

MID YEAR REVIEW 2016

A report of economic factors, issues of significance and Findlay's budget progress as of 6/30/16, for consideration in order to enable a constructive conversation about where we are and where we are headed

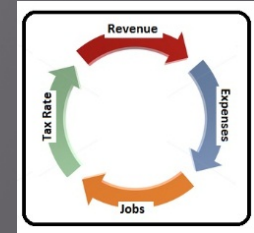


Economic Factors

- ❑ Fed concerns continue to be global economy, wages, labor participation rate, unemployment, and inflation
- ❑ Lowest interest rates in recent history to continue through 2016, Fed wants a rate hike
- ❑ County Sales tax is up 9.7% over 2015 per County Auditor June '16
- ❑ State ODJFS reports County Employment at 40,500 June '16 compared to 39,400 June '15
- ❑ Cash balances very high, in excess of \$60,000,000; City's financial position is certainly a positive and is creating new challenges for City.
- ❑ "Ohio tax changes under Governor Kasich leave villages, cities scrambling to cope with less" R. Exner, Cleveland.com 3/9/16



Economic Factors

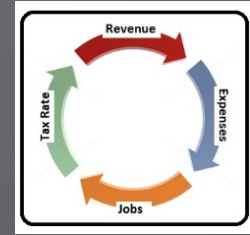


	Ohio	Findlay
▣ Population estimate	-	41,149
▣ Median household Income	\$48,849	\$43,948
▣ Median home value	\$129,600	\$121,800
▣ Persons in Poverty	15.8%	21.4%
▣ 5yr Income Tax Growth	-	3.89%

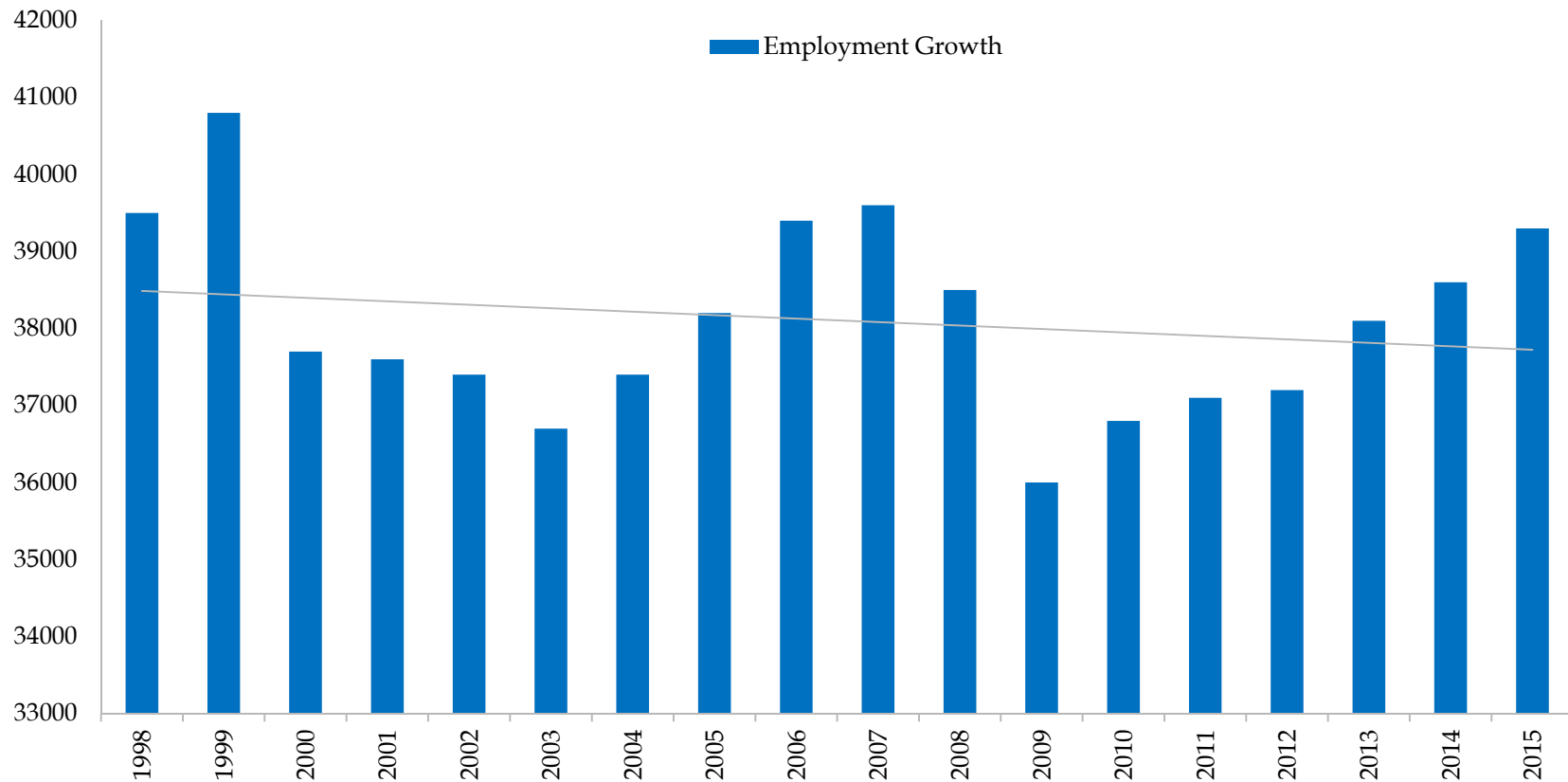
Source : US Census Bureau and City Income Tax Department



Economic Factors



Employed 1998 to date Hancock County





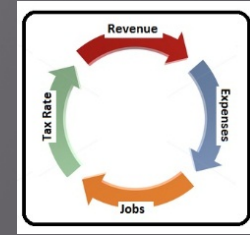
Components of Strategic, Capital & Long Term Plans

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
- ❑ Community Wide Strategic Plan with Employment Growth Targets



Economic Factors



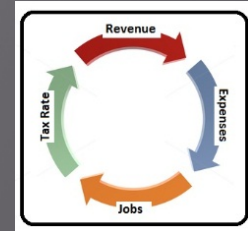


Planning for Success

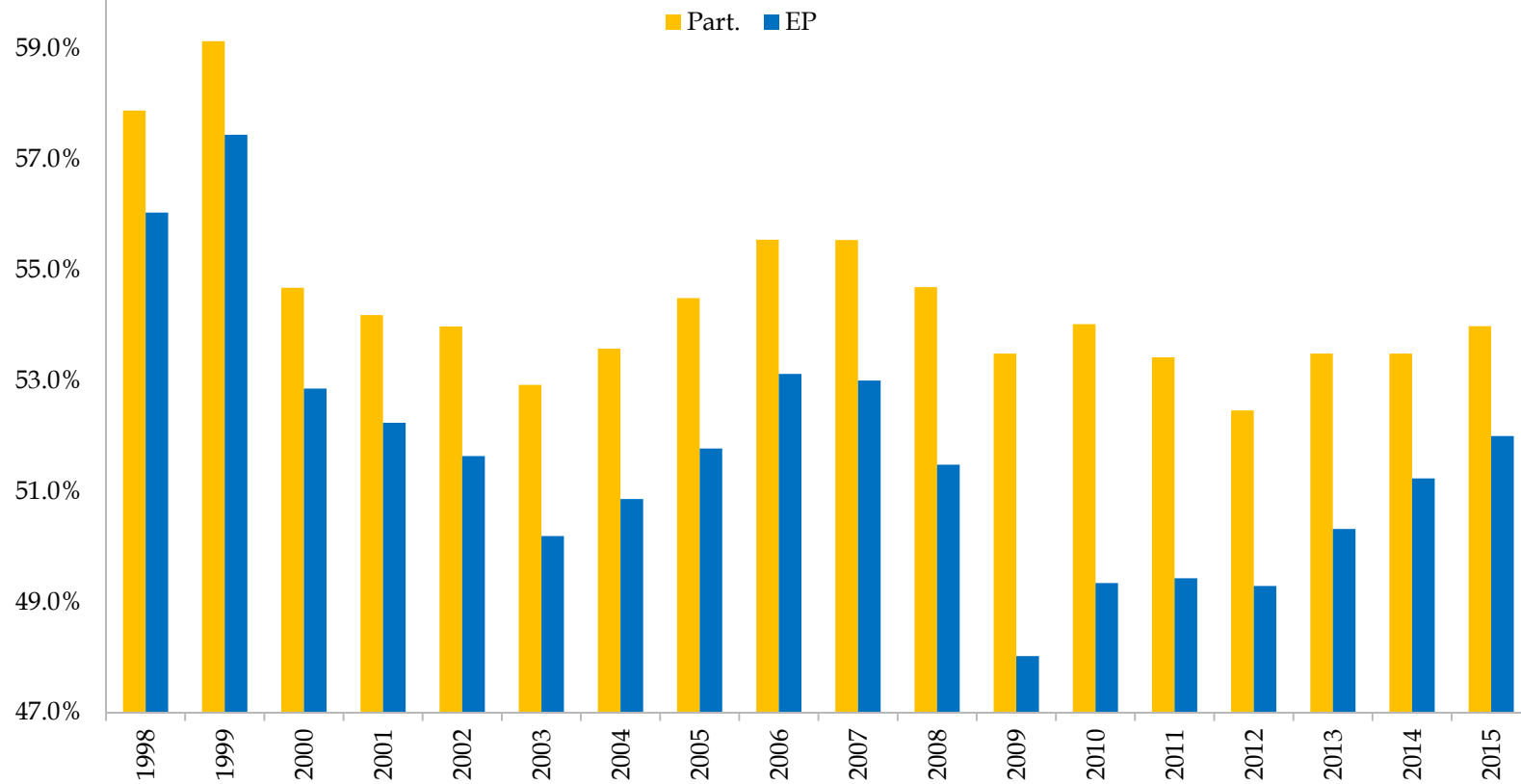
- ❑ Better to plan while we have the money!
- ❑ Strategic planning, done by City Council, would put Findlay in a position where it is able to make the best decisions and involve entire community at the Ward level. It could call for capital planning which takes Ward requests into consideration
- ❑ Rating Agencies look at budgets, forecasts, legislated financial policies, financial trends, contingency planning, and RESULTS!
- ❑ Rating review just completed with S&P, City given highest marks for financial management and is affirmed 'AA stable', community demographics inhibiting overall rating upgrade



Economic Factors



Participation & Employment Population Ratio (ratio of employed to population)





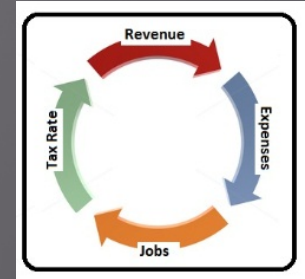
What are others doing?

▣ CASE STUDY - Henrico County, Virginia

- 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
- 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 (contingencies)

"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



CITY FUNDS

7/28/2016



2016 General Fund Expenses

2016 Budgeted Expenses	\$26,750,800
2016 Appropriated thru 6/30/16	\$28,294,140
Operation Expenses Mid-Yr. 2015 at 51.2% of budget	\$14,656,000
Operation Expenses Mid-Yr. 2016 at 47.4% of budget	\$13,915,400

Legislation needed at next meeting:

- Severance Payout Reserve \$110,000 – personal services
- Health Department \$65 – personal services, other
- Recreation Functions \$12,000 – personal services
- NEAT \$550 – personal services
- Computer Services \$4,100 – personal services



2016 General Fund Revenues

- ▣ 2016 Revenue Budget is \$27,363,100
- ▣ Mid-Yr. Receipts \$14,070,600 or 51.4% of budget (including dept. capital appropriations and subsidies)
- ▣ Projected year end Cash balance for 2016 is currently \$5,700,000 above your minimum reserve requirement
 - Hotel/Motel tax -4.7% of budget
 - Pay for Stay (WORC) -23.8% of budget
 - Zoning Permits -14.1% of budget



2016 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

	2016	2015	2013 ⁺
▪ Income Tax *	71.6%	65.3%	61.2%
▪ Real Estate Taxes	7.8%	7.8%	8.5%
▪ Courts	5.3%	5.0%	5.2%
▪ Other	4.7%	9.7%	10.3%
▪ Engineering & Zoning Fees	3.2%	0.8%	0.7%
▪ Parks & Rec Functions	3.2%	3.2%	3.0%
▪ Hotel/Motel Tax	2.3%	2.2%	2.2%
▪ Intergovernmental *	1.9%	2.1%	2.4%
▪ Health Department	--	3.9%	3.2%
▪ Estate Tax	--	--	3.3%

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

* State of Ohio elected officials posturing to reduce City of Findlay's bottom line

+ Benchmark year for revenue diversification



2016 FUNDS as of 6/30/16

As % of 2016 Budget

□ Water:	Expenses -10.0%	Revenue +2.5%
□ WPC Sewer:	Expenses -8.7%	Revenue +0.6%
□ SCM&R (subsidized):	Expenses -8.8%	Revenue +18.0%
□ Airport:	Expenses -13.4%	Revenue -5.1%
□ Parking:	Expenses -4.0%	Revenue +-0.7%



2016 Income Tax

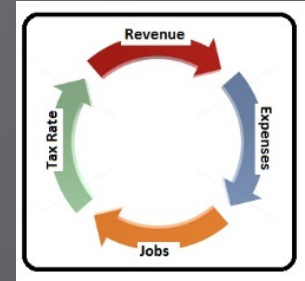
- ▣ City income tax collections \$13,404,424 currently 54.6% of budget 5.8% over 2015. It is unknown how much is delinquent-deferred estimated payments

- ▣ Total Income Tax Collections
 - General Fund Allocation 2016 YTD \$10,416,020
 - General Fund Allocation 2015 YTD \$10,000,927
 - General Fund Allocation 2014 YTD \$8,298,718
 - General Fund Allocation 2013 YTD \$9,398,927



2016 Income Tax

- ❑ Ohio Municipal Income tax is under attack
- ❑ Findlay's long term planning efforts should be considering this fact
- ❑ HB5 made significant changes on 1/1/16
- ❑ The Ohio CPAs have targeted Municipal Income Tax including Centralized Collections and 100% reciprocity for taxes paid to work in another municipality (Findlay gives 0%)
- ❑ Council must have an active role in protecting our #1 revenue source



THIS & THAT



Capital Improvements

- ❑ 2016 Revenue projection is \$4,468,500 running +4.6% of budget excluding \$1,500,000 transfer from General Fund
- ❑ 2016 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, so $200 \times 6.6\% = 13.2$ miles per year OR 475 lane miles of improved roads, so $475 \times 6.6\% = 31.4$ lane miles per year
 - ❑ Benchmarking : Dollars spent certainly important but should also be tracked by miles maintained annually; crack sealing critically important to attain average pavement life and protect underlying structure
- ❑ Budgeted debt payments of \$926,253; 19.2% of the capital improvement's 2016 budgeted revenue and within policy limit



Debt

- ❑ This Council in the position to discuss potential to become debt free on all major funds by 2033
- ❑ Findlay's bond rating (AA_{S&P}) is at risk until a comprehensive permanent strategic plan is put in place with improved demographic considerations
- ❑ Advanced re-funding of 2008 issue in progress
- ❑ 10 year potential project list to reserve debt capacity as current debt matures would be prudent



Employee Count

	2016 _{7/13}	2015 _{12/31}
▣ Full Time Employees	293	296
▣ Part Time Permanent	13	21
▣ Elected Employees	17	17
▣ Seasonal	56	57
▣ Full Time Equivalents FTEs	323	329

- ▣ 2 replaced employees YTD
- ▣ 5 employee positions not replaced YTD
- ▣ 12 New full time hires YTD



Health Insurance

- Doing very well, plan appears fully funded for 2016 and reserved for 2016. Initial premium holiday 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



Workers Comp

- ❑ BWC has changed its billing processes for public entities City now 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
- ❑ Working with HR to improve on internal administration with the goal of getting injured employees back to work as quickly as possible



Liability Insurance

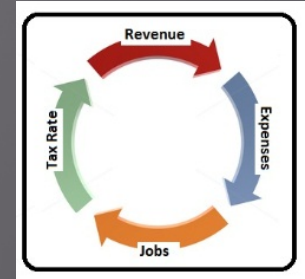
- Report and Executive Summaries are available for review from City Clerk
- City contracts an annual audit of its liability coverages. The purpose being to identify omission, concerns and areas of importance with regard to our coverage
- The report is prepared by 'Insurance Audit Independent Risk Management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



Hochstettler Building

- ❑ Property needs to be better secured from vandalism, to comply with our NEAT rules in order to reduce liability concerns
- ❑ 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





CASH & PLANNING

7/28/2016



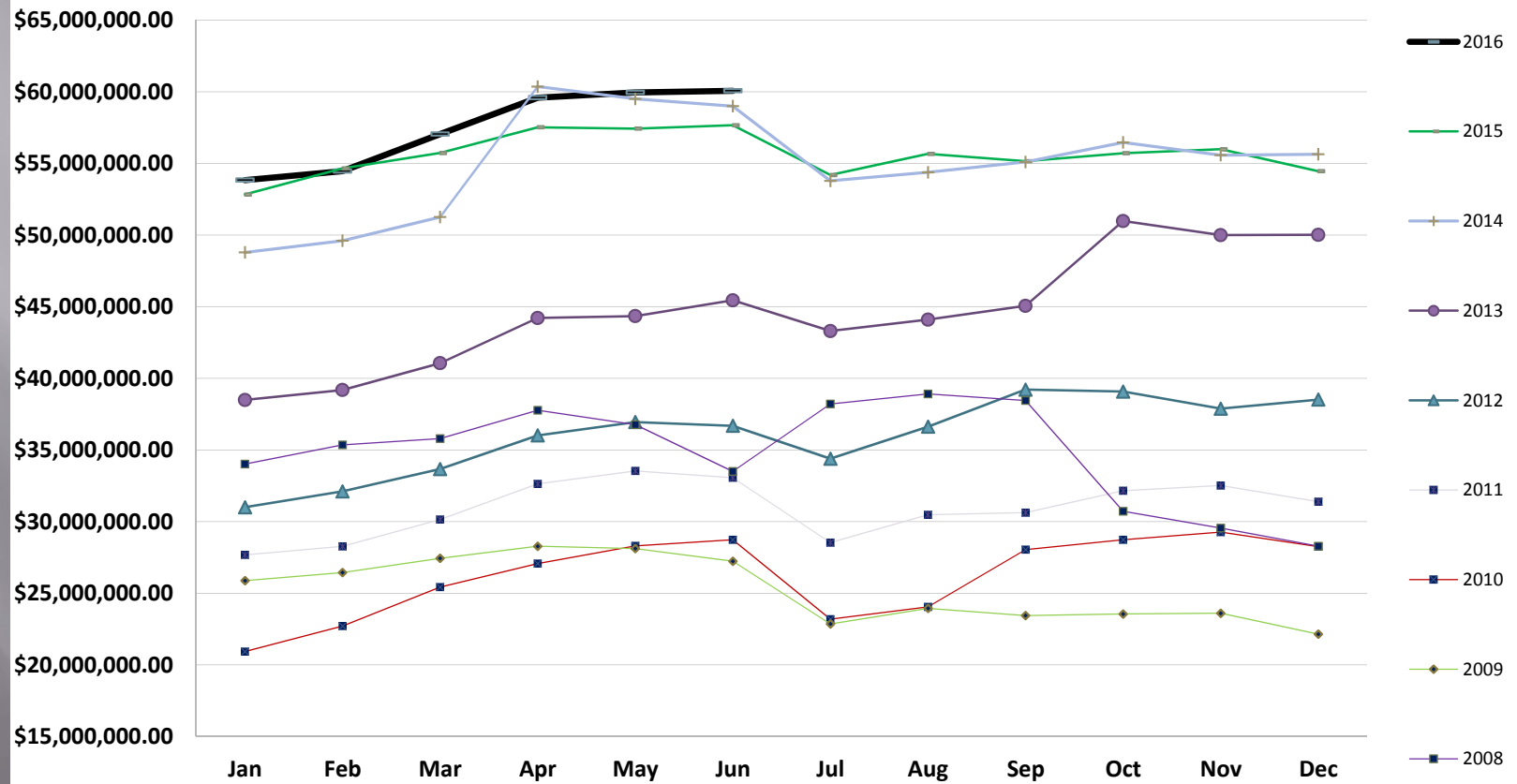
Cash Management

- ▣ Areas where cash is impacted include current appropriation practices, income tax deferred-delinquent estimated payments, long term (3-5yr) forecasting and community wide strategic planning
- ▣ City Auditor cannot reasonably invest dollars longer 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 \$70,000 - \$100,000 from 2015 to 2016



Cash Management

Month End Cash & Investments Balance





Major Fund/Accounts Balances

Unappropriated

	Minimum or Reserve	Amount Above Reserve 2016
▣ General Fund _{6/30}	\$4.5 MM	\$5.7 MM
▣ Capital Improvements _{6/30}	\$0.3 MM	\$5.1 MM
▣ SCM&R Streets Fund	\$0.2 MM	Subsidized
▣ Airport Fund	\$0.3 MM	-\$0.1 MM
▣ Water Fund	\$1.1 MM	\$7.0 MM
▣ Sewer Fund	\$1.3 MM	\$4.3 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	Not funded

** Without consideration to proposed capital improvement plan*



Summary

- ❑ Cash balances continue to grow and an operations forecast 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
- ❑ 2017 _{and} 2018 Budget plans should consider:
Expenses, Capital Improvements, Revenue, Flood Mitigation, subsidies and community wide strategic planning in a *sustainable* manner

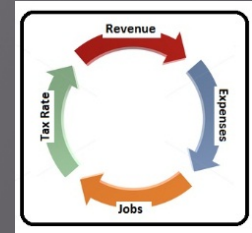


Summary continued

- ❑ 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
- ❑ Transparency Initiative will give full community access to City wide revenues and expenses



2016 Mid-Year Review



Questions?

