecast with contingencies
- ❑ City has stated it has no plans for additional debt in near future as part of the 2014 Bond Issuance
- ❑ The FED has not met its promise to subsidize the energy bonds issued in 2011
- ❑ 10 year potential project list to reserve debt capacity as current debt matures would be prudent
- ❑ No call or re-funding opportunity until 2018



# Employee Count

	2015 <sub>7/4</sub>	2014 <sub>12/31</sub>
▣ Full Time Employees	296	308
▣ Part Time Permanent	21	27
▣ Elected Employees	17	17
▣ Seasonal	57	27
▣ Full Time Equivalents FTEs	329	326
▣ Replaced 3 employees YTD		
▣ 3 employee positions not replaced YTD		
▣ 6 New hires YTD		





# Health Department

- ❑ Attorneys for County and City disagree on authority of the combined board and begin date of contract. For financial purposes we are treating it as a January 1, 2016 start date (by consensus)
- ❑ Many issues still to be determined which will directly impact the cost of closing out the Findlay City Health department. Personnel accrual payouts are potentially significant
- ❑ Inventory list required under executed contract has been provided by City Auditor to the new combined health board
- ❑ City Auditor working with City Health Department to transition multiple Grants and other items into 2016 for the combined entity. There will be an operations budget prepared for 2016 to wrap up City side



# Health Insurance

- ▣ Doing very well as compared to prior years, plan appears fully funded for 2015 and reserved for 2016. Premium holidays being implemented
- ▣ Continue working with Corporate One on a wellness strategy, a vital component
- ▣ Updated actuarial review done annually to determine reasonable and necessary reserve
- ▣ Employee Health Committee role continues to evolve



# Hochstettler Building

- ❑ The new combined Health Board is nearing a decision regarding temporary facilities. Hochstettler building ranked highest of the 3 choices rated for a permanent location by its facilities committee
- ❑ If it is determined that they do not locate or desire to utilize the facility, the City should study the long term potential for use by other departments due to the stated current shortage of administrative space.
- ❑ A review could be factored into a 10 year Capital needs report
- ❑ Not retaining the facility long term would require a review of the FEMA grant utilized by the City



# Liability Insurance

- ▣ City contracts an annual audit of its liability coverages. 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

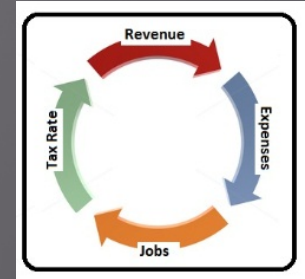




# Workers Comp

- ❑ BWC has changed its billing processes for public entities
- ❑ Changing from paying in arrears to paying as due
- ❑ State give back programs have significantly reduced premiums for the City under its current program - 'Group Retro'
- ❑ Auditor annually reviews plan alternatives to determine best program





# CASH & PLANNING

7/29/2015

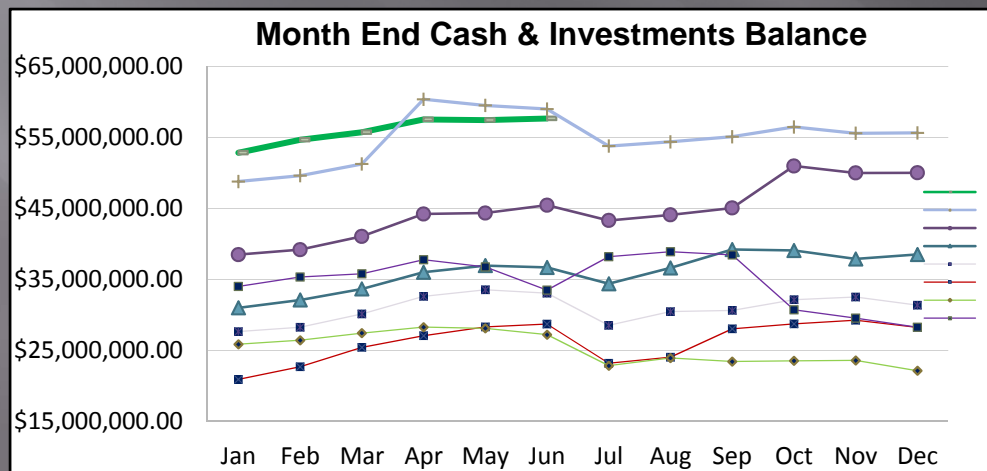
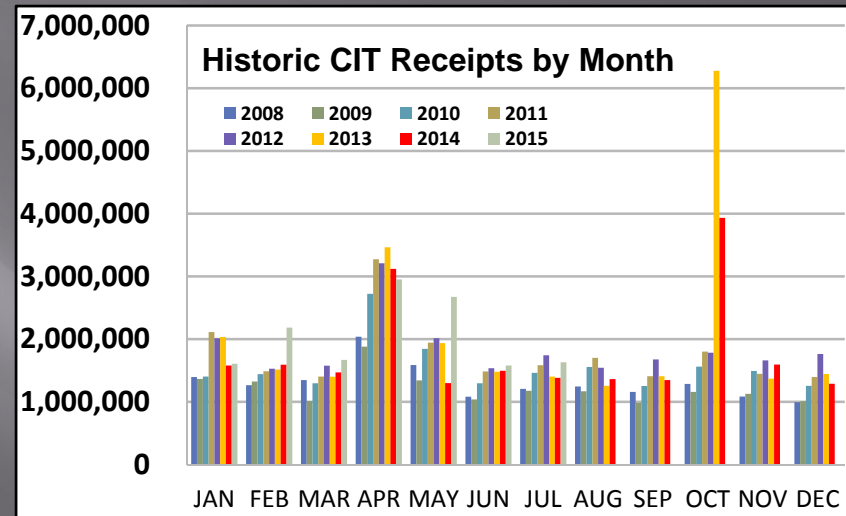
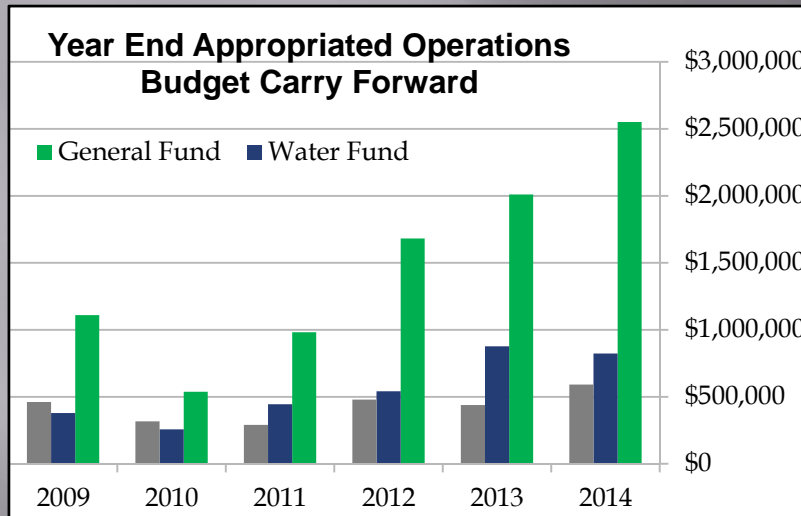


# Cash Management

- ▣ Areas where cash is impacted include current appropriation practices, income tax deferred-delinquent estimated payments, and long term (3-5yr) planning
- ▣ City Auditor cannot reasonably invest dollars longer term due to the liquidity issues surrounding above practices ( ORC states should invest with intent to hold to maturity )
- ▣ Opportunity cost estimate of the interest income lost from a combination of current cash management practices estimated at \$79,000 - \$100,000 from 2014 to 2015



# Cash Management





# Major Fund/Accounts Balances

Unappropriated

	Minimum or Reserve	Amount Above Reserve
▣ General Fund <sub>6/30</sub>	\$4.4 MM	\$4.2 MM
▣ Capital Improvements <sub>6/30</sub>	\$0.3 MM	\$4.8 MM
▣ SCM&R Streets Fund	\$0.1 MM	Subsidized
▣ Airport Fund	\$0.3 MM	\$0.3 MM
▣ Water Fund	\$1.2 MM	\$6.3 MM
▣ Sewer Fund	\$2.2 MM	\$7.3 MM
▣ City Income Tax Fund	\$0.1 MM	\$0.3 MM
▣ Rainy Day Account	\$1.0 MM	\$0.0 MM
▣ Flood Mitigation Account	Not funded	\$0.0 MM

*\* Without consideration to proposed capital improvement plan*



# Summary

- ❑ Cash balances continue to grow and a plan should be developed to properly manage them which will improve investment returns
- ❑ Long-term budget planning is still an outstanding weakness of City, should be addressed prior to adding recurring cost or new large cost items
- ❑ Contingency planning also an outstanding weakness of City. It would demonstrate the City's ability to adjust to a future loss of a major employer. Top 10 Employers has constantly changed. New and growing local companies a positive for Findlay and regional economy
- ❑ 2016 and 2017 Budget plans should consider:  
Expenses, Capital Improvements, Revenue, Flood Mitigation and subsidies in a *sustainable* manner





# Summary continued

- ❑ City should study the long term potential for use of Hochstettler building by other departments due to the stated current shortage of administrative space
- ❑ Community continues to express that the Business component of Income Tax needs to be addressed with regard to estimated payments, revenue estimates and windfall allocation
- ❑ Year end carry-forward was very large in 2013 and grew significantly at year end 2014, this gives the appearance there is less money available during the fiscal year than there actually is



# 2015 Mid-Year Review

# Questions?

