



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

Current Projects & Issues

- **August/September 2024** – The financial results through August 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. We are still processing entries for the month of September and will be doing so for several weeks. RITA has not yet made our mid-September settlement, so I am currently unable to update Council on the preliminary status of September's income tax collections.
- **2025 Budget** – I have completed the first draft of the 2025 budget briefing document that summarizes revenues, expenditures, fund balances and highlights the major proposed projects. There are a few issues that we need to resolve prior to my finalizing the document. It is my hope, however, to print the document and provide it to Council prior to the Council workshop on Monday, September 23rd.
- **Iron Filter Replacement Project** – We are working with the Administration and the Utility department to arrange funding for the Utility Water Plant Iron Filter Replacement project. This project is expected to cost approximately \$3.5 million, and we are planning to borrow the funds for the project. We are currently proposing the issuance of 1-year Bond Anticipation Notes (BANs) to maximize our funding flexibility. It is possible that we may receive some OPWC grant/loan funding in the future, and we would use those funds to repay the notes. If we don't receive 3rd-party funding, we would likely structure the transaction as a 7-year bond or loan. We've brought the debt issuance enabling legislation to Council for discussion and a 2nd reading on September 16th. We would anticipate closing the transaction on or before December 18, 2024, which would provide the needed funding for the 2025 CIP project. The project expenditures and the resulting debt service will both be included in the 2025 budget.
- **COHCC Insurance Rate Setting** – The COHCC board and its' Finance Committee have been meeting to discuss the 2025 medical insurance renewals and reserve policy, and should have renewal rates by the end of September. Based upon our total costs of claims and administrative expenses, we are currently running at a 62% claims/funding ratio as compared to the pool which is running at a 98% rate. The target ratio is typically set at 92% which means that you spend \$0.92 in claims and administrative expenses for every \$1.00 of premiums received. As a result, I would anticipate seeing a modest increase in premiums for 2025, most likely in the 3-5% range. In addition, the Board is finalizing the updates to the 3-year Joint Self-Funding Agreement which governs the operations of the COHCC. Once it is finalized, we will be bringing a resolution to Council to approve the agreement.
- **Moody's Ratings Call** – On September 6th, we participated in a call with Moody's to discuss the city's current bond rating (Aa3) and whether or not the city's current financial condition warrants an increase in the rating (most likely to Aa2). Prior to the call I provided the Moody's analyst with several documents, including our 2024 budget document and monthly financial reporting. I

believe that we have a very good story to tell and the financials/fund balances back that up. It is our hope that we will receive an upgrade, but won't know until sometime early next week. An improved bond rating will benefit the city by increasing investor interest in our bonds and reducing the interest rate paid by the city. It is estimated that receiving an Aa2 rating would save the city approximately 0.25% on its long-term debt issuances. While that doesn't seem like much, on a \$35 million, 30-year bond issuance, it could save the city as much as \$1.91 million in interest over the life of the debt.

- **Supplemental Appropriation** – I have prepared a supplemental appropriation ordinance for consideration and a 1st reading by Council at the September 16th meeting. Due to the property tax and income tax revenues greatly exceeding projections, the costs of collection and revenue sharing distributions with the school districts are greater than planned. This ordinance will provide the additional appropriation authority to permit the city to post the expenses to the ledger. Additionally, we will be correcting the appropriations for the Iron Filter Replacement project. Initially, it was planned for the project to be funded via bank loan and would be recognized in the Water Capital Improvements fund. Since we are instead issuing BANS, the appropriate posting to the ledger would be in the Water Bond Improvements fund. Additionally, we need additional appropriations to recognize the costs of issuance (bond counsel, underwriter, etc.). I've attached a copy of the costs of issuance breakdown estimated for the issuance of the BANS. We anticipate this legislation will be going through all 3 required readings.
- **Ohio GFOA Annual Conference** – I will be attending the Ohio GFOA annual conference in Cincinnati from September 24-27 but I will be available by email or phone if needed.

City of Pataskala, OH - \$3,500,000 Water System Improvement Bond Anticipation Notes, Series 2024

Costs of Issuance

Bond Counsel (Dinsmore & Shohl)	\$ 8,950.00
Municipal Advisor (Bradley Payne)	3,500.00
Paying Agent (US Bank)	1,100.00
OMAP (TOS)	875.00
OMAP Note Rating (S&P)	2,000.00
MuniChain	400.00
	<u>\$ 16,825.00</u>

Underwriter's Discount

Takedown	\$ 5,250.00
OMAC	875.00
DTC/Pershing Clearing Fee	925.00
CUSIP	108.00
	<u>\$ 7,158.00</u>

TOTAL COI / UD \$ 23,983.00