

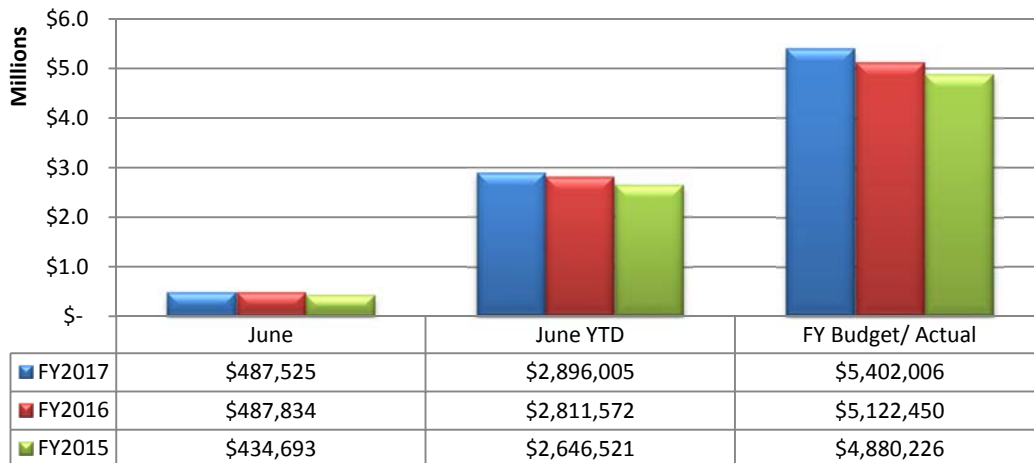


City of Pataskala Finance Department
James M. Nicholson, Finance Director
Finance Director's Report to Council

Current Projects & Issues

- **June 2017** – The ledger has been successfully closed for the month, and the summary reporting has been prepared and published. I am currently working on the comprehensive monthly financial report, and I plan to have the report completed and distributed with the next Finance Director's Report to Council. At this point in time, however, I am able to update Council on the status of June's financial condition.
 - **Income Tax Revenue** - Income tax collections for the month of June were \$487.5 thousand, and were roughly the same when compared to June 2016. Total year to-date collections are \$2.9 million (53.61% of budget) and, when compared to a June 2016 YTD total of \$2.81 million, are \$84.3 thousand (3.0%) higher. The full-year budget is currently projected to be \$5.4 million, an increase of \$280 thousand, or 5.46% over FY 2016 collections. It is important to note that the June 2016 year to-date collections were 54.89% of full-year 2016 collections, and the 2015 YTD collections were 54.23% of the full-year collections. After reaching the mid-point of the budget year, and based upon the current collections rate, it would appear that collections are maintaining a trend that is generally in line with expectations. We'll continue to monitor the trend closely over the next few months, however, to ensure that collections do not 'fall off' as we go into the 2018 budget season.

Income Tax Collections - All Funds



- **Utility Billing Receipts** – On a year to-date basis, the city has received \$577,102 in water utility revenues, and \$641,060 in sewer utility revenues. On a combined basis, the total is \$4,844 (0.4%) higher than last year at this point in time, and is equal to 50.85% of the 2017 budget. In comparison, June 2016 YTD collections were equal to 48.25% of full-year

collections, and the rate was 47.69% in 2015. Although it appears that collections are in line with expectations, we'll continue to 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 six months of the year is equal to 31.89% of the full-year 2017 budget, and is running well 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 and revenues. If we eliminate the \$2,163,754 in planned interfund transfers from the calculation, adjusted total spending would be equal to 18.08% of budget. This is well below the 50% 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 \$5,484,363 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 52.38% of budget.
 - **Investments** – As of June 30th, the city's investment portfolio (excluding overnight sweep) had a market value of \$9,594,955 and an average portfolio yield of 1.373%. The portfolio had an unrealized loss at the end of June of \$27,956 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 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 June, we received investment income of \$4,782 which was credited to the various funds.
- **Telephone System** – During the storm which occurred during the afternoon of July 10th, the City Hall building suffered from a nearby lightning strike. Although most of the systems came back online shortly thereafter, the city's telephone system was seriously damaged and non-operational. We've been working with Keytel and AT&T to get the systems up and running again. As of Thursday afternoon, we have been able to get a handful of lines functional, although most lines are still down. We were already in the midst of planning for a new system replacement, and this event will most likely accelerate the project.
- **State & Local Income Taxes** – I was invited by the Government Finance Officers Association (GFOA) to travel to Washington DC and participate in a panel discussion to House staffers. The topic was the proposed elimination of the deductibility of state and local taxes, as well as the proposed elimination of municipal bond interest exemption. Two of my fellow speakers were Mayors from cities in Virginia, and the other was a county commissioner from North Carolina. The focus of my remarks was on the negative impact these proposed changes to the IRS tax code would have on the city of Pataskala and its residents. We had at least 80 staffers who attended the briefing, which was well received. Hopefully, they will take our message back to their elected official, encouraging them to reconsider this option. While I was in DC, I also took the opportunity to visit the offices of both Ohio's senators and Rep. Tiberi to discuss these issues in person. While I was visiting Rep. Tiberi's office, I met a family from Pataskala, Benjamin and Julie Buxton and their children Miles and Addison. They were sightseeing around Washington DC and decided to visit their representative. It's definitely a small world!

- **Police Station Construction Project** – Bids on the construction of the new Police facility were opened on Thursday, July 6th. All of the bids, save one – Palmetto Construction Services, were in excess of 110% of the engineer’s estimate. We’ve met with the architect to go over the bid from Palmetto. He is recommending that we not go out for a rebid of the project due to the overall time delay and expectations that costs will be higher in the 2nd round. He believes that we should accept Palmetto’s base bid only, and not accept any of the alternatives as part of the initial contract. He has identified a number of alternatives and non-perform adjustments that would result in a total project cost (excluding soft costs) of approximately \$5.0 million. In order to do this, however, we would need to increase the total borrowing to \$5.5 million (\$5.0 million construction funding and \$0.5 million in design/construction management), and increase the appropriations from the \$4.5 million approved as part of the 2017 budget process. The pace and timing of this bidding process has created some issues for the city, due to the result that \$500,000 in long-term funding needs to be provided in time for the August 22nd settlement of the design/construction management note.

- **2018 Budget** - The Excel templates and instructions for the 2018 operating budget planning process have been updated and distributed to all of the department heads. The next steps in the budget process include: (1) the analysis of 2017 revenue collections and the development of updated 2017-2021 revenue projections; and (2) the consolidation of departmental CIP submissions to determine overall scope and financial impact of proposed capital spending.