

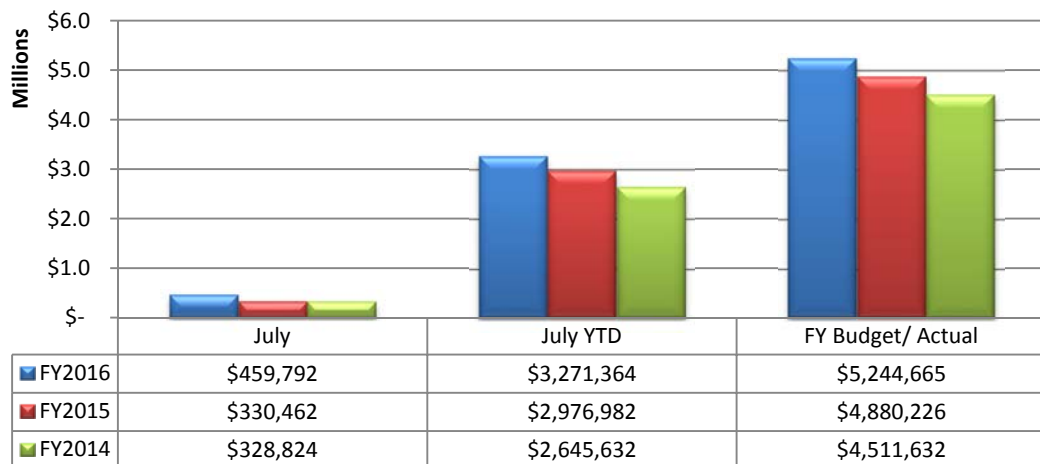


City of Pataskala Finance Department
James M. Nicholson, Finance Director
Finance Director's Report to Council

Current Projects & Issues

- **July 2016** – The financial results through July 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 July are \$459,792 and are \$129,330 (39.14%) higher than the July 2015 collections. On a year to-date basis, total collections are \$3,271,364 and are \$294,382 (9.89%) higher than last year. When comparing our year over year increase to other comparable communities, we are experiencing a slightly higher rate of increase than comparable RITA communities. The average 2015-2016 increase statewide for the 217 communities (including Pataskala) is currently running at 8.1%, while ours is nearly 10%.

Income Tax Collections - All Funds



- **Utility Billing Receipts** – On a year to-date basis, the city has received \$683,153 in water utility revenues and \$741,932 in sewer utility charges. On a combined basis, the total is \$106,403 higher than last year at this point in time. The total appears to be running slightly ahead of expectations as it represents 60.9% of the budget. We would anticipate that the total through July should be running between 55-60% of the full-year budget. 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 seven months of the year continues to be in line with expectations. Total spending to-date is \$9,871,359 and is equal to 39.3% 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 \$1,179,825 in interfund transfers from the calculation, adjusted total spending would be equal to 36.6% of budget. This is below the 58.33% 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 \$3,846,654 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 52.8%.

- **Investments** – As of July 31, the city’s investment portfolio (excluding overnight sweep) had a market value of \$7,687,162 and an average portfolio yield of 1.46%. The portfolio had an unrealized gain at the end of July of \$76,364 when compared against the 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, and no gain or loss would be realized. We had a partial call in mid-July of a Federal Home Loan Banks (FHLB) bond which was earning 1.37%. In addition to the call, we also increased the investment portfolio by wiring approximately \$250,000 to the account, which was used to settle a buy transaction. During July, we purchased a callable bank CD (Grant City Bank) at par that has a coupon rate of 1.5% and matures in July, 2021.
- **2017 Budget** – I have begun working on the revenue projections for 2017-2021, as well as consolidating the departmental CIP data. I hope to have both of these items completed by the end of the week. The departments are currently working on their operating budgets, and should have the proposals completed by mid-month.
- **HR Manager** – Letters of non-selection have been prepared and sent to the applicants last week.
- **Police Station Design Funding** – I continue to work with bond counsel, Dennis Schwallie (Dinsmore & Shohl), and our Financial Advisor, John Lewis (New Albany Capital Partners), on the \$500,00 short-term financing for Police station planning and design services. It now appears that we will most likely be using Park National Bank for this issue, instead of PNC. The city’s bond counsel, Dennis Schwallie, has shared his concerns with the proposed structure of a private placement note with PNC. PNC’s commercial banking department has proposed a non-standard funding, which included a variable rate and potential penalties that significantly deviate for what would be expected in a typical BAN (bond anticipation note) financing vehicle. As a result, we’ve begun working with Park on an alternative approach. I would anticipate closing on the note within the next 15 days.