



MID YEAR REVIEW 2018

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



Transparency



- ❑ CAUTION to Council: financial figures used for assessing financial condition of the City of Findlay or decision making, should be thoroughly vetted by City Auditor's Office
- ❑ City Auditor's office is always available to assist with answering financial questions
- ❑ Use of site has been steady with new and return access www.FindlayOhioFinances.com



Economic Factors

- ❑ Flattening Yield Curve Doesn't Mean Imminent Recession – Kiplinger
July 6, 2018
- ❑ Fed wants continued rate hikes through 2019
- ❑ Hancock County Sales tax is (down) -2% compared to 2017 per
County Auditor June '18
- ❑ State ODJFS reports County Employment at 41,000 May '18 compared
to 40,100 June '17
- ❑ Ohio has been rated one of the worst states in the nation for pension
funding and unemployment compensation insurance funding.
Moody's and S&P are concerned local governments will be bitten by
pension funding issue
- ❑ "The Kasich administration should recognize that the net effect of
starving counties, cities and towns is bad for Ohio, forcing many local
officials simply to raise local taxes. That's robbing Peter to pay Paul –
for political gain." *Cleveland Plain Dealer*



Economic Factors

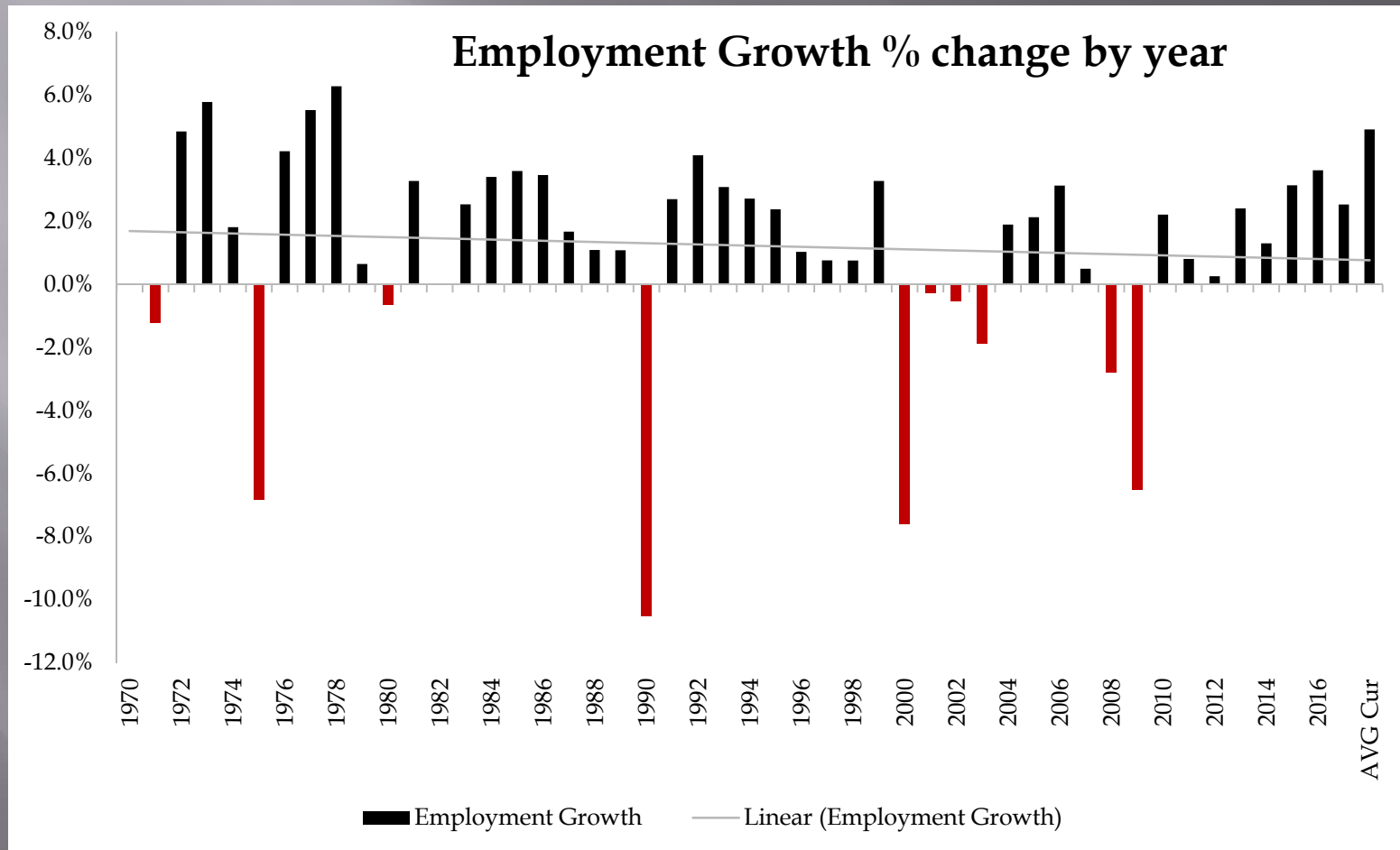
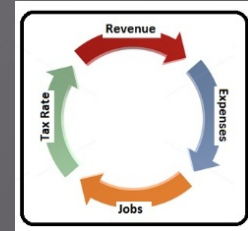


	Ohio	Findlay
▣ Population estimate	-	41,321
▣ Median household Income	\$50,674	\$45,364
▣ Median home value	\$131,900	\$123,800
▣ Persons in Poverty	14.6%	18.5%
▣ 5yr Income Tax Growth*	-	1.68%

Source : US Census Bureau and City Income Tax Department; *significantly influenced by delinquent-deferred estimated business tax payments

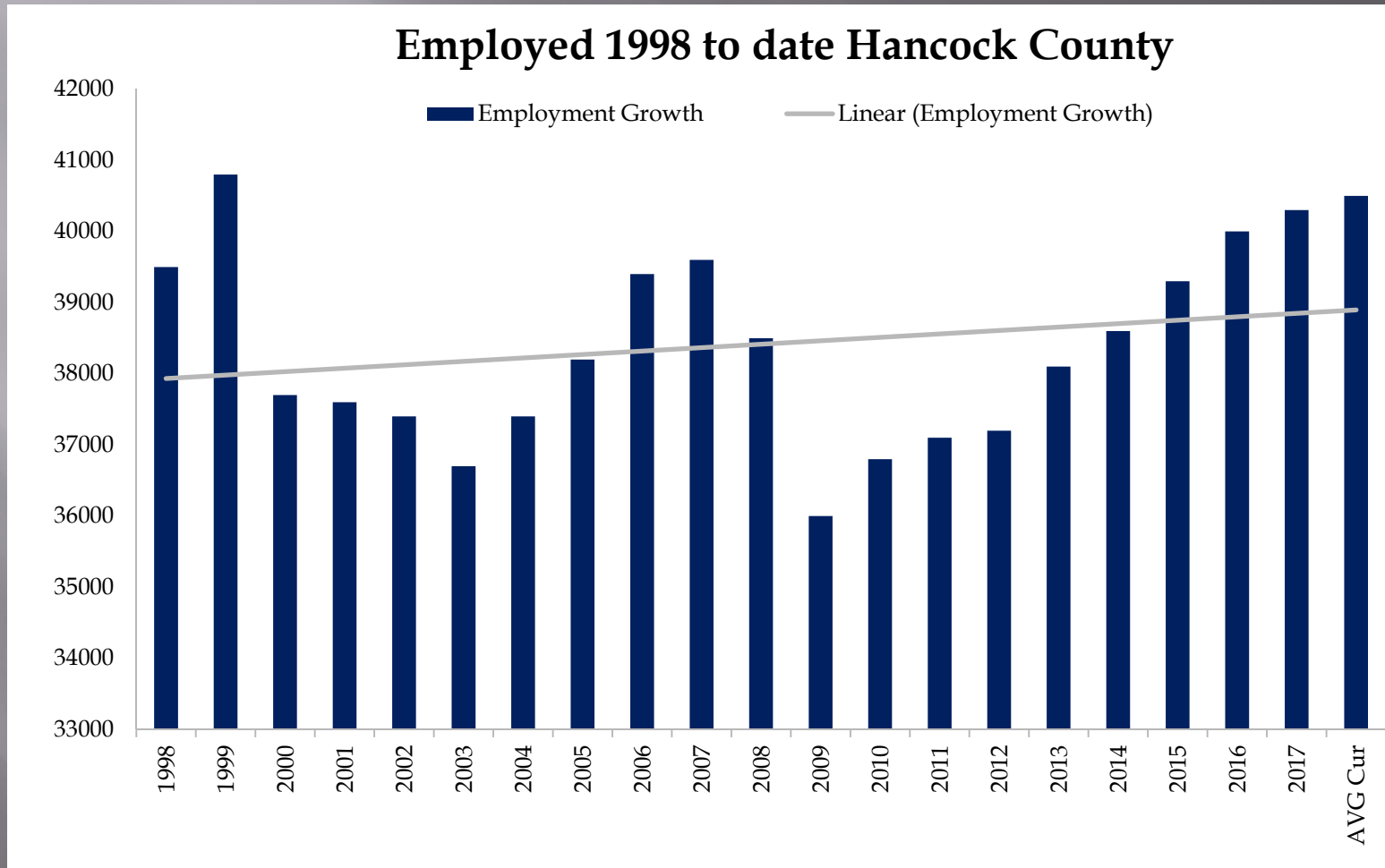
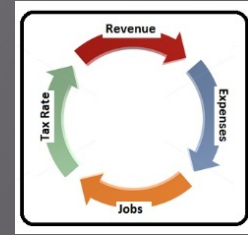


Economic Factors



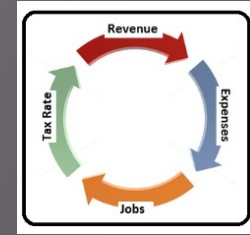


Economic Factors

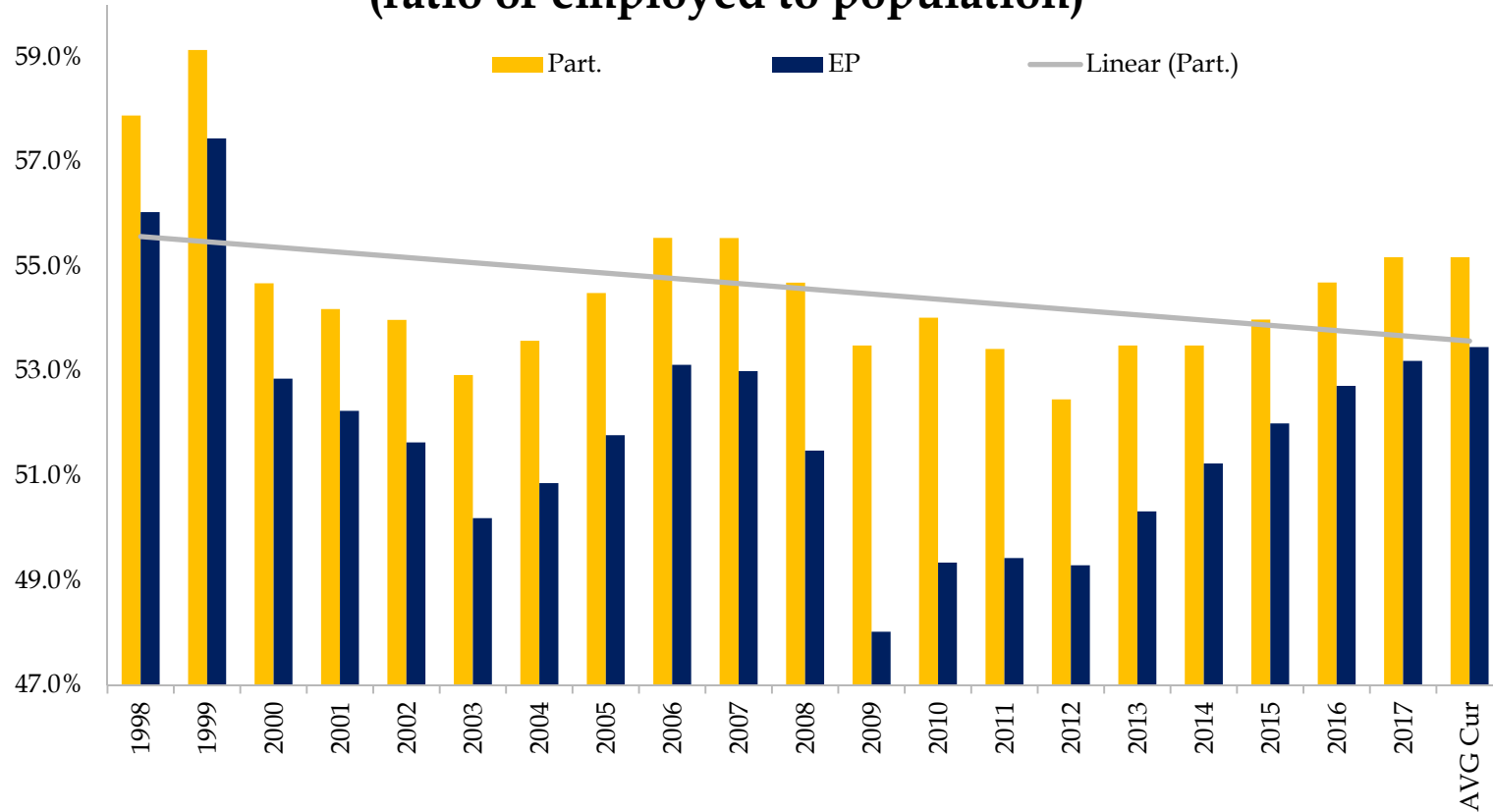




Economic Factors



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





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
- ❑ 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
- ❑ Council Structure for Creating Community Wide Strategic Planning with Completed Strategic Plan



AOS Financial Indicators

The Ohio Auditor of State releases an annual report summarizing the financial condition of the Cities around the State from their perspective. It is done in a simple chart form. The entire report on each entity is also available

City of Findlay's now has 4 cautionary indicators:

- 1) Unrestricted Net Assets/Position of Governmental Type Activities
- 2) Unassigned Fund Balance of the General Fund
- 3) Change in General Fund Income Tax Revenue
- 4) Condition of Capital Assets

Entity Name	Entity Type	County	Year Basis	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Totals	Filing Status	
Findlay	City	Hancock	2015 GAAP	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Red: 0 Yellow: 1	Final
Findlay	City	Hancock	2016 GAAP	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Red: 0 Yellow: 2	Final
Findlay	City	Hancock	2017 GAAP	Yellow	Yellow	Green	Green	Green	Green	Yellow	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	Black	Red: 0 Yellow: 4	Preliminary



Employee Count

	2018 _{7/15}	2017 _{12/31}	2016 _{12/31}	2012 _{12/31}
Full Time	309	300	293	310
Part Time Permanent	9	5	13	27
Elected	17	17	17	16
Seasonal	58	27	56	24
Full Time Equivalent FTEs	335	331	323	341
Total Employees	393	349	379	377

Payroll on Transparency Site:

<http://transparency.tylertech.com/findlay/pages/Payroll.aspx?PageView=Shared>



CITY FUNDS

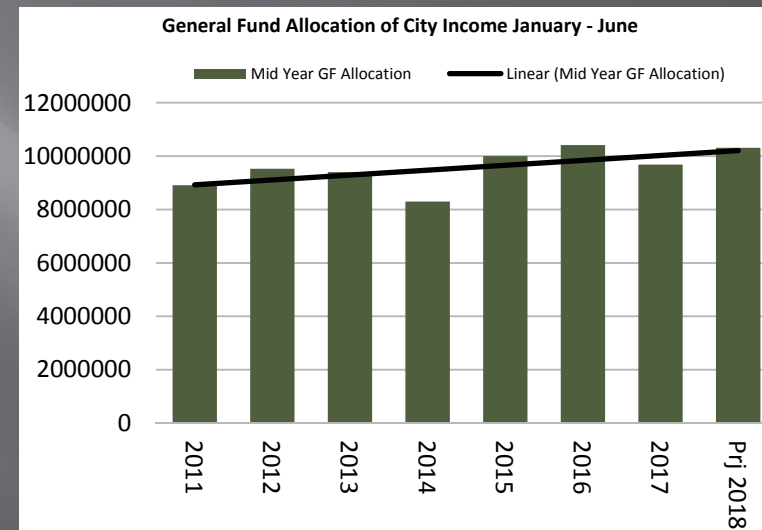
07/19/18



Income Tax

□ Total Income Tax Collections Allocated to the General Fund January to June*

- 2018 YTD \$10,311,161 ^{+7.3%}
- 2017 YTD \$9,685,979
- 2016 YTD \$10,416,020
- 2015 YTD \$10,000,927
- 2014 YTD \$8,298,718
- 2013 YTD \$9,398,927



□ Income Tax on Transparency Site:

- <http://transparency.tylertech.com/findlay/pages/Revenues.aspx?PageView=Shared>

*It is unknown how much is delinquent-deferred estimated business tax payments



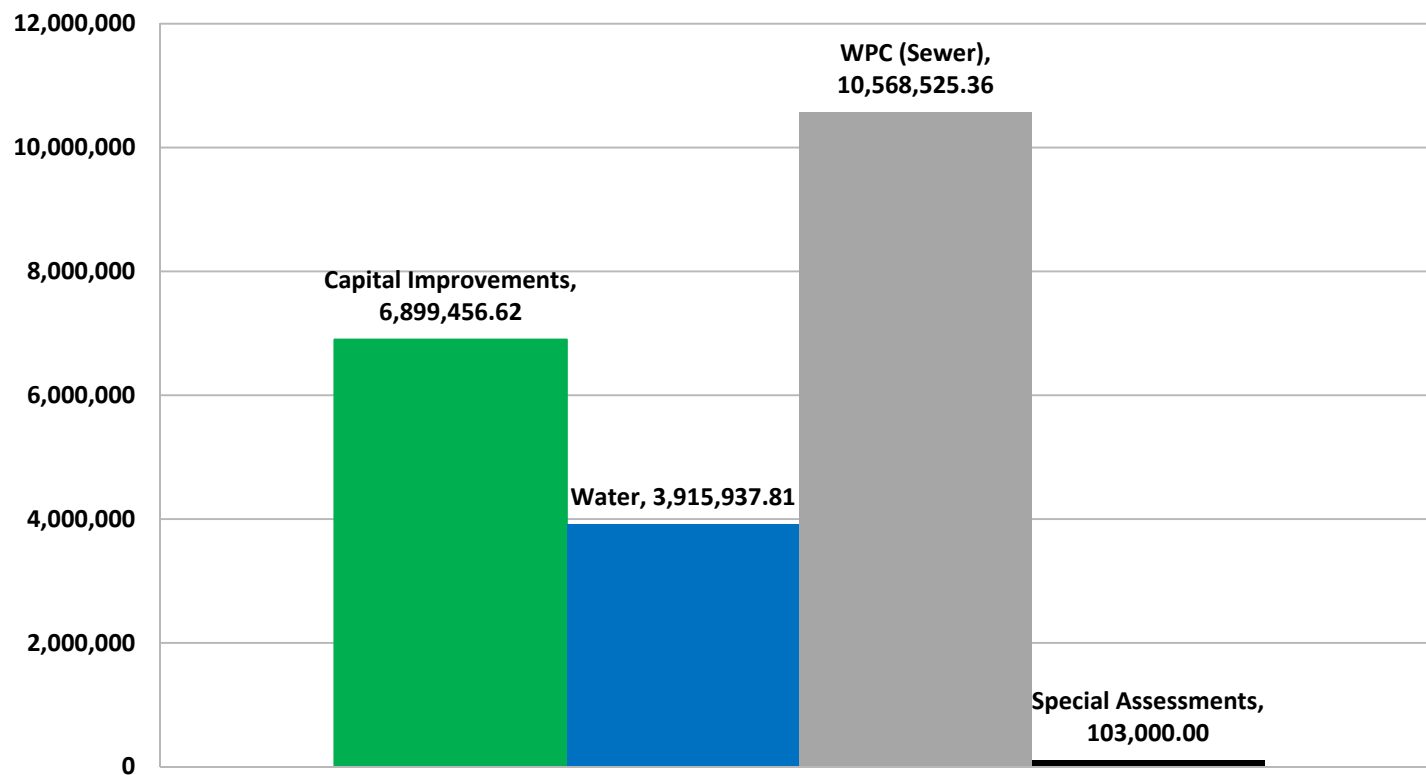
Capital Improvements

- ❑ 2018 Revenue year to date is \$2,577,790 compared to 2017 Revenue year to date of \$2,421,500 excluding a \$1,000,000 transfer from General Fund
- ❑ Long-term capital maintenance cost obligations should be calculated. Include facilities, sidewalks, sewer, storm & water lines. For example:
 - ❑ 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 (KPI list, shows reached this figure in 2017)
- ❑ State Auditor has flagged Findlay's capital condition as a potential concern in the 2016 & 2017 Financial Health Indicators publication
- ❑ There is general confusion in the public as to what the City's oversizing policy is for water and sewer developments



Debt

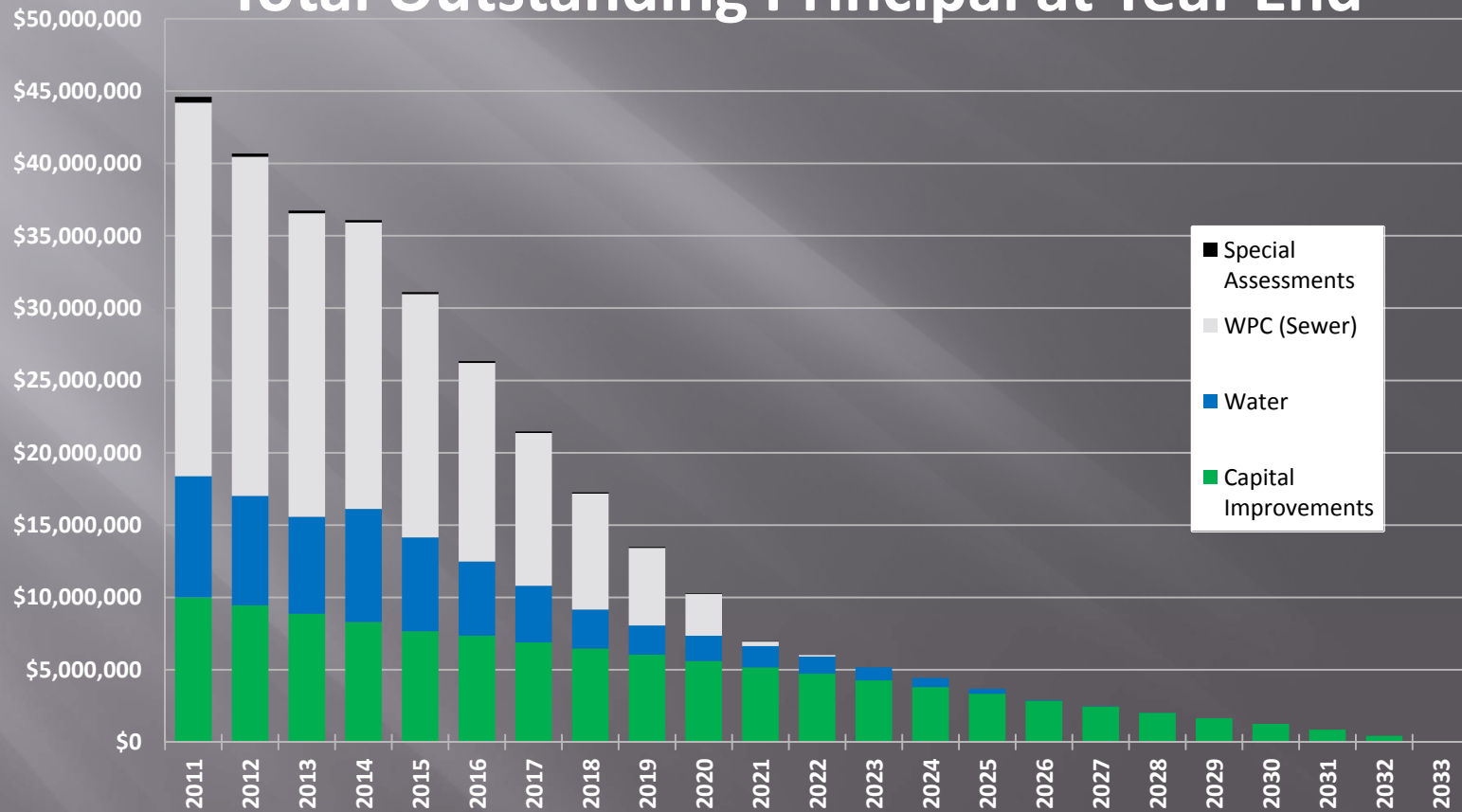
Total Outstanding Fund Debt as of 12/31/17





Debt

Total Outstanding Principal at Year End





Debt

- Its time for Council to discuss potential advantages and disadvantages of the amount of debt in the various major funds
 - 10 year potential project list to reserve debt capacity as current debt matures would be prudent
- Rating review completed 2016 with S&P, City given highest marks for financial management and is affirmed 'AA stable', community demographics and State pensions inhibiting overall rating upgrade
- Window for acquiring lower cost debt is closing quickly
- Protecting investors in the municipal securities market is a core function of the SEC Office of Municipal Securities as part of the US Securities and Exchange Commission



Health Insurance

- Doing well, plan appears reserved for 2018. Premium holiday may possibly be implemented later in the year
- Updated actuarial review done annually to determine reasonable and necessary reserve. Currently <\$1MM
- Our average annual cost per employee is 6.4% less than other Ohio cities
- Tobacco & BMI continue to be greatest statistical threats to long term plan costs. City currently has no policy against hiring tobacco users



Workers Comp

- ❑ Last year, BWC changed its billing processes for public entities City now paying prospectively
- ❑ State give back programs have significantly reduced premiums for the City under our current program which now ends in 2018
- ❑ Premium rebates are at risk of being significantly reduced until the 2019 program is finalized and all participants established
- ❑ The Auditor's office will manage the money receipting and audit disclosures, Human Resources responsible for the balance of the functions and programs.



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. Report and Executive Summaries are available for review from City Clerk
- ❑ The report is prepared by 'Insurance Audit Independent Risk Management and Insurance Counsel'
- ❑ Cyber and Employee theft limits increased but have limitations of approximately \$3MM
- ❑ Environmental risk/liability is likely the area of greatest exposure (former dumps, gas stations, filled land, etc.)



Cash Management

- ❑ Total cash balances very high, in excess of \$60,000,000; City's financial position is certainly a positive but continues to create challenges for City
- ❑ Areas where cash is impacted include current appropriation practices, income tax deferred-delinquent estimated payments, long term (3-5yr) operations 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 annual interest income lost from a combination of current cash management practices on existing balances estimated at \$70,000 - \$100,000
- ❑ A cash management policy should be considered by City Council



This & That

Legislation needed at next meeting:

- General Fund to Severance Payout Reserve \$150,000 – personal services
- General Fund to Public Building \$1,000 – personal services
- General Fund to Zoning Overtime \$6,000 – personal services
- Possible General Fund to Jail Costs (budgeted \$900k on track for \$1+MM)



Revenues

REVENUES ON TRANSPARENCY SITE:

- ▣ <http://transparency.tylertech.com/findlay/pages/Revenues.aspx?PageView=Shared>



Expenses

EXPENSES ON TRANSPARENCY SITE:

- ▣ <http://transparency.tylertech.com/findlay/pages/Expenditures.aspx?PageView=Shared>



Summary

- ▣ Long-term operational planning should be addressed prior to adding recurring cost or new large cost items
 - ▣ (i.e. School Security)
- ▣ Historically, County, City, & Schools have stayed out of each others revenue sources
- ▣ Proper contingency planning would demonstrate the City's ability to adjust to a future loss of a major employer or revenue source. Top 10 Employers has constantly changed. New and growing local companies a positive for Findlay and regional economy
- ▣ Total cash balances remain high



Summary continued

- ▣ Rating Agencies look at budgets, forecasts, legislated financial policies, financial trends, contingency planning, and RESULTS!
- ▣ Its time for Council to discuss potential advantages and disadvantages of debt balances in the various major funds
- ▣ 2019 and 2020 Budget plans should consider:
 - Expenses, Capital Improvements, Revenue, Flood Mitigation, subsidies and community wide strategic planning
- ▣ Transparency site www.FindlayOhioFinances.com provides full community access to City wide revenues, expenses and personnel costs



Mid-Year Review



Questions?

