



MID YEAR REVIEW 2019

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



Economic Factors

- ❑ The single most reliable recession indicator of the past 50 years has started blaring...If you believe in the signals coming out of the bond market, it might be time to start counting down... the US Treasury yield curve has been inverted for a full quarter... *Money Box July 3, 2019*
- ❑ Fed wanted to continue rate hikes through 2019 – NOPE! Just lowered
- ❑ Hancock County Sales tax is (down) -2% compared to 2018 per County Auditor June '19
- ❑ State ODJFS reports County Employment at 40,100 June '19 compared to 39,900 June '18 and 40,200 June of '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 Ohio will transfer pension liability to local governments
- ❑ DeWine's budget... would grow government spending as much as Ohio law allows... the Ohio House reduced the general revenue fund in order to meet the statutory appropriation limit on spending growth *Cincinnati.com May 20,2019*



Significant Advantages

- ❑ The City of Findlay owns its Water, Sewer, and Stormwater Systems have minimal debt and should remain so benefiting our community for years to come
- ❑ The City of Findlay owns its parking enforcement function and many parking lots. Consider a strategic plan to generate funds for specific improvements
- ❑ The City of Findlay is not in the EMS, Trash, or Golf Course businesses
- ❑ The City of Findlay has cash to leverage and typically pays cash for capital improvements
- ❑ The City of Findlay has a standing Strategic Planning Committee with opportunity to create a City-wide long term view of where we are going and how a recession should be handled



Economic Factors

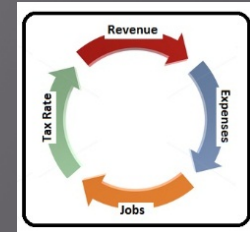


	Ohio	Findlay
▣ Population estimate	-	41,324
▣ Median household Income	\$52,407	\$47,083
▣ Per Capita Income	\$29,011	\$27,228
▣ Median home value <small>(owner occupied)</small>	\$135,100	\$123,300
▣ Persons in Poverty	14.0%	16.0%
▣ 3yr Income Tax Growth*	-	2.27%

Source : US Census Bureau 7/1/18 (v2018) and City Income Tax Department; *influenced by delinquent-deferred estimated business tax payments



Economic Factors

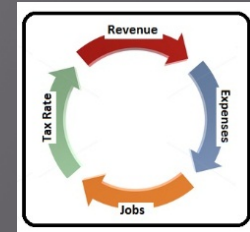


Employment Growth % change by year

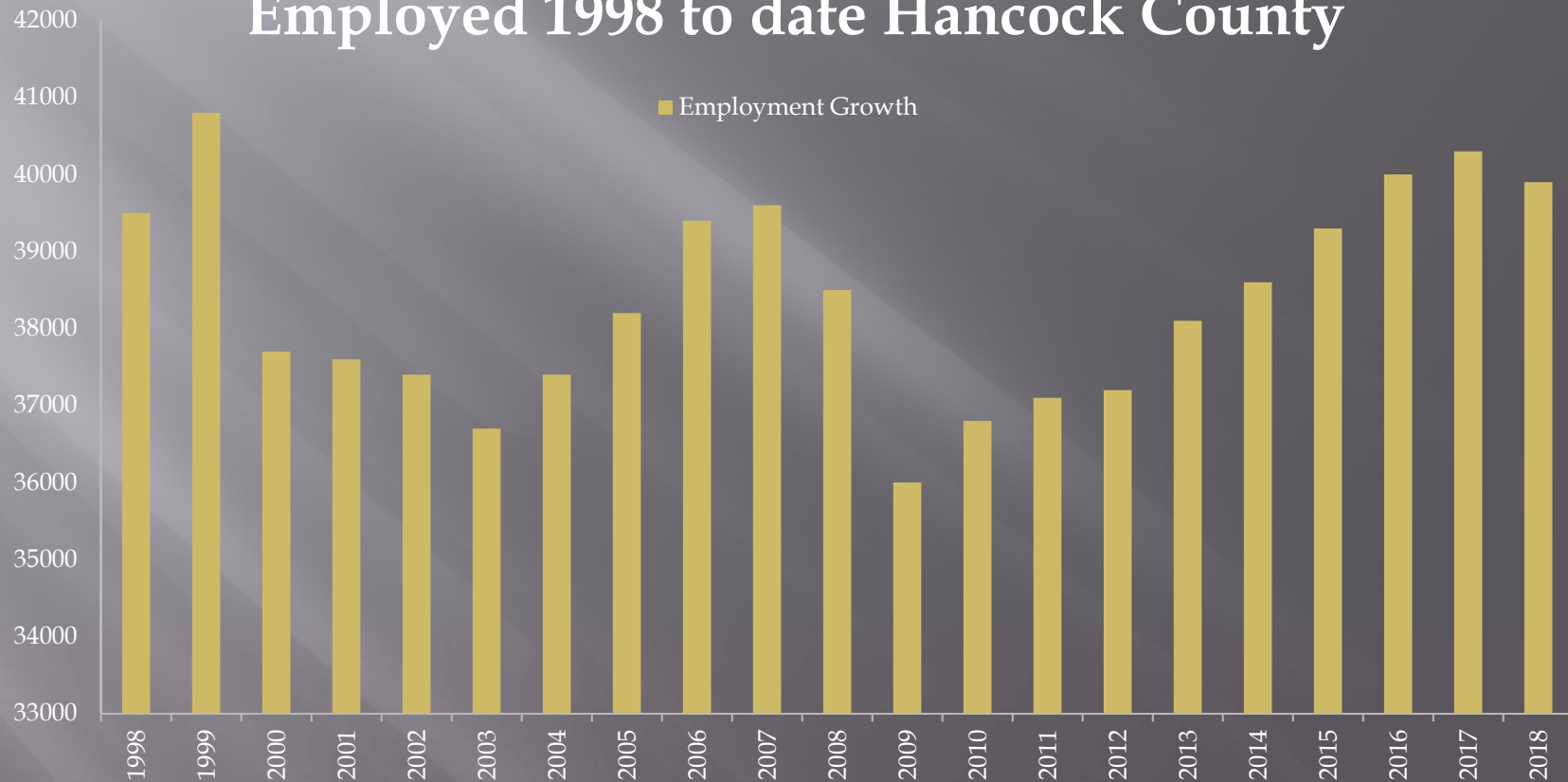




Economic Factors

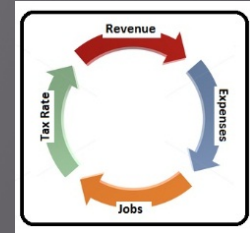


Employed 1998 to date Hancock County

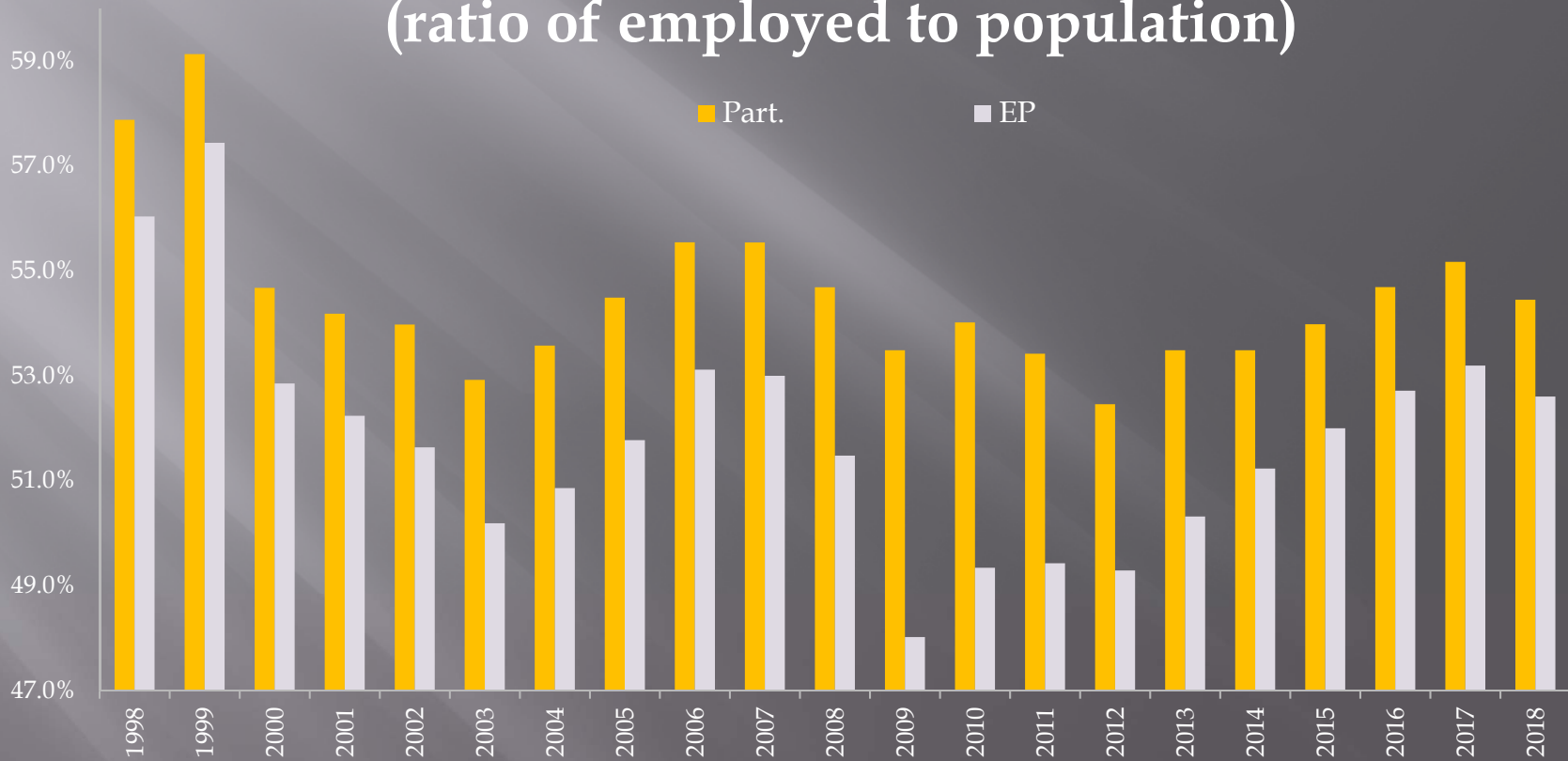




Economic Factors



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 3 cautionary indicators:

- 1) Unrestricted Net Assets/Position of Governmental Type Activities
- 2) Change in Unrestricted Net Assets/Position - GTA
- 3) 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: 1	Final
Findlay	City	Hancock	2016 GAAP	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	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	Yellow: 4	Final
Findlay	City	Hancock	2018 GAAP	Yellow	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	Yellow: 3	Final



Employee Count

	2019	2018 _{12/31}	2017 _{12/31}	2016 _{12/31}	2012 _{12/31}
Full Time	314	315	300	293	310
Part Time Permanent	7	12	5	13	27
Elected	17	17	17	17	16
Seasonal	56	20	27	56	24
Full Time Equivalents FTEs	355	341	331	323	341
Total Employees	394	364	349	379	377

Payroll on Transparency Site:

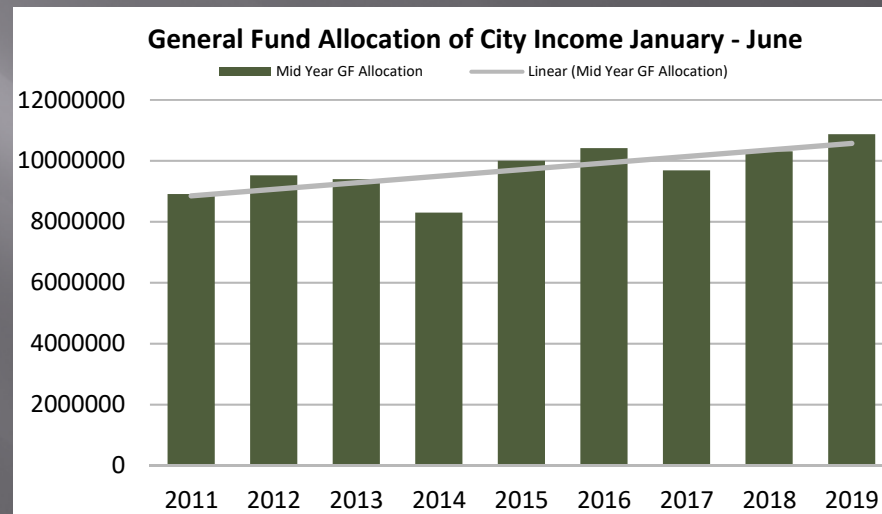
<http://transparency.tylertech.com/findlay/pages/Payroll.aspx?PageView=Shared>



Income Tax

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

- 2019 YTD \$10,875,454
- 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*



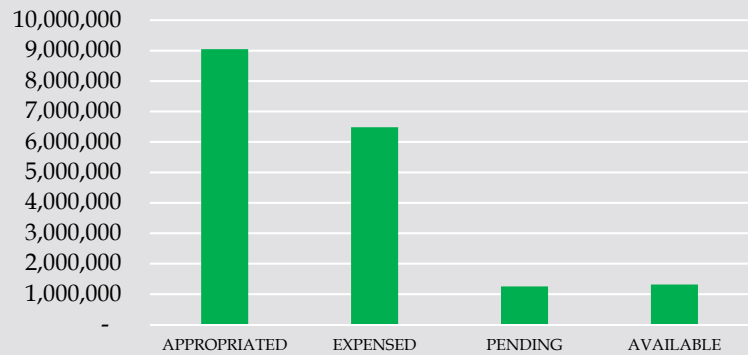
Capital Improvements

- ❑ 2019 Revenue year to date from the 20% net of income tax collections is \$2,718,860 compared to 2018 amount of \$2,577,790
- ❑ Long-term capital maintenance cost obligations should be calculated and reported to the elected officials. 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 only)
- ❑ State Auditor has flagged Findlay's capital condition as a potential concern in the 2016, 2017 & 2018 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. Historically we've only paid for cost of pipe (bigger pipe means less stone)

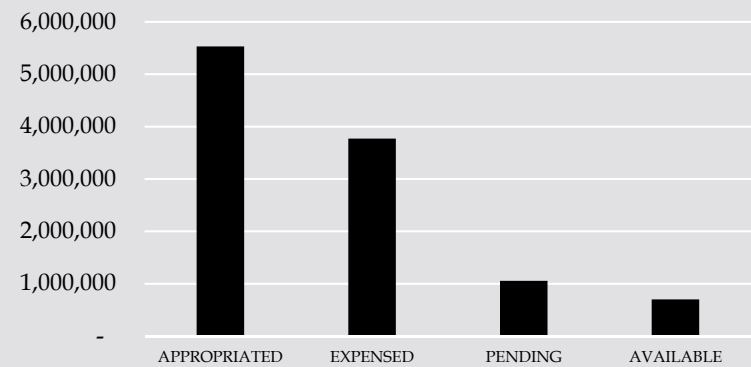


Capital Projects

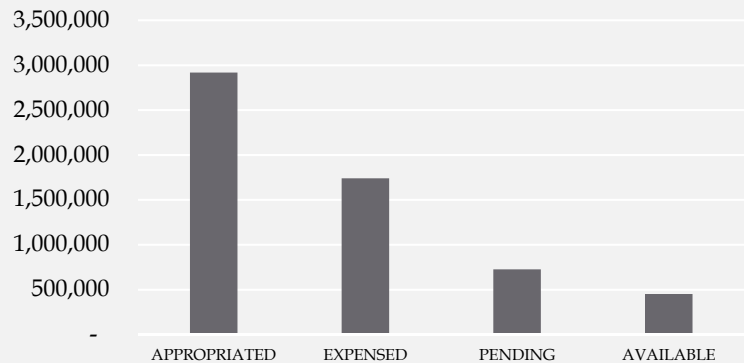
Open Capital Projects - General



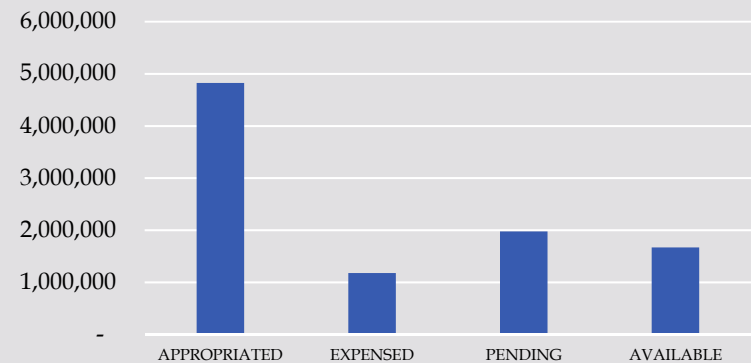
Open Capital Projects - SCMR



Open Capital Projects - WPC



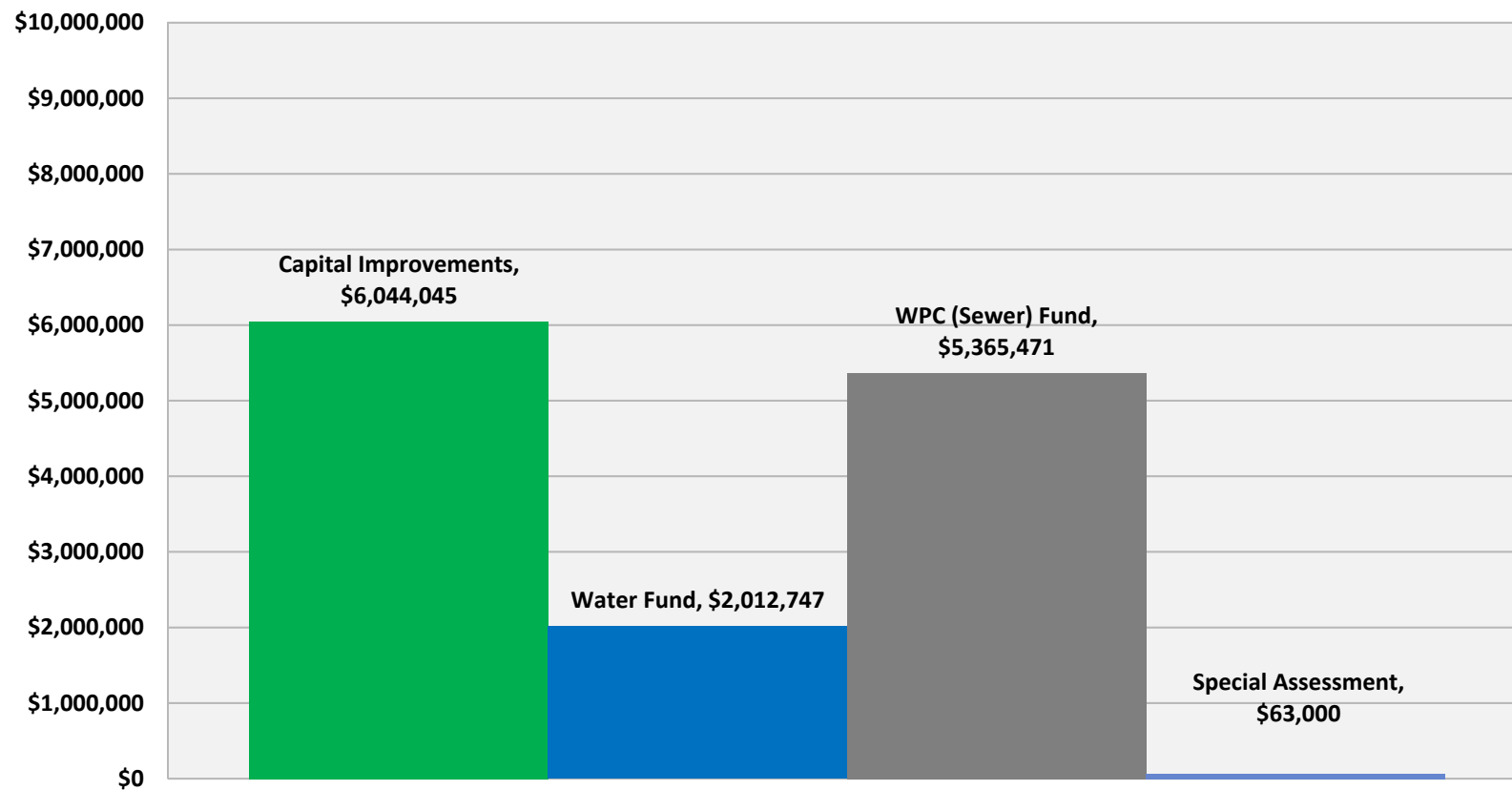
Open Capital Projects - Water





Debt

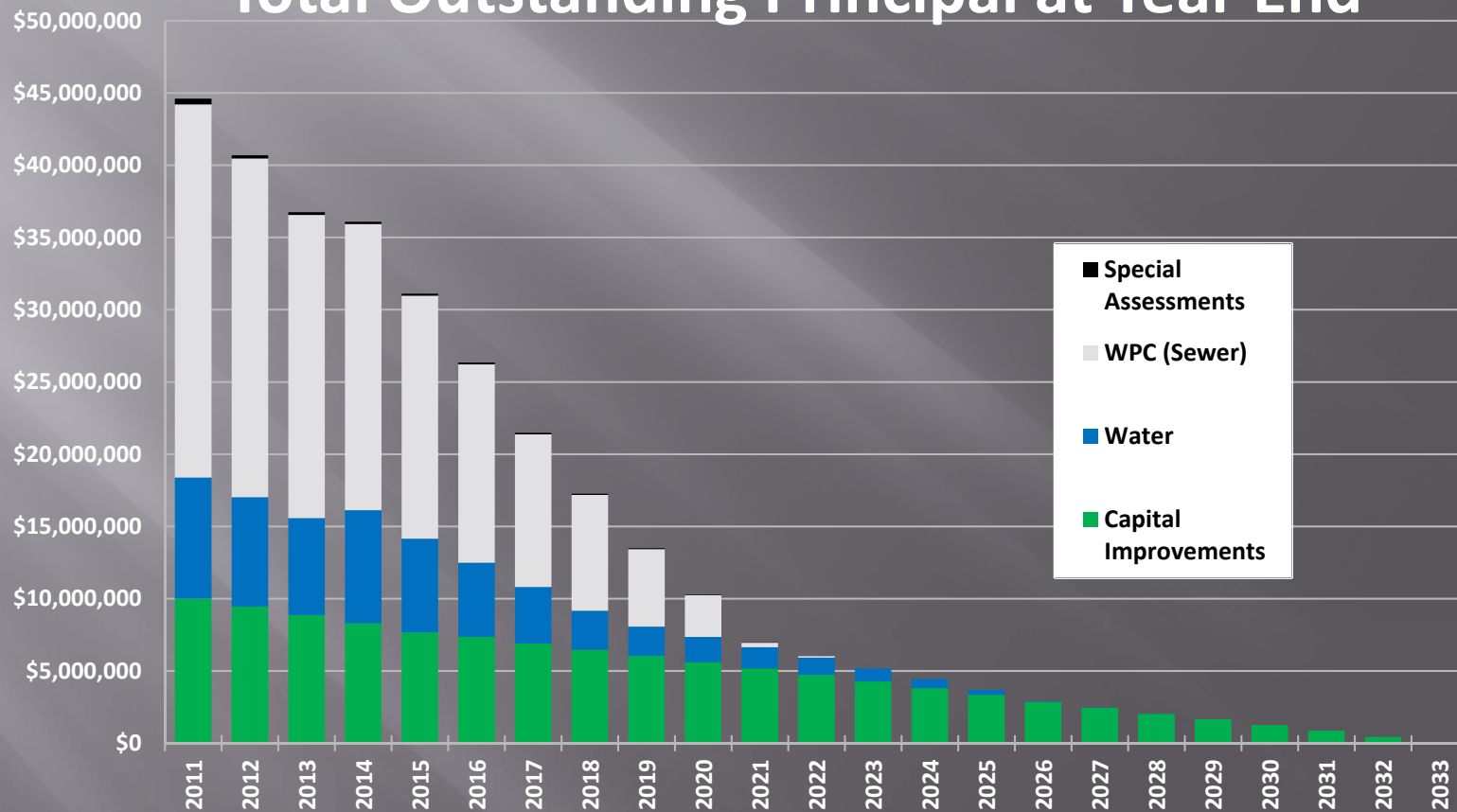
Total Outstanding Fund Debt as of 12/31/2018





Debt

Total Outstanding Principal at Year End





Debt

- Council has not yet discussed potential advantages and disadvantages of the amount of debt in the various major funds. Any discussion or consideration of debt instruments must include Auditor's office at a very early stage
 - 10 year potential project list to reserve debt capacity as current debt matures would be prudent. It is most cost effective to issue debt in large amounts consisting of multiple uses of the funds. History has shown this is the best approach for Findlay
- Rating review completed 2016 with S&P, City given highest marks for financial management and is affirmed 'AA stable'; Moody's re-affirmed 'Aa2' in 2018. Community demographics and State pension issue are the greatest challenges
- 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. Our disclosures are updated annually
- Keep in mind issuing debt is very complex and can take several months with many players involved, timing is also an important factor



Other Major Funds

▣ Water Fund

- Debt Service in 2019 is \$744,856 falling to \$326,958 in 2020
 - was \$1,090,900 in 2012
- Have reduced principal from \$8,382,900 in 2011 to \$2,012,747 in 2019
- Generates \$8,600,000 in annual revenue

▣ Sewer Fund

- Debt service in 2019 is \$2,940,700 falling to \$213,600 in 2022
 - was \$3,428,600 in 2012
- Have reduced principal from \$25,821,300 in 2011 to \$8,014,600 in 2019
- Generates \$9,855,600 in annual revenue



Health Insurance

- ❑ Health insurance benefit in current form is one of your best tools for hiring & retention of experienced quality employees
- ❑ Updated actuarial review done annually to determine reasonable and necessary reserve. Currently \$1.1MM
- ❑ Comparing Ohio cities, our average annual cost per employee is running **3.1% less** for self-insured plans and **9.7% less** than fully insured plans
- ❑ Tobacco & BMI continue to be greatest statistical threats to long term plan costs.



Workers Comp

- ❑ State give back programs have significantly reduced premiums for the City and the Governor has again proposed additional funds be reimbursed
- ❑ The City is returning to CompManagement for it's third party administration
- ❑ This should result in a larger group discounts and should also see reductions in costs and third party attorney fees
- ❑ The Auditor's office manages 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 were increased but have limitations of approximately \$3MM. *Have done significant testing, the City has not done a full restoration of backups. Ransomware is just one of many evolving threats*
- ❑ Environmental risk/liability is likely the area of greatest **exposure** (former dumps, gas stations, filled land, etc.)



Cash Management

- ❑ A cash management policy should be considered by City Council and a major component is reserves
- ❑ It's time to discuss raising reserve requirements for General, Water and WPC Funds
- ❑ Total cash balances strong, in excess of \$60,000,000; City's financial position is certainly a positive but does create some challenges for City
- ❑ Areas where cash management has been impacted include current appropriation practices, *income tax waived estimated payments*, long term (3-5yr) operations forecasting and community wide strategic planning



KPI 2023 Vision

Opportunities for the strategic planning committee to discuss

- ▣ “Promote successful flood mitigation” (ditches and river)
- ▣ “Preserve financial stability and leverage opportunities” (long term planning)
- ▣ “Maintain excellent infrastructure” (long term planning)
- ▣ “Best in class in economic development” (parking lot lessons)



This & That

Legislation & considerations needed at next meeting:

- General Fund to Severance Payout Reserve \$360,000 – personal services
- General Fund to Public Building \$2,000 – personal services
- Council could begin consideration regarding:
 - (WPC) Sewer Fund Replace & Improvement Restricted account has dropped to \$440,000 (uv system)
 - Water Fund should have a similar account.
 - A reserve formula: 2% of system value plus 60 days of operations funds



Revenues

REVENUES ON TRANSPARENCY SITE:

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

EXPENSES ON TRANSPARENCY SITE:

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



Summary & Opportunities

- ❑ Long-term operational planning should be addressed prior to adding recurring cost or new large cost items. Council's Appropriations Committee could be proactive in reviewing on a department by department basis prior to budget season
- ❑ New and growing local companies a positive for Findlay and regional economy; however have yet to hit the peaks of the 1990s
- ❑ 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
- ❑ It's time to consider increasing the minimum reserve balance legislation. The City Auditor is proposing 3 months reserve on the General Fund or 25% (currently 16.7%). This could easily be considered as part of the City Income Tax Board requests regarding windfalls and waivers to this Council



Summary & Opportunities_{continued}

- ❑ Occasionally, legislation is being passed without letters of explanation. This has impacted historical research and makes understanding why certain things were done difficult
- ❑ Rating Agencies look at budgets, forecasts, legislated financial policies, financial trends, contingency planning, reserves and RESULTS!
- ❑ Historically, County, City, & Schools have stayed out of each others revenue sources
- ❑ 2020 ^{and} 2021 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?

