

# PRE-2019 BUDGET

Information for discussion prior to  
preparing the 2019-2020 Operations  
Budget



10/02/2018





# What does it mean to have FISCAL HEALTH?

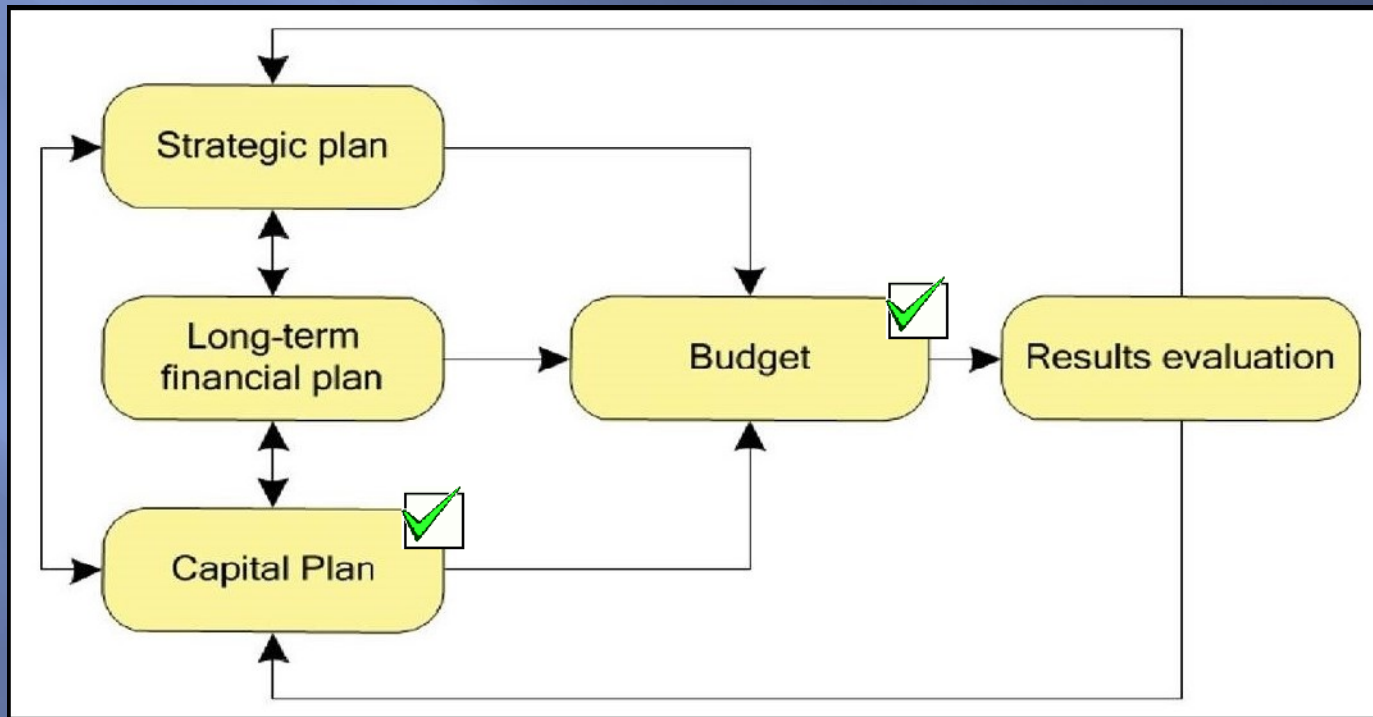
- ▣ Healthy Reserves on ALL key Funds
- ▣ Prudent Fiscal Policies
- ▣ Monitor Revenue & Control Expenses
- ▣ Maintain Manageable Debt
- ▣ Financial Compliance
- ▣ Strategically Planned Progression/Growth



*It's not just spending it's planning and managing*



# GFOA Planning Components





# Economic Pressures

- Economists are talking about
  - Interest rates
  - Potential Recession
    - Not going to get any better than this
    - Should plan for recession in next 2-5 years
    - Decline modest likely in 20%-25% range
  - Labor and Wage pressures
    - Wages >3%?





# Labor & Wages

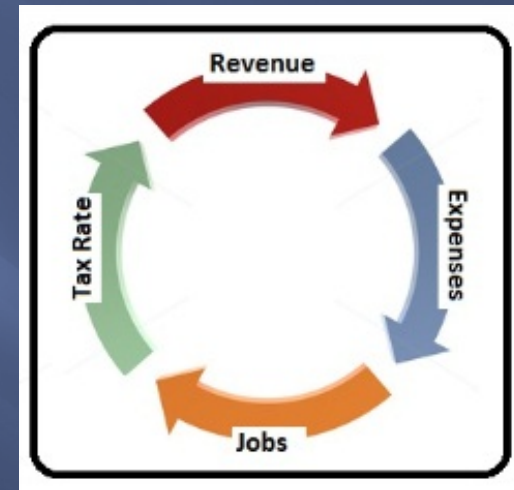
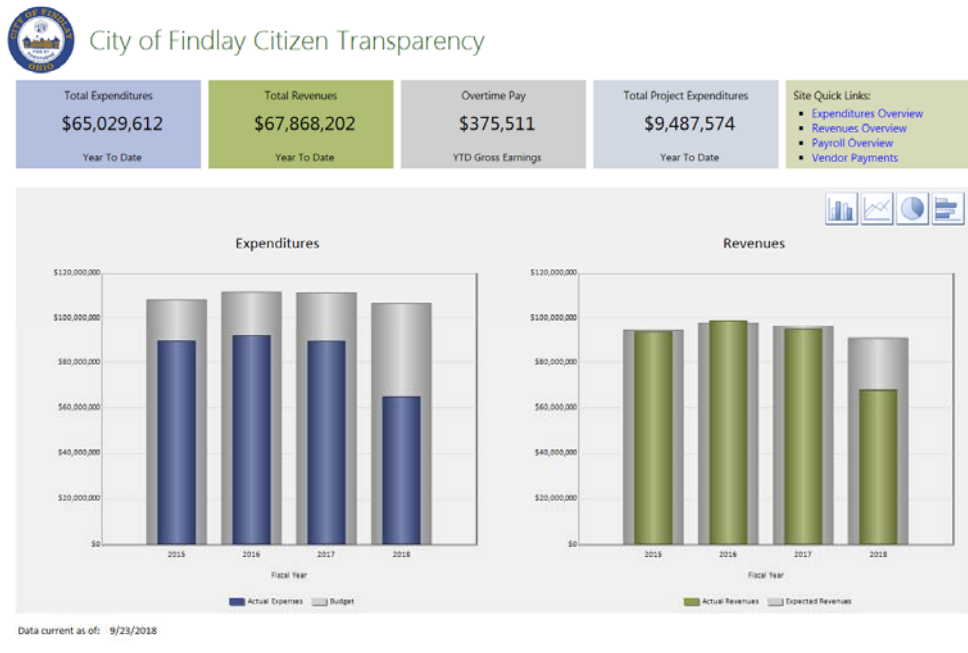
	2018	2017	2016	2015	2014	2013	2012
Retirees	7	6	7	6	5	13	15
Ret-Rehire	1	0	1	0	1	1	2
Resignations	7	7	8	8	6	10	13
Retire/Resign	4.5%	4.1%	4.8%	4.5%	3.5%	7.8%	9.0%

Payroll on Transparency Site:

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



# Planning Components





# General Information



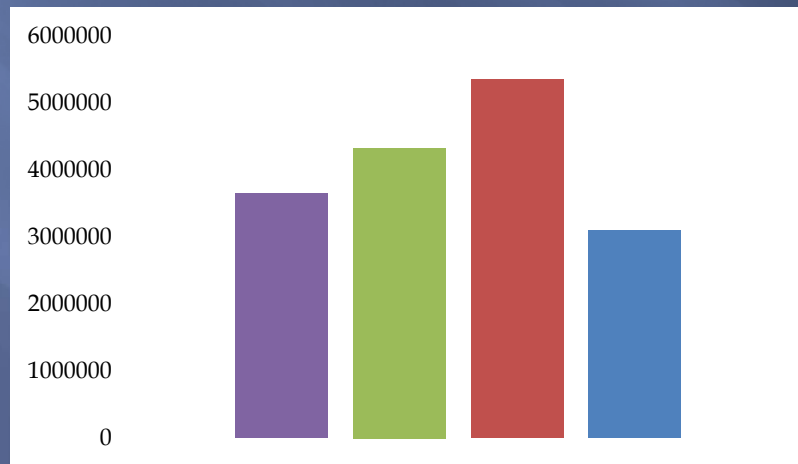
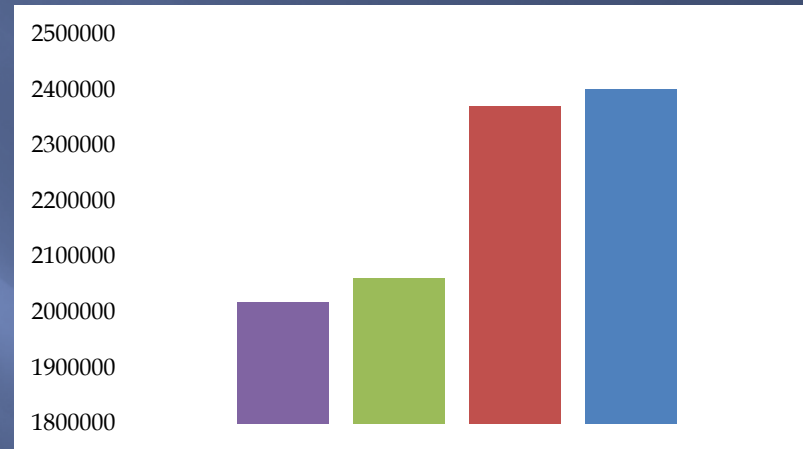
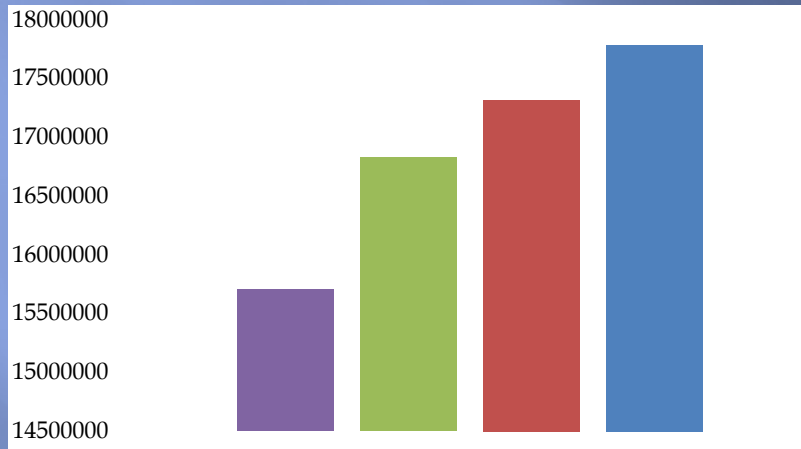
- General Fund Revenues for 2018 to date
  - Revenues currently 69% of budget \*
  - City Income Tax receipts tracking in line with Auditor's budget projection.
  - Appears administration continuing to defer estimated business profits component of income tax
  - Potentially larger receipts than projected in the month of October 2018
  
- City Income Tax (your largest revenue source) is under full assault by State of Ohio. Additionally, the tax shell game is underway at all levels of government
  
- 2017 & 2018 Capital Improvement allocation proposal by administration is 20% of City Income Tax Receipts as part of Service Safety Director's 5-year Capital Plan. i.e. 80% General Fund 20% Capital Improvements Account. Historic allocation is 78% GF - 22%CI.
  
- General Fund Expenses 2018 to date
  - Expenses and encumbrances running 61% of budget \*
  - City Auditor has very limited view of expected year end expenses until each department enters expected 2018 expenses as part of administration's 2019/20 budget process; however, expense projections reflect fully spent appropriations which differ from actual ending numbers (see Unused Operations Appropriations graph)
  
- Looking good size carry-forward balances going into 2019

*\* Through August 31*

*Auditor will continue to adjust numbers through year end*



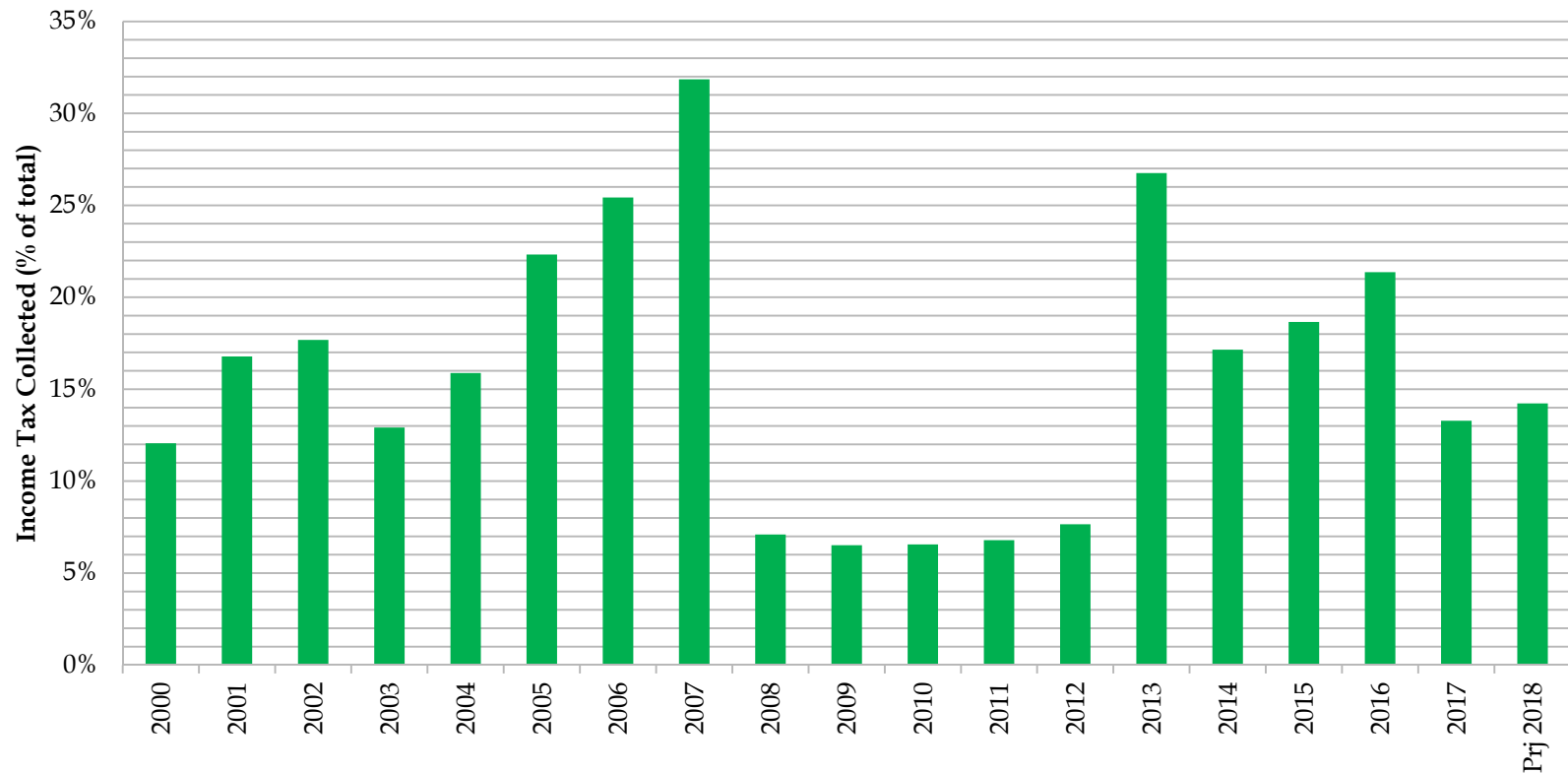
# Historic Trend





# Historic Trend

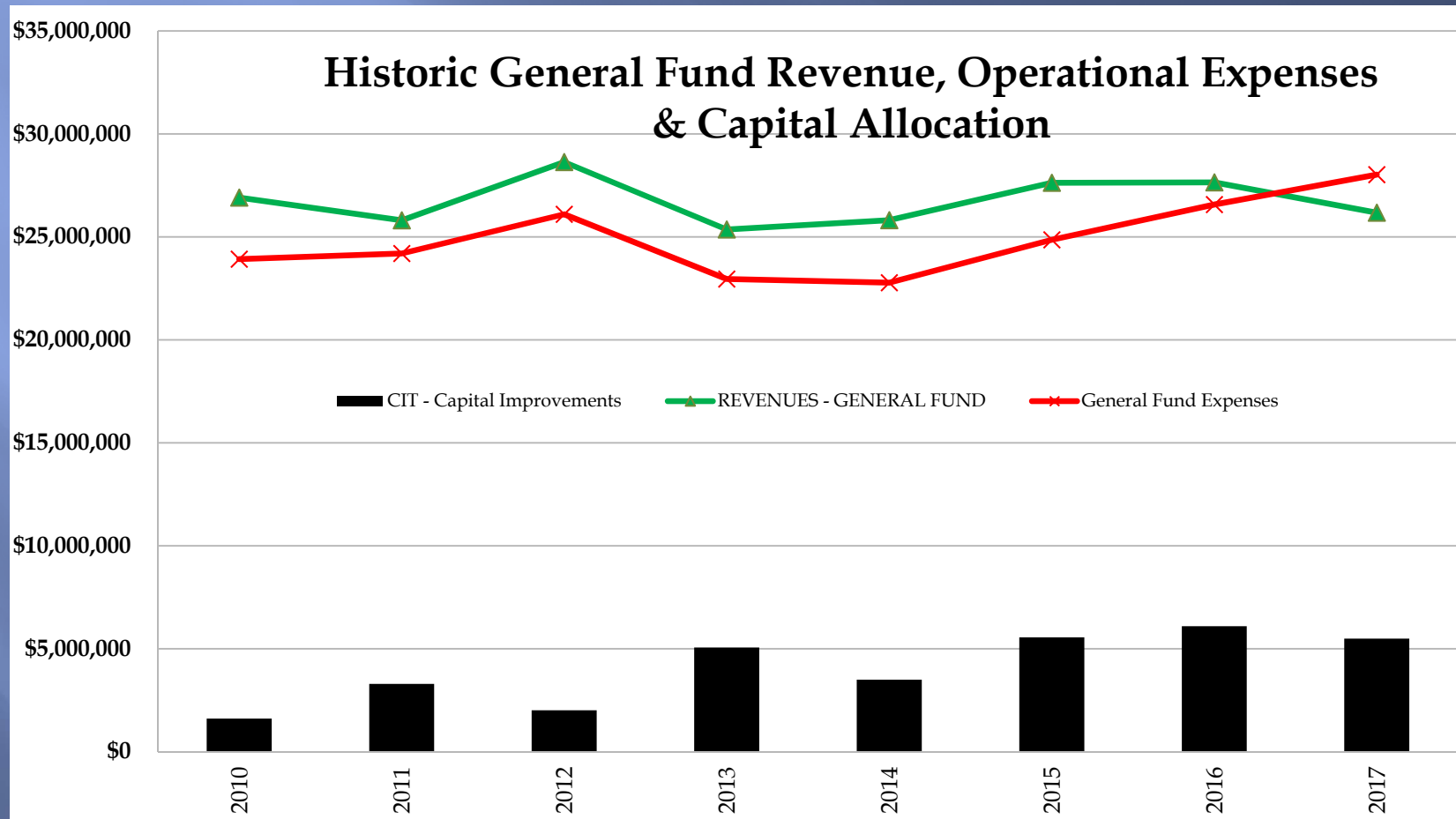
## Business Income Tax Collections







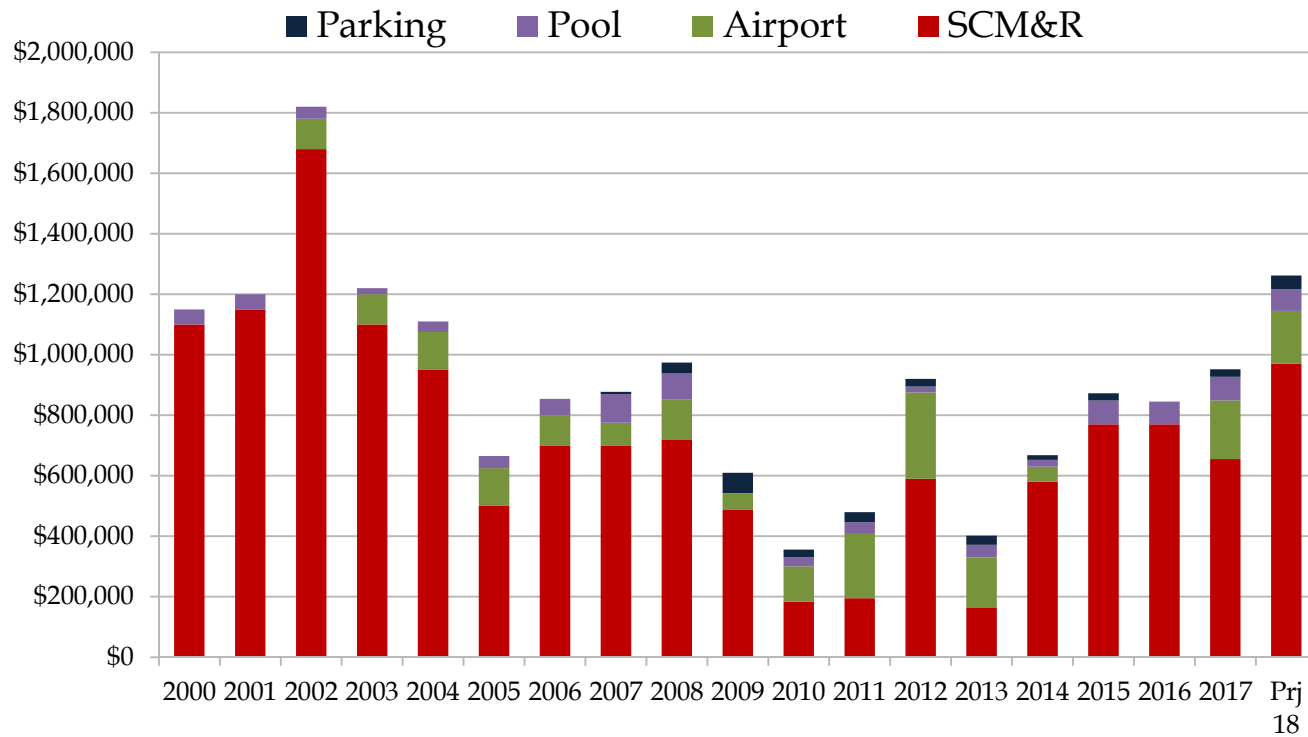
# Historic Trend





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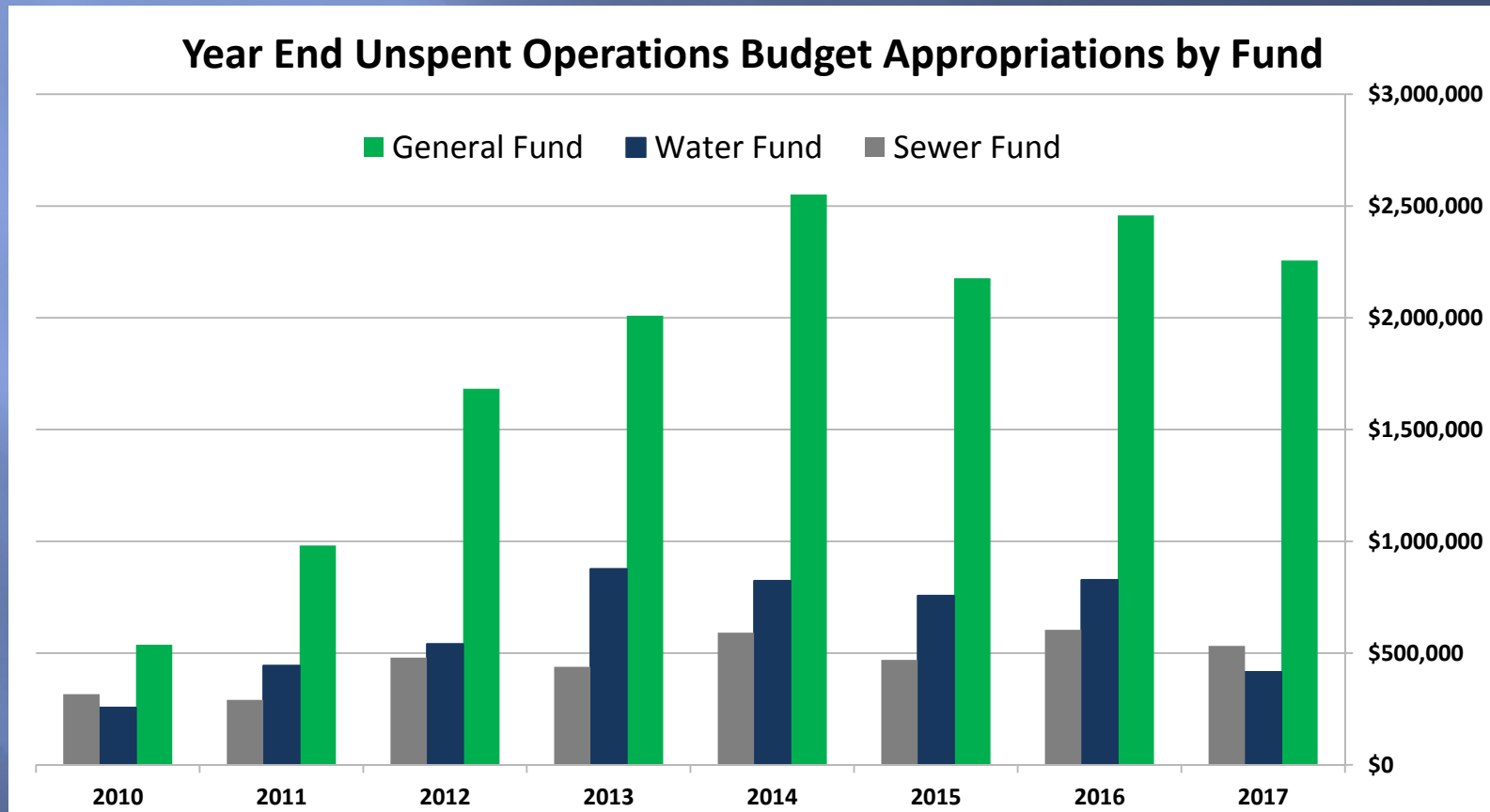
## FUND SUBSIDY AMOUNTS



*Note: Projected 2018 does not account for the likely carry-forward of unspent appropriated funds in 2018*

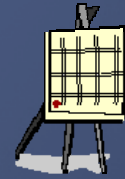


# History Trend





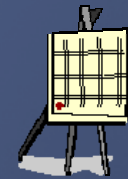
# Unspent Appropriations



- ❑ There is a difference between a budgeted deficit and the actual historic performance of the City's budget.
- ❑ If the allocation in 2016 had been changed to add 1% more to Capital Improvements would have reduced the unspent money from \$2.46 million to \$2.24 million
- ❑ Capital projects report is currently a good barometer for Council to monitor unspent appropriations



# Unspent Appropriations



- ❑ Year-end projected cash balance of the Water Fund is \$6.0M vs 2018 operations budget of \$7.1M this is potentially indefensible
- ❑ Year-end projected cash balance of the WPC (Sewer) Fund is \$7.4M vs 2018 operations budget of \$7.1M this is potentially indefensible
- ❑ Fund balances point to an opportunity for a rate reduction or significantly expanded *fully planned and executed capital program*. The infrastructure of the Water Sewer & Storm systems should be completely studied and a 5 year pro-forma put in place on each system (per Council's existing rules) and shared with the Elected Officials
- ❑ 'Water and Sewer Model' has not been updated by the administration in several years





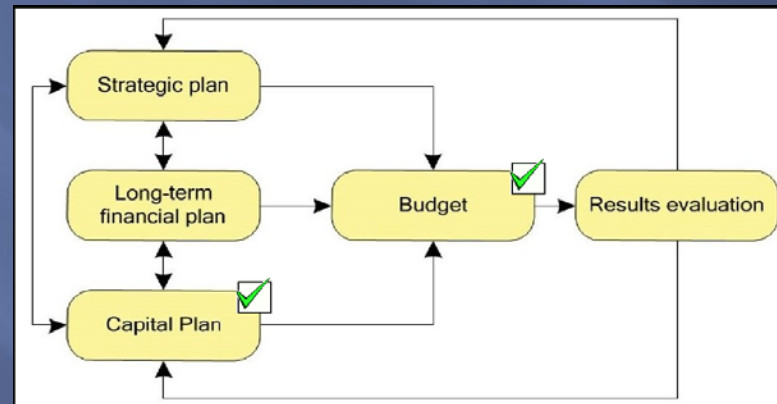
## LARGE INCENTIVES/GRANTS

- ▣ City Auditor has not been made aware of any large grants being applied for by the administration in 2019
- ▣ Administration should provide an update of the major CRA projects and special grants requested and approved by City Council
  - ▣ MPC (1/5/15) - \$5,000,000 or 25% of CRA Benefit, whichever is less. City is to identify specific projects for infrastructure
  - ▣ McLane (10/29/14) - \$500,000, commitment to assist with related infrastructure
  - ▣ Miracle League - \$100,000 appropriated with guaranteed return to City



# Fiscal Process

*Having an item listed in budget or capital plan should not exclude it from a proper review process with regard to the City's Strategic and Long Term Financial Plans*





# Fiscal Health

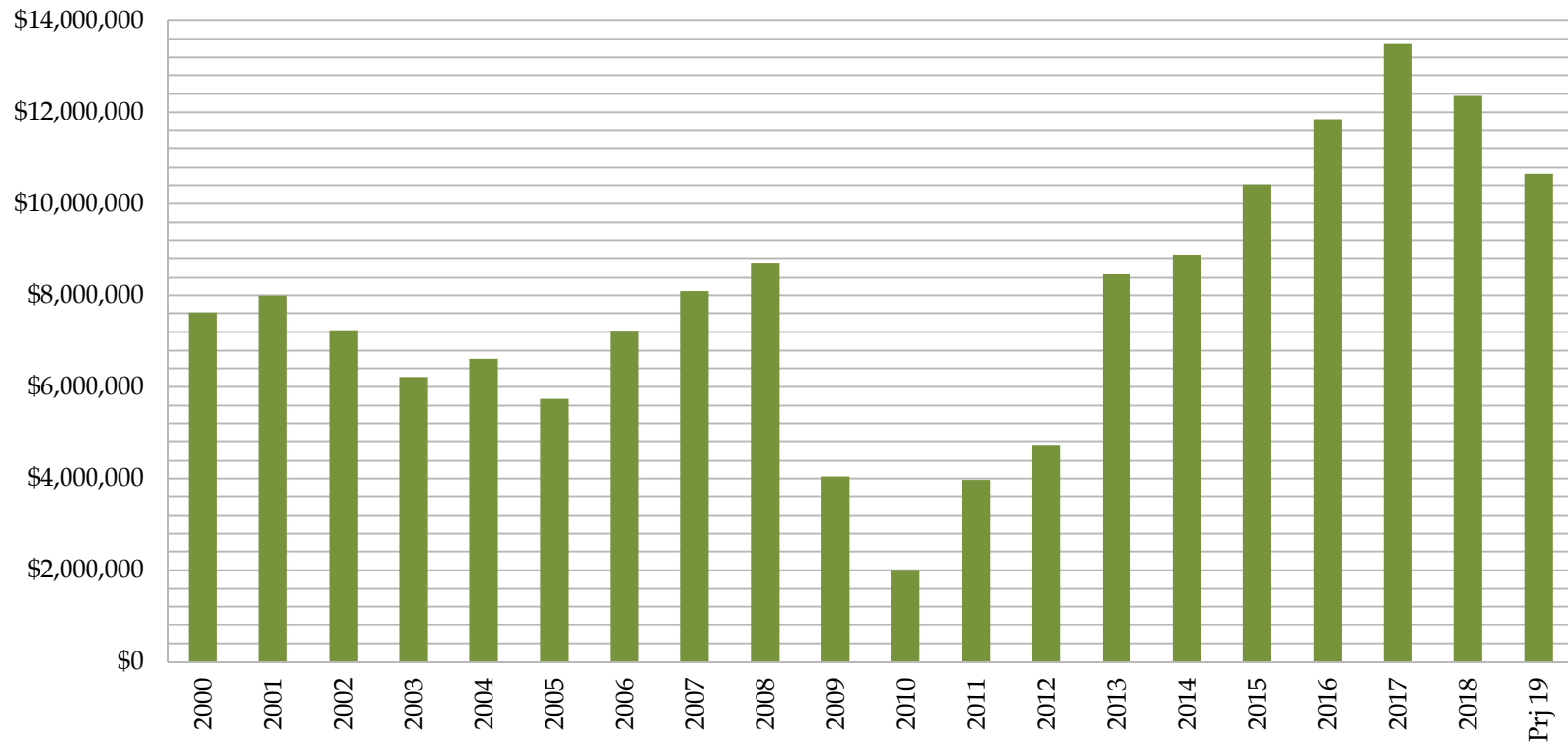
- ❑ Auditor of States Health Indicators are on public display
- ❑ City has gone from 1 to 4 “Cautionary Outlook” indicators over 3 years
  - Unrestricted Net Assets Position
  - Unassigned Fund Balance of General Fund
  - Change in Income Tax Revenue
  - Condition of Capital Assets

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	Green	Yellow	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	Black	Red: 0 Yellow: 4	Preliminary



# Budget History

## January 1st General Fund Unrestricted Balance, 2000-Present





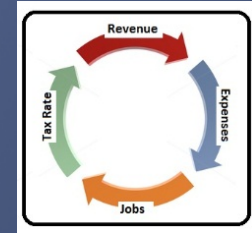
## Items of note

- ❑ Budget Process was adjusted in 2013 to account for City Income Tax deferrals. Would likely not have had a 2017 budgeted deficit (on paper) if practice ended
- ❑ 5 year pro-forma should be completed concurrently with budgeting for the Airport and Parking funds (per Council's rules) and shared with all of Findlay's Elected Officials
- ❑ City is enjoying the benefits of a booming economy; however, City Council has fair warning of a potential turn in the economy
- ❑ Council should be considering wage competition in the 2019/2020 budgets and be more involved in overall salary process. A payroll ordinance should be adopted before end of calendar year
- ❑ City of Findlay is well over due for Citywide ETHICS and PHI training



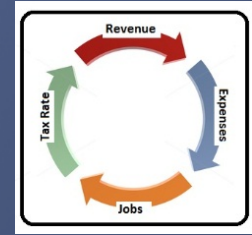


# 2019 Budget Meeting



*The 2019 and 2020 budgets will be created simultaneously; process shows short term sustainability of spending priorities. Findlay's 'AA stable' bond rating can be protected with proper planning. Council must affirm the likely Capital Improvements allocation before budgets started*

- 2-Night review of full budget, starting time & schedule to be determined 12/12 & 12/13
- Wage tables currently being calculated at +2.25% (it might be wise to consider closer to 3%)
- Capital Allocation to be \_\_\_% for 2019 and \_\_\_% 2020



# Questions?

