

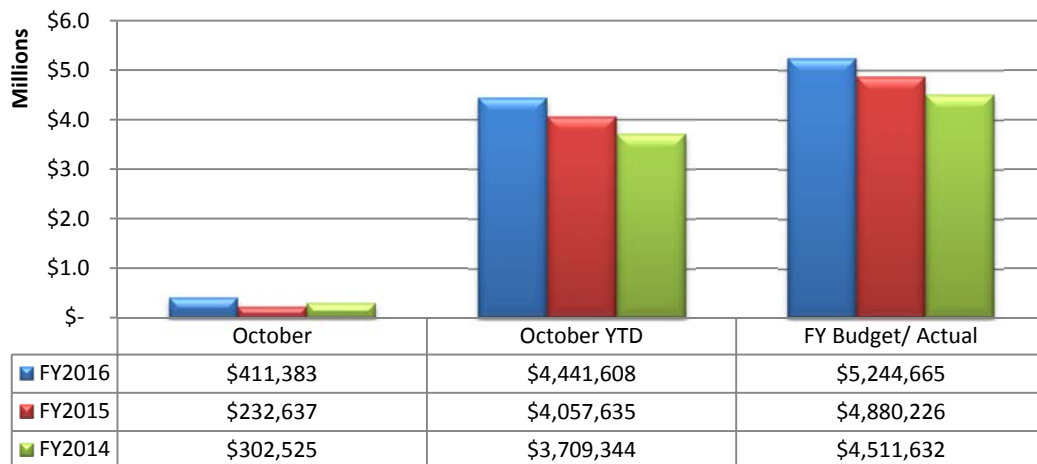


City of Pataskala Finance Department
James M. Nicholson, Finance Director
Finance Director's Report to Council

Current Projects & Issues

- **October 2016** - The financial results through October 31st have been compiled and summarized in the Financial Condition Report, which was previously distributed and is currently available on the city's website. Here are some highlights from that report:
 - **Income Tax Revenue** - Collections for the month of October are \$411,383 and are \$178,746 (76.83%) higher than the October 2015 collections. On a year to-date basis, total collections are \$4,441,608 and are \$383,973 (9.46%) higher than last year. When comparing our year over year increase to other comparable communities, we continue to experience a higher rate of increase than other comparable RITA communities. The average 2015-2016 increase statewide for the 217 communities (including Pataskala) is currently running at 6.3%, while ours stands at 10.5%.

Income Tax Collections - All Funds



- **Utility Billing Receipts** – On a year to-date basis, the city has received \$1,016,390 in water utility revenues and \$1,149,368 in sewer utility charges. On a combined basis, the total is \$190,106 higher than last year at this point in time. The total appears to be running slightly ahead of expectations as well, as it represents 90.57% of the budget. We would anticipate that the total through October should be running between 80-85% of budget.
- **Spending** – Spending through ten months in 2016 continues to be in line with expectations. Total spending to-date is \$12,174,871 and is equal to 57.32% of the full-year 2016 budget. Fund transfers between various city funds results in duplicate revenue and expenditure entries on the general ledger, which has the effect of overstating total spending. If we eliminate the \$1,579,825 in budgeted interfund transfers from the calculation, adjusted total spending would be equal to 55.93% of budget. This is well

below the 83.33% rate that would be expected if spending was done in a straight-line basis (e.g. equal spending each month). The primary drivers of the variance are: (1) capital project spending which has not yet occurred for a number of projects; and (2) significant debt service payments that will be made on or around December 1st. In addition to the spending to-date, purchase orders (encumbrances) of \$4,454,908 have also been issued and are outstanding. This encumbered balance represents either: (1) legal commitments to pay (such as construction projects); or (2) estimated full-year spending on routine items such as employee health insurance, natural gas/electric utilities, fuel or office supplies. Including the outstanding purchase orders in the calculation results in a year to-date spending rate equal to 78.56%.

- **Investments** – As of October 31, the city’s investment portfolio (excluding overnight sweep) had a market value of \$8,201,802 and an average portfolio yield of 1.518%. The portfolio had an unrealized gain at the end of October of \$67,219 when compared against the original cost basis of the securities in the portfolio. It is important to note that any unrealized gain or loss on the portfolio is simply a hypothetical gain or loss, and would only become a realized gain/loss if we were to liquidate the investment portfolio. Individual securities generally return the par amount (e.g. 100% of the face value of the bonds or CDs) at maturity or call, and no gain or loss would be realized. During October, we invested an additional \$500,000 in a \$205,000 par value Federal Home Loan Mortgage Corp. (FHLMC) bond maturing on 9/30/2021, and in a \$295,000 par value Federal Farm Credit Banks (FFCB) bond maturing on 10/6/2020.
- **2017 Budget** – All identified changes and/or corrections to the proposed 2017 budget have been incorporated into the budget exhibit which accompanies the legislation. A summary of all major changes to the proposed budget and 5-year forecast, as well as summary financial reporting was provided to Council under separate cover. The 3rd reading of the budget ordinance is scheduled to be held on November 21st.
- **Medical Insurance Renewal** – We have elected to modify the plan structure somewhat by increasing employee deductibles in order to reduce the overall financial impact to the city. Employee contributions (e.g. coinsurance) are scheduled to return to their contractually agreed-upon 10% rate for January, 2017 premiums (deductions taken in December, 2016). For 2017, the employee portion of the deductible they are responsible for will increase by \$400 (employee-only coverage) to \$800, and by \$800 for all other coverage levels (to a total of \$1,600). This approach serves to reduce the city’s year-over-year increase to 9.88%, and assumes that total deductibles (in aggregate) would increase by \$300 from \$1,500 to \$1,800 (employee-only coverage) and by \$600 from \$3,000 to \$3,600 (all other coverages). The net difference would reflect an additional \$100 or \$200 in deductible that was previously covered by the city, but would be shifted to the employees for 2017. Below is a table summarizing the proposed deductible changes:

| | Employee-Only | | | All Other Coverages | | |
|-------------------------|-----------------|-----------------|---------------|---------------------|-----------------|---------------|
| | Current | Proposed | Change | Current | Proposed | Change |
| City-Funded Deductible | \$ 600 | \$ 500 | \$ (100) | \$ 1,200 | \$ 1,000 | \$ (200) |
| Wellness Credits | 500 | 500 | - | 1,000 | 1,000 | - |
| Employee Responsibility | 400 | 800 | 400 | 800 | 1,600 | 800 |
| Total Deductible | \$ 1,500 | \$ 1,800 | \$ 300 | \$ 3,000 | \$ 3,600 | \$ 600 |

By taking these actions, the maximum full-year cost for the employees could increase by \$30,800 associated with the higher level of deductibles (assuming all employees 'max out' their deductible during 2017), though the reduced rate of employee contribution (from 17.5% to 10%) would reduce their coinsurance cost by \$46,465. The combined net impact of both is a year-over-year potential reduction in employee total out of pocket costs of \$15,665 (10.32%) for 2017.

- **Collective Bargaining** – We now have our initial collective bargaining sessions set with the Fraternal Order of Police (FOP) and the Ohio Patrolmen's Benevolent Association (OPBA). We are scheduled to hold our first negotiating session with the FOP bargaining representatives on November 30th, and with the OPBA representatives on December 5th. To date, however, we've not heard from the USW representatives beyond their notice of intent to negotiate.