CITY OF MONTGOMERY

Providing superior services and
engaging with you to enhance our community!

Memorandum

March 31, 2017

To: Ken Suer, Chairman
Financial Planning Committee of City Council

From: Wayne Davis, City Manager WSD

Subject: Financial Planning Committee Meeting April 3, 2017

As a reminder, the Financial Planning Committee is scheduled to meet on Monday, April 3 at 4:30 p.m. at City Hall. The agenda for this meeting is as follows:

1. March 2017 Income Tax Report – The Income Tax Report for the month of February will be presented at the meeting for the Committee's review. Staff will be prepared to answer any questions on this report at Monday's meeting.

2. Establishment of New Funds – The Gateway Redevelopment Area requires that three new funds be established in the City's Chart of Accounts. A Construction Fund will need to be established to account for the bond proceeds and a separate Construction Fund will need to be established to account for the various grant dollars received to construct the development. A Debt Service Fund (TIF Fund) will collect payments in lieu of taxes (PILOT) and provide for debt service payments.

3. Supplemental Appropriations – Please see the attached recommendation for an Ordinance to increase Appropriations (Ordinance 7, 2016) for expenses for a variety of purposes. This includes the expansion of the Public Works Facility, land purchases for the GRA Project and the purchase of land from Life Enriching Communities for potential service enhancements at the Safety Center.

4. Miscellaneous Updates
   a. Hiring Process within the Finance Department
   b. Pre-Audit Meeting
   c. Financial Software
   d. Arts and Amenities Bequests

5. Other Business - The purpose of this agenda item is to provide an opportunity to discuss any issue or ask questions that may be on your mind.

Also, attached are the minutes from the February 6, 2017 meeting of the Financial Planning Committee for review and approval at Monday's meeting.

Should you have questions or concerns regarding the above agenda items, or have additional items to be discussed at the meeting, please do not hesitate to contact me.

c: Financial Planning Committee Members (2)
Mayor and City Council Members (3)
Katie Smiddy, Finance Director
Connie Gaylor, Administrative Coordinator
File

CITY OF MONTGOMERY

FINANCIAL PLANNING COMMITTEE OF CITY COUNCIL
10101 Montgomery Road • Montgomery, Ohio 45242 • (513) 891-2424 • Fax (513) 891-2498

AGENDA

April 3, 2017
Montgomery City Hall
10101 Montgomery Road

4:30 P.M.

1. **Call to Order**

2. **Guests and Residents**

3. **Communications**

4. **New Business**
   a. March 2017 Income Tax Report
   b. Establishment of New Funds
   c. Supplemental Appropriations
   d. Miscellaneous Updates

5. **Approval of Minutes:** February 6, 2017

6. **Other Business**

7. **Adjournment**

Memorandum

March 31, 2017

TO: Wayne S. Davis, City Manager

FROM: Katie Smiddy, Finance Director KMS

SUBJECT: Recommendation on 2017 Appropriation Adjustments

Introduction

The City approved its 2017 Operating Budget at the December 7, 2016 Business Session of City Council. This culminated six months of work that is associated with reviewing, planning and creating the financial plan of the City of Montgomery for 2017 – 2021 over the course of three separate readings which occur in October, November and December. In any given year, it may become necessary to make adjustments to the appropriations as new funding becomes available or as unplanned opportunities arise or emergency situations occur.

Background

Due to unplanned situations that are beyond the control of staff, it is necessary for staff to request the following appropriation adjustments for 2017. The changes are identified below:

Budget Account	Description	Amount
410.261.5470	Renovation of Public Works Facility	$100,000

This will provide additional funds to allow for funding of three alternative bids for this project including an 18 foot Truck Bay Addition; Fire Protection and a Back-Up Generator, as well as for $30,000 in contingency appropriation for this project which was originally budgeted for $900,000, without the alternatives.

101.715.5401	Purchase of Hamilton County Land at the GRA	$600,000

This appropriation increase from the City's General Fund will allow for the purchase of 10.334 acres from Hamilton County for the Gateway Redevelopment Project. This was approved by City Council at its February 1, 2017 Business Session. To accommodate this increase, the City will plan to transfer the cash balance of the 460 – Urban Redevelopment Fund to the General Fund when the Village Corner and Montgomery Commons Tax Increment Financing (TIF) districts are terminated later in the year. This appropriation will be added as a supplemental appropriation at the end of the year to transfer and close out the remaining fund balance in the Urban Redevelopment Fund.

101.715.5401	Purchase of Land from Life Enriching Communities	$509,000

This appropriation increase from the City's General Fund will allow for the purchase of .4 acres from Life Enriching Communities that is directly south of the City's Safety Center at 10150 Montgomery Road. This was approved by City Council at its April 5, 2017 Business Session. In the beginning of 2017, City Council approved a change in the City's earnings tax allocation to allow for an additional 4% of collections to be allocated to the City's General Fund. This additional allocation is forecasted to result in $330,000 in collections, and will contribute to the General Fund's Cash Reserves and this with the City's current financial position will provide the necessary funding.

Recommendation

It is recommended that City Council consider amending and adopting the appropriations adjustment legislation at its May 3 Business Session. This action will enable the City to meet its financial obligations which have resulted from financial issues that cannot be reasonably anticipated while developing and planning for the appropriation of the City's funds during its 2017 Budget process.

These minutes are a draft of the proposed minutes from the Financial Planning Committee of the City Council meeting. They do not represent the official record of proceedings until formally adopted by the Financial Planning Committee of City Council. Formal adoption is noted by signature of the Chair within the minutes.

City of Montgomery
Financial Planning Committee Meeting
February 6, 2017

Present
Wayne Davis, City Manager
Katie Smiddy, Finance Director
Julie Kipper, Customer Service Representative

Council Committee Members Present
Ken Suer, Chair
Mike Cappel

The Financial Planning Committee of Council meeting was called to order at 4:32 p.m. by Chairman Suer.

January 2017 Income Tax Report

Ms. Smiddy explained that for the month of January 2017, the City's total income tax receipts were $803,341.80 which is an increase of $278,897 or 53.1% compared to the actual amount collected in January 2016 of $524,444. Ms. Smiddy stated the variance is attributed to the total withholding revenue; which was significantly lower in January, 2016 due to the timing of the lockbox receipts.

Ms. Smiddy stated that the decrease in Business and Resident revenues is likely attributed to House Bill 5 and the State mandated change in the due date for estimated payments from January to December.

Financial Statements for the Community Improvement Corporation

Ms. Smiddy reported to the Committee that the 2016 financial statements and corporation tax return for the Montgomery Community Improvement Corporation (CIC) have been completed and reviewed. Ms. Smiddy explained the following:

- The Statement of Financial Position reflects that the corporation had $185,725.14 in a demand deposit account for the year ending December 31, 2016.

- The Statement of Financial Activity reflects the $1079.19 in interest income received for the year ending December 31, 2016. The total expenses of $35,952.00 were incurred as a result of professional fees paid to DSD Advisors.

Ms. Smiddy stated that the Corporation's tax return would need to be reviewed at the next CIC Board meeting.

Review of 2016 Revenues and Expenditures

Ms. Smiddy explained that The Finance Department closed the City's 2016 financial books on January 13, 2017 and reported on the revenue and expenditure variances for the year ending December 31, 2016. The following points were discussed:

- In 2016, the City experienced another positive year with income tax revenues exceeding the estimate. General Fund revenues, primarily due to increases in the income tax, exceeded the estimate by 4 %, and were up $272,011 or 2.7% above 2015 actual revenue. Income tax, the City's primary source of funding for general operations accounted for 65.8% of the General Fund's operating revenues and 45.4% of the City's total operating revenues in 2016.

- The pool's operations resulted in receipts of $260,670 with $15,000 being transferred into the fund from the General Fund. This is an increase in revenues of $7,772 or 3% over 2015 revenues. Total expenses for pool operations in 2016 were $214,810, compared to $224,604 spent in 2015; this is an increase of $9,794. Total attendance was 23,070 in 2016; 20,576 in 2015 and 19,763 in 2014. The addition of a heater in 2014 is one of the reasons for the increasing attendance trend.

- The Capital Improvement Fund received 25% of the City's income tax in years 2007 through 2012. In 2013, this percentage was reduced to 20%. Compared to 2015, the 2016 Capital Improvement Fund receipts were $136,984 or 7.6% higher, with $69,184 in grant funds received in 2016 from Metropolitan Sewer District for Storm Water Improvements.

- The revenues of the Triangle Tax Increment Financing Fund, after county expenses are deducted, are shared 50% with Sycamore schools. The agreement with the developer requires that annual service payments of $81,859 must be paid from TIF revenues, and any deficit is to be made up by the developer. As of December 31, 2016, a cumulative deficit of $191,261.19 exists, and the developer is responsible for repaying the deficit over the remaining 11-year life of the TIF expiring in 2025. The first payment was made by the developer in August 2015, and they are currently up to date on their payments.

- Total General Fund expenditures with transfers and encumbrances in 2016 were $8,880,727, which consists of transfers out of $540,000 which includes a transfer of $450,000 to the Street Maintenance and Repair Fund.

- General Obligation Debt – As of December 31, 2015 the City has no General Obligation Debt outstanding.

- Special Assessment Debt- As of December 31, 2016 the City has $715,633 outstanding with a final maturity of 2021. Debt service payments for this debt are made through property tax assessments to the property owners.

- Special Obligation Debt- As of December 31, 2016 the City has $12,965,000 outstanding with a final maturity of 2037. Debt service payments for this debt are made as payments in lieu of taxes by property owners located in the Vintage Club development.

- Targeted fund balances were reviewed for the General Fund, Fire Levy Fund, Capital Improvement Fund, General Bond Retirement Fund and Arts & Amenities Fund.

- Additional fund balances were discussed for the Downtown Improvement Fund.

Mr. Suer inquired about the Arts and Amenities Fund and the use of bequeathed funds in the future to promote the arts.

Mr. Davis stated that staff will review the language of the Ordinance to determine what the restrictions are on expenditures from the Fund.

Other Business

Mr. Davis stated that it may be necessary to make a transfer from the General Fund to the Downtown Improvement Fund to help maintain a financial balance between funds.

Mr. Davis reported that the City has reached an agreement with the County to acquire additional land for the Gateway Redevelopment Area for a purchase price of $500,000. The funds would come from the Urban Redevelopment Fund.

Mr. Davis gave an update on discussions with Scott McQuinn of Twin Lakes regarding the purchase of property south of the Safety Center.

The Committee discussed the status of the vacant Assistant Finance Director/Tax Commissioner position and overall staffing in the Finance Department.

The Committee discussed the potential for new finance and tax software and the possibility of electronic tax filing in the future.

Minutes

Mr. Cappel moved to accept the minutes of the December 5, 2016 meeting of the Financial Planning Committee as written. Mr. Suer seconded. The Committee unanimously agreed.

Adjournment

Mr. Cappel moved for adjournment. Mr. Suer seconded. The Committee unanimously agreed.

The Financial Planning Committee of Council was adjourned at 5:23 p.m.

_____
Chair

DRAFT