

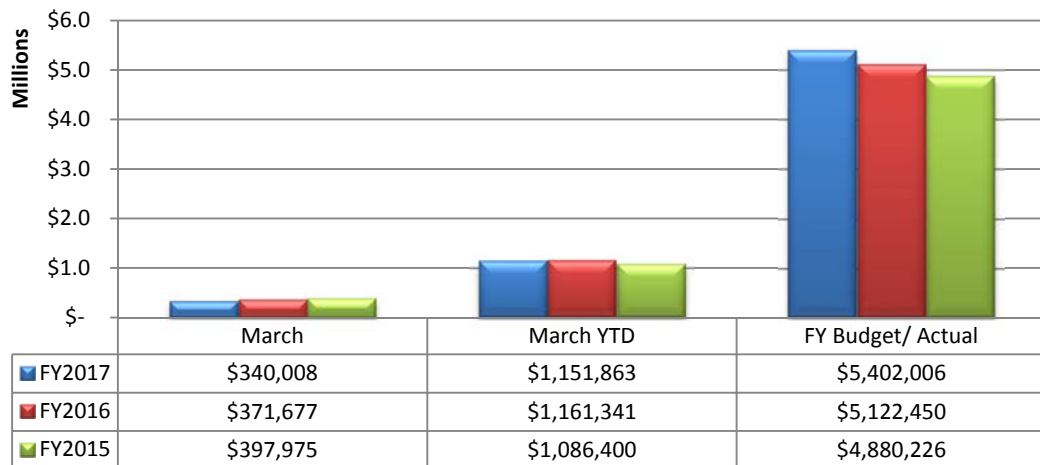


City of Pataskala Finance Department
James M. Nicholson, Finance Director
Finance Director's Report to Council

Current Projects & Issues

- **March 2017** – The financial results through March 31st have been compiled and summarized in the monthly 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 March were \$340,008 and are \$31,668 (8.52%) lower than the March 2016 collections. The decrease for the month was primarily due to accelerated collections in December of quarterly estimates resulting from changes required under HB 5. Total year to-date collections are \$1,151,863 (21.32% of budget) and, when compared to a March 2016 YTD total of \$1,161,341, are \$9,478 (0.82%) lower. Although it is too early in the year to consider modifying our projections, collections through March appear to be performing slightly below expectations. We will monitor this trend closely over the next 3-4 months to determine whether or not a trend exists (positive or negative), and if the forecast should be updated to reflect the new trend.

Income Tax Collections - All Funds



- **Utility Billing Receipts** – On a year to-date basis, the city has received \$294,898 in water utility revenues, and \$327,552 in sewer utility revenues. On a combined basis, the total is \$31,789 (5.38%) higher than last year at this point in time, and is equal to 25.97% of the 2017 budget. In comparison, March 2016 YTD collections were equal to 23.48% of full-year collections, and the rate was 26.42% in 2015. We'll closely monitor the collections rate over the next several months to determine if and when an adjustment might be required.
- **Spending** – Spending through the first three months of the year is equal to 20.02% the full-year 2017 budget, and is running slightly below expectations. Fund transfers between

various city funds result in duplicate revenue and expenditure entries on the general ledger, which has the effect of overstating total spending. If we eliminate the \$2,138,754 in interfund transfers from the calculation, adjusted total spending would be equal to 15.1% of budget. This is well below the 25% rate that would be expected if spending was done in a straight-line basis (e.g. equal spending each month). In addition to the spending to-date, purchase orders (encumbrances) of \$5,415,782 have also been issued and are outstanding as of month-end. 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 tends to overstate current spending, and results in a year to-date spending rate equal to 39.33% of budget.

- **Investments** – As of March 31st, the city’s investment portfolio (excluding overnight sweep) had a market value of \$8,629,341 and an average portfolio yield of 1.327%. The portfolio had an unrealized loss at the end of March of \$26,678 when compared against the original cost basis of the securities in the portfolio. This decline is the direct result of a rising interest rate environment, as the value of a fixed rate investment falls as rates rise. It is important to note, however, 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 typically return the par amount (e.g. 100% of the face value of the bonds or CDs) at maturity, where no gain or loss would be realized. During March, we had no other investment activity beyond receiving \$9,435 in investment income.
- **2016 Financial Reporting & Audit** – We are in the process of finalizing the basic financial statements (BFS) for 2016. I have begun updating the various sections of the CAFR, including the transmittal letter, management’s discussion and analysis, and the statistical section. The year-end financial reporting and audit process is running in line with where we were in 2016, which is still about 4-6 weeks ahead of where we were in 2015 and before. I still anticipate a mid-May release of the audited financial statements.
- **Income Tax Filing Support** – We continue to have resident walk-ins and phone calls to the Finance department requesting assistance with their annual Pataskala income tax returns. I am pleased to share that Finance Manager Janice Smith continues to provide an outstanding level of service to these individuals, in many cases directly contacting RITA representatives on their behalf. To date, Janice has assisted 181 taxpayers, and collected approximately \$29,000 in current and prior-period income tax revenues. Of recent note, she was able to resolve a taxpayer’s issue outstanding from 2010, resulting in the individual being refunded nearly \$5,600 in taxes paid where none was owed (taxpayer ultimately did not reside within city limits). Well done Janice!
- **Collective Bargaining** – We have our next negotiating session scheduled with the USW negotiating team on April 7th. We are making arrangements with the FOP for fact-finding, and the city and the FOP have agreed to a fact finder. The next step in the process will be both sides and the fact finder setting a date for the fact finding conference.
- **Police Station Construction Funding** – We continue to working with our financial advisor and underwriter in planning the issuance. The later than planned schedule for the construction has created some complications in structuring the issuance. We will be meeting with PNC Capital Markets to determine if the note can be extended until July 1, at which time the size of the issue and the costs of issuance will be known.

- **2017 RAMP** – Bids are scheduled to be received and opened on April 18th for the 2017 street improvement (RAMP) program. Results of the bid opening will be included in my next report to Council.

- **Continuing Education/Training** – I attended the Ohio Treasurer of State’s one-day continuing investment education (CPIM) held at Columbus State. This CPIM Academy provided me with the annual ORC-required investment training (6 hours) in order to be eligible to manage a municipal investment portfolio.