

October 29, 2021

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

From: Brian K. Riblet, City Manager *BKR*

Subject: Financial Planning Committee Meeting November 1, 2021

As a reminder, the Financial Planning Committee is scheduled to meet on Monday, November 1 at 4:30 p.m. in City Hall. The agenda for this meeting is as follows:

1. October 2021 Income Tax Reports – Katie Smiddy, Finance Director, will be present to discuss the October Income Tax Report with the Committee. Staff will be prepared to answer any questions on this report at Monday’s meeting.
2. Appropriations Amendment for the 2022 Budget – Please see the attached memorandum from Katie Smiddy, Finance Director, requesting an amendment to the 2022 Annual Budget. The proposed appropriation revision is necessary to amend accounts for fiscal year 2022.
3. Update on Gerri Harbison Memorial Project – Staff will provide an update of the status of the memorial project at the meeting.
4. 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 September 7, 2021, 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 (4)
Katie Smiddy, Finance Director
Connie Gaylor, Administrative Coordinator
File



FINANCIAL PLANNING COMMITTEE OF CITY COUNCIL

10101 Montgomery Road • Montgomery, Ohio 45242
(513) 891-2424 • Fax (513) 891-2498

AGENDA

November 1, 2021

4:30 P.M.

City Hall

1. Call to Order
2. Guests and Residents
3. Communications
4. New Business
 - a. October 2021 Income Tax Report
 - b. Appropriation Amendment for the 2022 Budget
 - c. Update on Gerri Harbison Memorial Project
5. Approval of Minutes: September 7, 2021
6. Other Business
7. Executive Session
8. Adjournment

October 29, 2021

TO: Brian K. Riblet, City Manager
FROM: Katie Smiddy, Finance Director
SUBJECT: Legislation Request Amending the 2022 Annual Operating Budget

Request

It is necessary for City Council to amend the 2022 Annual Operating budget to increase appropriations for a new City telephone system and network fiber optic backup.

Financial Impact

Proposed appropriation revisions are necessary to amend accounts for fiscal year 2022. The aggregate effect of the appropriation amendments is to increase total appropriations by \$21,800.

Background

To eliminate a single point of failure and add resiliency to the City network and telephone system, staff had discussions with Sycamore Community Schools and Cincinnati Bell about moving the current phone system to Cincinnati Bell instead of our current shared system.

Cincinnati Bell proposed a hosted telephone system that will eliminate the need to purchase and maintain capital equipment and to have fiber optic connections installed at Public Works and the Safety Center that would connect to Cincinnati Bell's Fioptics network. In the event of a network failure, our network devices would automatically fail over to the Cincinnati Bell fiber network and reroute the traffic back to City Hall to ensure uninterrupted service.

The total cost of both services is \$24,000 per year, with a one-time charge of \$2,600 in 2022. This amount takes into account the elimination of \$200 per month to Sycamore for telephone support and \$500 per month to Cincinnati Bell for two PRI circuits. These circuits would no longer be needed since we won't maintain our own on-premise telephone system. Existing City phone numbers would not change.

Recommendation

It is recommended that City Council consider amending the 2022 Annual Operating budget by decreasing appropriations in 101.712.5363 from \$17,000 to \$14,600 for the reduction in monthly costs to the Sycamore School District and increasing the appropriations in (101.715.5305) from \$30,000 to \$54,000 for the proposed telephone service and fiber optic connection for network resiliency.

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
September 7, 2021

Present

Brian Riblet, City Manager
Tracy Henao, Asst. City Manager/Acting Community Dev. Dir.
Katie Smiddy, Finance Director
Connie Gaylor, Clerk of Council

Council Committee Members Present

Ken Suer, Chair
Lee Ann Bissmeyer
Mike Cappel

The Financial Planning Committee of Council meeting was called to order at 4:30 p.m. by Chairman Suer.

August 2021 Income Tax Report

Ms. Smiddy explained that for the month of August 2021, the City's total income tax receipts were \$770,885 which is an increase of \$5,564 or 0.73% compared to the 2020 August collections of \$765,321. Monthly variances for prior year collections should begin normalizing as the extended filing deadline was only in effect through June 18, 2020. Year-to-date revenue is up 5.89%.

Ms. Smiddy reported that withholding collections were \$711,115; an increase of \$35,479 or 5.25% when compared to August 2020 collections of \$675,636. The variance is the result of slightly higher volume of payments in 2021 compared to the number posted in 2020. Year-to-date withholding revenue is up 3.96%

Ms. Smiddy reported that net profits from businesses located within or doing business within Montgomery were \$15,164. This is a decrease of \$208, or (1.35%) when compared to August 2020 collections of \$15,372. Reports show that 43% of business accounts are either on extension or have not filed; therefore, numbers will be more accurate in November reports. Year-to-date business collections are up 5.82% over 2020 revenue.

Ms. Smiddy completed her report, explained that revenues of \$44,606 were collected in August 2021 from residents living in Montgomery, which is a decrease of \$29,707 or (39.97%) when compared to August 2020 collections of \$74,313. The decrease is a result of the July 15, 2020, extended filing deadline, as staff was still entering returns and payments through the first few weeks of August. Year-to-date Individual collections are up 12.53%.

Review of the 2022 Operating and Capital Budget

Ms. Smiddy explained to the Committee that the 2022 Budget continues the current service levels, with new projects and service enhancements guided by the City's 2022-2026 Strategic Plan. Ms. Smiddy stated that the 2022 total budget has an estimated base budget of 51.7M including revenues of 32.5M and expenditures of 34.5M leaving an ending balance of 49.6M in the City's coffers.

Ms. Smiddy reported that the 2022 Budget includes 6 seasonal employees and 86 fulltime employees which also includes the hiring seven full-time firefighters to secure the department as a fulltime operation.

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September 7, 2021

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She stated that this information would be discussed in more detail at the formal review of the 2022 Operating and Capital Budget and the 2022-2026 Capital Improvement Program on September 9, 2021.

Ms. Smiddy stated that the 2022 Operating and Capital Budget includes a few assumptions that are new and different:

- A proposed 3-way earnings tax allocation 75/5/20 from current 80/20 split rolling back the city's top revenue generators (Earnings tax and prop tax) to prior year levels
- Income tax collections in the general fund were rolled back to 2020 levels at 8M
- Property tax collections in general fund maintained at 2021 levels at 2.3M
- General fund transfer of 5 million in 2022 to fund Sequence 3 costs for the Montgomery Quarter in addition to regular annual transfers.

Ms. Smiddy explained that in 2020 the City collected an all-time high of 10.1 M in earnings tax and currently, 2021 income tax collections are up 6% from 2020 collections. Utilizing the third party fiscal diagnostic tool, staff incorporated revenue scenarios tied to assumptions about revenue forecasts. Staff has estimated total income tax revenues by year end 2021 will be \$9,212,000, which represents a 5.7% decrease over actual collections for 2020 of 10.1M.

Ms. Smiddy explained the reappraisal and revaluation of all real property in Hamilton County last occurred in 2017 and will occur next in 2023. However, three years after the county's reappraisal and reevaluation, the State instructs each county to update the reappraisal values. This process is referred to as the triennial. A triennial update was done in 2020. Based on the triennial, the assessed valuation for the City increased from \$587 million in 2020 to \$674M. Utilizing the third party fiscal diagnostic tool, staff incorporated revenue scenarios tied to assumptions about revenue forecasts. Staff has estimated real estate property collections will remain at 2021 levels for the 2022 budget.

Ms. Smiddy presented the Committee with graphs demonstrating a baseline forecast and scenarios from the Management Partners financial tool software. She explained the following:

- **Baseline Forecast-** The baseline forecast presents conservative revenue assumptions at \$8M in earnings tax budgeted for fiscal year 2022, which is at the 2020 fiscal year level.
- **Scenario 1, Historic Revenue Assumption-** In this scenario, the earnings tax is budgeted at \$8.5M for 2022, which is the 2021 level. A 2.75% growth factor is included.
- **Scenario 2, Modest Earnings Tax Reduction-** This scenario uses a conservative baseline forecast with a 5% reduction to earnings tax in fiscal year 2023. Staff anticipates regaining 2022 levels by 2028. This scenario does reflect a \$1M revenue loss.
- **Scenario 3, Major Earnings Tax Reduction-** This scenario also uses a conservative baseline forecast but with a 15% reduction to earnings tax in fiscal year 2023. Staff anticipates regaining 2022 levels by 2028. This scenario does reflect a \$2.4M revenue loss.
- **Scenario 4, Modest Earnings Tax Reduction v2-** This scenario uses scenario 1 as the baseline forecast with a 5% reduction to earnings tax in 2023. Staff anticipates regaining 2022 levels by 2028. This scenario does reflect a \$1.1M revenue loss.

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- **Scenario 5, Major Earnings Tax Reduction v2-** This scenario uses scenario 1 as the baseline forecast with a 15% reduction to earnings tax in 2023. Staff anticipates regaining 2022 levels by 2028. This scenario does reflect a \$2.7M revenue loss.

Ms. Smiddy stated that overall, the City is in a much better position even with anticipated changes at Ohio National Financial. She explained that she was informed by Ohio National that they have sent out correspondence to their staff asking for their intentions on coming back to the building or staying remote. She explained that it was relayed to them that if they choose to stay remote, they will lose their desk space as they consolidate their offices. She stated that they do intend to lease out office space after staffing levels are determined. Ms. Smiddy also added that once the Montgomery Quarter office space comes online and other work from home residents file, that earnings may be higher than anticipated.

Mrs. Bissmeyer asked what the anticipated earnings tax revenue will be from Fifth Third in their first year at the Montgomery Quarter.

Ms. Smiddy replied that she anticipates it will be estimated at \$700,000 but feels the City could receive another million from the whole development when it is built out and fully operational.

Mr. Riblet stated that the Capital Improvement Fund is very healthy due to good planning and stewardship. He stated he felt the City was in good shape financially in light of everything.

Mr. Suer stated that before the Management Partner tool, we could project and speculate about budget numbers, but this tool provides concrete explanations. He stated he felt this was an improvement in the planning process and an excellent tool.

Mr. Cappel stated that even when Ohio National's building wasn't full, that we still did well.

Mr. Suer stated that he felt the new Budget Binder follows suit of the past binders. He stated that he felt an enhancement to the budgeting process would be to include cumulative expenditures for items that require sustained maintenance. He stated this information could help to determine their value and the need to sustain the item or to deem it no longer of value.

Mr. Riblet stated that at the Strategic Plan retreat the emphasis was on facilities and staffing. He reminded the Committee that the American Structurepoint study focused on these areas. He stated an analysis is in the return on investment and the cost of maintenance.

Mr. Suer stated that he felt we could do more with the analysis of long-term maintenance costs.

Resolution Accepting Amounts and Rates

Ms. Smiddy explained that it is necessary for City Council to pass a Resolution that will accept the rates and amounts determined by the Hamilton County Budget Commission. Ms. Smiddy stated that the 2022 estimated amounts for the General Fund is 4.5 mils, or \$2,934,000 and the Fire/EMS Levy Fund is 11.55 mils, or \$5,604,979 for a total of \$8,538,979. Ms. Smiddy stated that the City has not yet

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received a copy of the Resolution from the Hamilton County Budget Commission, but it is anticipated that they will be available for the October Business Session of City Council. Ms. Smiddy stated that staff is recommending that City Council consider the Resolution accepting the amounts and rates as determined by the Hamilton County Budget Commission at the September 22, Work Session for the purpose of placing it on the October Business Session agenda for approval that evening.

Mr. Cappel made a motion to support and accept the amounts and rates as provided by the Hamilton County Budget Commission. Mrs. Bissmeyer seconded. The Committee unanimously agreed.

2nd Half Real Estate Tax Settlement

Ms. Smiddy explained the 2nd half Property Tax collections have been received from the County Auditor and provided a tabulation of total property tax collected for 2021 compared to 2020. She explained that total collections for 2021 of \$10,609,373 are up \$438,897 or 4.32% compared to 2020 collections of \$10,170,476. General Fund property tax collections are up \$271,869 or 11.84%, Fire Levy collections are up \$11,461 or .21% and Tax Increment Financing Districts are up \$151,724 or 6.54%.

Update on Gerri Harbison Memorial Project

Mr. Riblet provided an update on the progress of the fundraising campaign for the Gerri Harbison memorial project. He stated there is currently around \$10,000 in the fund but that the campaign has not officially kicked off. He explained that at an upcoming Montgomery Chamber of Commerce event scheduled for September 9, the official kickoff will take place by the Chamber Treasurer, Todd Steinbrink. He explained that Huff Realty will also be holding a charity event in September in which donations will be made to this campaign. He stated that he will continue to update the Committee at the monthly meetings.

Other Business

- Mrs. Bissmeyer relayed her conversation with a Montgomery resident who experienced a malware attack on their business. She explained that the resident negotiated a \$90k settlement with the hackers and paid in bitcoin in order to have their records released back to them. She stated that their records were stored in the cloud and the hackers were able to get to them.

Mr. Riblet stated that these hackers target less secure businesses.

Mrs. Bissmeyer asked if the City had insurance for this type of an attack.

Ms. Smiddy explained that we have coverage through MVRMA (Miami Valley Risk Management Association).

- Ms. Smiddy shared with the Committee that the Office of Attorney General (OAG) is offering a collection program to all municipalities that would serve to collect delinquent earning taxes once we certify the amounts. She stated while there is no fee to the City to participate in the program, the debtor would pay a 10% surcharge when the debt is paid. She explained that she

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learned about this program at her Southwestern Ohio Tax Administrators Association (SWOTTA) meeting and that the City of Cincinnati is considering it due to the volume of cases they would have. She explained that the debt would have a threshold of \$100 or more. She stated the City has about 40 accounts at this time. She stated that staff would mail out two notices with a thirty-day window on the second to respond before going to the OAG for collections. She added that the OAG will handle everything from that point and as part of HB71, this is free to all municipalities.

Minutes

Mr. Cappel moved to accept the minutes of the August 2, 2021 meeting of the Financial Planning Committee as written. Mrs. Bismeyer seconded. The Committee unanimously agreed.

Adjournment

Mr. Cappel moved for adjournment. Mrs. Bismeyer seconded. The Committee unanimously agreed.

The Financial Planning Committee of Council was adjourned at 5:27 p.m.

Chair