

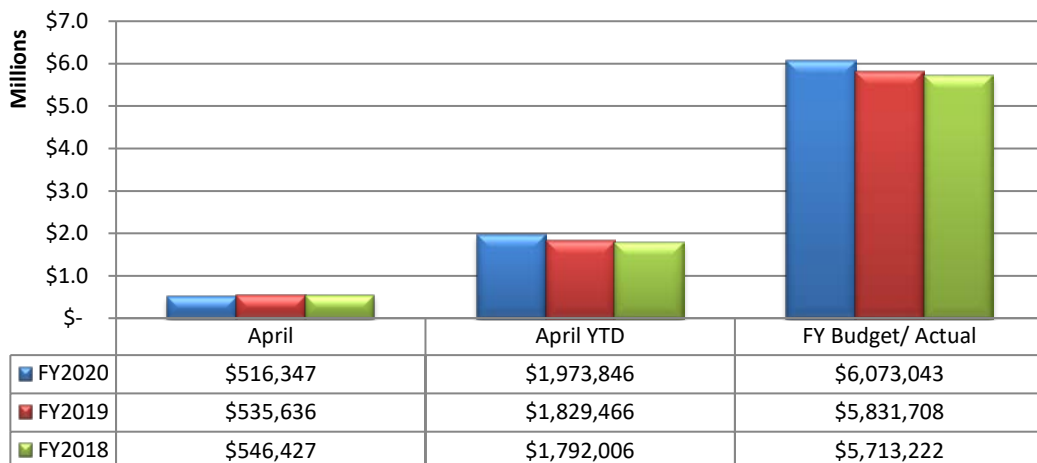


City of Pataskala Finance Department
James M. Nicholson, Finance Director
Finance Director's Report to Council

Current Projects & Issues

- **February 2020** – The financial results through February 29th have been compiled and summarized in the monthly Financial Condition Report, which was previously distributed and is currently available on the city's website.
- **March/April 2020** - The ledger for the month of March was successfully balanced and closed by the 2nd business day of the month. Given the volume of remote processing done during the month, the reconciliation process was fairly straightforward, and it was relatively easy to close the books. I've been working on the month-end financial reporting but was unable to complete it prior to preparing this report. I plan to have the monthly financial report prepared and distributed with the next Finance Director's Report to Council. We are still posting entries for the month of April; however, I can update Council on the status of April income tax collections.
 - **Income Tax Revenue** - Collections for the month of April are \$516,347 (equal to 8.50% of the full-year budget) and are \$19,289 (3.60%) lower than the April 2019 collections. On a year to-date basis, we have collected a total of \$1.97 million in income tax revenues which is equal to 32.50% of budget. This is below the 33.33% straight-line rate if revenues were to be collected evenly throughout the year. In 2019, the April year to-date collections amount equaled 31.37% of full-year collections, and the rate was 31.37% in 2018. It is important to understand that the April collection numbers reflect RITA collections through the first week of April. We will continue to monitor this trend closely over the next few months to determine what collection trend we can anticipate seeing. Once we have a good handle on the impact, we'll reduce the budget to reflect the lower rate of collections. See the next section for a more comprehensive discussion analysis of the COVID-19 impact.

Income Tax Collections - All Funds



- **COVID-19 Fiscal Impact** – As we continue forward in our ‘stay at home’ shutdown, I continue to be concerned as to the overall fiscal impact to the city’s finances in 2020. We have reserves on hand to weather such a short-term disruption, but that can only sustain us for so long. I’ve asked all departments to curtail any discretionary spending in order to maintain our cash reserves and overall liquidity. We are just now starting to see the beginning of reduced income tax collections. Total collections for the month of March 2020 (distributed in April) were down approximately 3.60% from the same period in 2019. While this could be unrelated to the COVID-19 shutdown, I am certain that we’ll see a material reduction in the May distribution.

The Regional Income Tax Agency (RITA) provided municipalities with a Excel worksheet to assist in modeling our projected income tax collections, based upon percentage declines occurring each month (versus the revenue received in 2019). The model provides the capability to test a range of assumptions for each month. I’ve run assumptions ranging from as low as 5% to as high as a 65% decline in any one month’s collections. The objective of the exercise was to identify a range of possible impacts during 2020. The table below provides the resulting reduction of projected income tax revenues based upon the anticipated percentage reduction in: (1) months 4-6; (2) months 7-9; and (3) months 10-12. Of concern, but extremely difficult to calculate, is the impact of the delay in the 2019 return filings with payments, and the delay in Q1-20 and Q2-20 estimates until July 15. It is important to understand that the lost revenue amounts also take into consideration approximately 75% of the projected 3% growth in income tax revenues that was built into the 2020 budget that would also be foregone.

Months 4-6/7-9/ 10-12	25/15/5	30/20/5	35/25/10	35/30/15	40/30/15	50/35/15	50/50/25	65/40/25
FY2020 Lost Rev	\$364,306	\$408,568	\$461,837	\$487,267	\$515,105	\$587,206	\$654,499	\$705,154
As a % of Budget	6.00%	6.73%	7.60%	8.02%	8.48%	9.67%	10.78%	11.61%

In addition to those reductions, I would anticipate that the gasoline tax, license/vehicle registration fee revenues will be significantly reduced as well, as overall gasoline consumption is down and the BMV offices are closed for the outbreak. These are key funds for the Public Service department and may potentially impact our ability to fund road-related projects.

Please know that I’m hopeful that, given the success the ‘stay at home’ order has had, the worst-case scenario might not be realized. However, the goal is to slow our spending as much as possible now, before revenue reductions have a material impact to the general ledger. The benefit of this approach is that it should provide us with additional time to maneuver and operate as normally as possible. However, at some point in the near future (and in coordination with the City Administrator and Council leadership), I would anticipate the city implementing more dramatic spending restrictions and freezes if the revenue doesn’t rebound in a timely fashion. These might come in the form of requisition approvals being held and most non-emergency and non-mandatory (e.g. debt service, utilities, pension payments, etc.) spending being held for the time being.

- **2019 Financial Reporting & Audit** – We continue working on creating the schedules and documents required to support the development of the 2019 GAAP accrual-based financial

statements for the city, as well as the development of the 2019 Comprehensive Annual Financial Report (CAFR). Most of these schedules involve accrued wages, accounts payable and accounts receivable. In addition, we will also be updating the fixed asset inventory with all purchases and disposals during 2019 and supporting the audit of the 2019 financial statements. Over the past several weeks we have made significant progress in completing many of these schedules.

- **Other Staffing Recruiting** – We currently have one position currently open, the Mayor’s Court Clerk. Applications for the Mayor’s Court Clerk were presented to the Personnel Board of Review (PBR) on March 25th for the board’s review and the development of an approved eligibility list. Interviews are now being arranged by the Administration.