

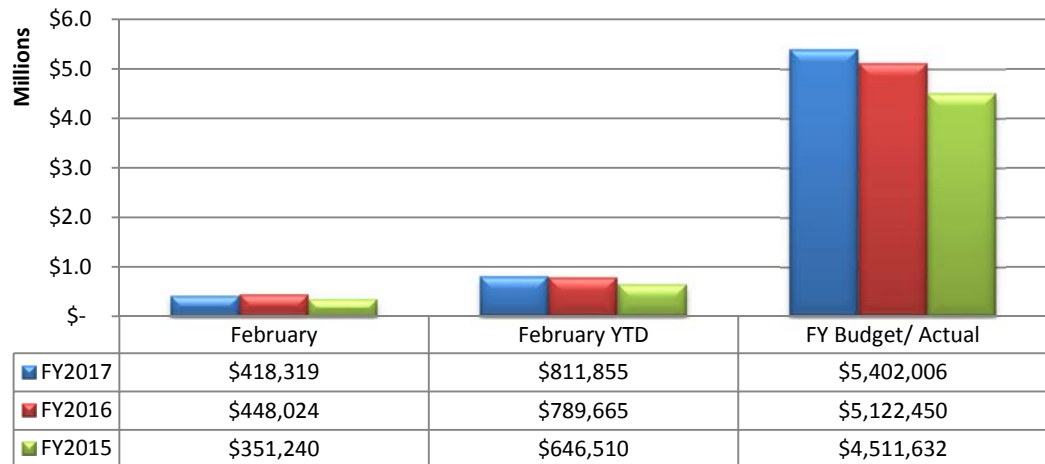


City of Pataskala Finance Department
James M. Nicholson, Finance Director
Finance Director's Report to Council

Current Projects & Issues

- **February 2017** – Although we are still posting entries for the month of February, I would anticipate closing the month by the end of the week. I plan to have the monthly financial report prepared 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 February's income tax collections.
 - **Income Tax Revenue** - Collections for the month of February were \$418,319 and are \$29,705 (6.63%) lower than the February 2016 collections. On a year to-date basis, total collections are \$811,855 and are \$22,190 (2.81%) higher than last year. This amount equates to 15.03% of the full-year budget, slightly below the 16.67% straight-line rate if revenues were collected evenly throughout the year. In 2016, the February year to-date collections amount equated to 15.42% of full-year collections, and the rate was 14.33% in 2015. Although it is too early in the year to consider modifying our projections, collections through 2016 appear to be performing in line with expectations. We will monitor this trend closely over the next 3-4 months to determine whether or not a trend (positive or negative) exists, and if the forecast should be updated to reflect the new trend.

Income Tax Collections - All Funds



- **2016 Financial Reporting & Audit** – We have completed the development of all of the necessary schedules and documents necessary to support the creation of the 2016 accrual-based financial statements for the city, as well as the development of the 2016 Comprehensive Annual Financial Report (CAFR). Since my last update to Council, the most significant schedules completed involved accrued wages, accounts payable and accounts receivable. In addition, we also completed the update of the fixed asset inventory with all purchases and disposals during 2016. The city's auditors (Julian & Grube) are scheduled to begin their fieldwork, and will be onsite

during the 2nd full week of March. I am pleased to inform Council that the year-end 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 would anticipate a mid-May release of the audited financial statements.

- **Income Tax Filing Support** – Over the past month, we have had a number of resident walk-ins to the Finance department requesting assistance with their annual Pataskala income tax returns. I am pleased to share that Finance Manager Janice Smith has provided an excellent level of service to these individuals, in many cases contacting RITA representatives on their behalf. To date, Janice has assisted 76 taxpayers, and not only collected \$18,300 in current and prior-period income tax revenues, but also assisted a single taxpayer in receiving a \$635 refund.
- **Collective Bargaining** – We met with the USW negotiating team on February 21st to address non-economic issues, and have our next negotiating session scheduled with their negotiating team on March 9th.
- **Police Station Construction Funding** – Now that Council has authorized the bond legislation, we are waiting for the 30-day referendum period to pass. A ‘touch base’ call has been scheduled for March 10th to discuss the issuance, market trends, etc.
- **Centralized Collection** – In Governor Kasich’s recently released proposed biennial budget (2018-2019), a proposal has been made to centralize the collection of a portion of municipal income tax collections at the Ohio Department of Taxation. Specifically, he has proposed that the state serve as the tax administrator/collector for the net profits portion of the income tax. The city’s income tax collection agent, the Regional Income Tax Agency (RITA), has begun its’ outreach to notify all member communities of the proposal (see accompanying RITA notice). On its’ face, this proposal doesn’t seem to be an unreasonable approach, as they are proposing a significantly lower cost of collections. It is important to note that for Pataskala, the proportion of income tax revenues generated by business profits is dramatically lower than for most central Ohio communities that have larger business communities, and as such, the financial impact of such a shift is of lesser concern. The ‘elephant in the room’, however, is that the State of Ohio has a history of volunteering to serve as an efficient collector of municipal revenues, only to later renege on their initial promises and retain a greater and greater share of the revenues in order to support state-level operations. The Local Government Fund is one such example that supports that assertion. While the diversion of municipal income tax revenue is a very serious concern, the even greater concern is that it represents an encroachment into community home rule, and the primary tenet of that – the assessment of taxes to support municipal operations. It’s not unreasonable to anticipate that the state would then use this base as the support for centralizing all municipal income taxes in the future. All of this comes on the heels of HB5 which has already served to eliminate a large portion of local control over municipal income tax regulations. During the legislative negotiation process, the supporters of HB5 pledged that it wasn’t their intent to usurp local control over income taxes and centralize collections, but this is exactly what is happening right now. RITA is encouraging all Tax Administrators, Finance Directors and elected officials to reach out to their elected representatives to express their concern on this encroachment. I am working with RITA and other agencies to identify suitable language in opposition that I intend to present to Council for their consideration.