

City of Montgomery  
Financial Planning Committee Meeting  
December 5, 2022

Present

Brian Riblet, City Manager  
Tracy Henao, Asst. City Manager  
Chris Bigham, Interim Finance Director  
Connie Gaylor, Clerk of Council

Council Committee Members Present

Ken Suer, Chair  
Mike Cappel  
Lee Ann Bissmeyer

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The Financial Planning Committee of Council convened its meeting for December 5, 2022 at 4:30 p.m. at City Hall with Mr. Suer presiding.

November 2022 Income Tax Report

Mr. Bigham explained that for the month of November, the City's total income tax receipts were \$623,842 which is a decrease of \$58,706 or (8.6%) when compared to the 2021 November collections of \$682,548. Year-to-date revenue has increased by 12.91% over 2021 collections; and 16.5% over year-to-date estimate.

Mr. Bigham stated that November 2022 withholding collections were \$566,427; a decrease of \$72,188 or (11.30%) when compared to November 2021 collections of \$638,614. The majority of the variance is due to a large volume of payments received in November of 2021 when compared to November 2022. Year-to-date withholding collections are up by 9.13%.

Mr. Bigham stated in November 2022, net profits from businesses located within or doing business within Montgomery were \$15,448. This is an increase of \$338 or 2.24% when compared to November 2021 collections of \$15,110. All business returns have been posted and revenue remains up at 63.66% for the year.

Mr. Bigham stated revenues of \$41,968 were collected in November 2022 from residents living in Montgomery, which is an increase of \$13,144 or 45.60% when compared to November 2021 collections of \$28,823.95. Year-to-date individual revenue is 11.36% over 2021 collections.

Investment Policy Proposed Amendment

Mr. Bigham explained that the City's current investment policy requires the annual review of the policy by the Financial Planning Committee and any modifications must be approved by City Council.

Mr. Bigham explained the current investment policy was reviewed against the Government Finance Officers Association (GFOA) example investment policy and the current policy conforms to the GFOA best practices. He stated there is one proposed change to the policy in section 12.0, Maximum Maturities. The section includes in letter 'B' that certificates of deposits (CD) shall not exceed one year. However, current practice is to include CDs in the diversification of investments for up to five years. The proposed change to the policy is to delete letter 'B' to allow CDs to have up to a five-year term which is the normal and best practice. In the current interest rate environment, the longer the term, the higher the interest rate. This proposed change will increase the annual rate of return on CDs.

After discussion, Mr. Cappel moved to strike 12.0, Item B from the policy. Mrs. Bissmeyer seconded. The Committee unanimously agreed.

### **Proposed Year End Transfers and Appropriations to the 2022 Budget**

Mr. Bigham explained that as of the November 30 review of appropriations, there are transfers and appropriations requested to align appropriation with estimated year end expenditures. The attachment has three sections and includes a fund transfer section, an appropriation reduction section, and an additional appropriation section.

Mr. Bigham explained that Section One includes a transfer of \$61,000 from the General Fund 101 to the Compensated Absences Fund 875 and is requested per policy to transfer unused budgeted leave payouts upon retirement when employees do not retire to fund future retirement expenses. Section Two includes a reduction of appropriation in Fund 324 General Bond Retirement Fund by \$375,000 as there are no principal payments due in FY 2022. Section Three includes appropriation adjustments for all funds. The General Fund transfers include two intradepartmental transfers for the Parks and Recreation Departments utilizing personnel savings of \$2,000 in each department to cover additional contract services costs for both departments. There is also a request for additional appropriation of \$92,700 in the General Fund for increased contract services for the Swaim and Terwilliger Lodges Department (\$2,400), special projects increased costs for the City Beautiful Department (\$300), and contract services in the Finance Department (\$90,000).

Mr. Bigham explained that for restricted funds, there are seven funds that require additional appropriation to cover current expenditures. Fund 324 General Bond Retirement and Fund 410 Capital Improvement Fund need additional appropriations of \$2,000 and \$35,000 respectively for increased income tax refunds. Fund 328 Reserve of Montgomery Bond Fund needs an additional appropriation of \$389,030 which represents the refund amount to homeowners for assessment overpayments as approved by City Council in November. Fund 460 Heritage District Fund needs \$30,000 related to the parking lot lease. Fund 461 Triangle TIF Fund needs \$1,500 related to increased school board payments based on actual collections. Fund 875 needs an additional \$30,245 for retirements of four employees. \$75,000 is budgeted but actual expenditures are \$105,245 for FY 2022. Fund 890 Unclaimed Moneys Fund needs an additional \$1,000 for a check that was cashed in the current fiscal year.

After discussion, Mr. Cappel made a motion to approve the proposed transfers as noted. Mrs. Bissmeyer seconded. The Committee unanimously agreed.

### **Adjustments to the Proposed 2023 Operating Budget**

Mr. Bigham explained that since the release of the Proposed Budget, revenue estimates have been adjusted based on actual collections and changing market conditions. The State of Ohio updated its Local Government Fund estimates from \$165,000 to \$189,000 resulting in an increase of \$24,000 in General Fund revenue. Investment/account interest income has also increased by \$560,000 as the result of increased interest rates on interest bearing accounts and investments. Pooled interest of investments is now receipting primarily in the General Fund to provide greater flexibility in the use of interest revenue. Refunds and reimbursements revenue has increased by \$250,000 due to a large account balance in the City's Miami Valley Risk Management Association (MVRMA) account balance. The current balance is about \$600,000 so a refund of \$250,000 will

be received in early 2023 to reduce the balance to \$350,000 which is a healthy balance for the account. Finally, the Transfers-In line has been reduced by \$389,029 due to no longer budgeting for a transfer-in from Fund 328 Reserve Bond Retirement Account for overpayment of assessments. The net increase in revenue is \$444,971. He stated there is one expenditure increase of \$50,000 related to the amendment with Rumpke Ohio for an increased cost of waste disposal services. Based on the proposed changes, total revenue is \$13,361,775 and total expenditures are \$13,228,265 resulting in a projected fund balance increase of \$133,510 for the FY 2023 Budget.

Mr. Bigham explained there are changes to three special revenue funds. First, Fund 275, Municipal Pool is enacting fee increases that result in an increase of \$30,000 in revenue. There is also an increase to the pool operations contract in the amount of \$30,000 based on the negotiated amendment. There is no change in the estimated year end fund balance. Second, there is a decrease of a transfer out of \$389,029 in Fund 328 Reserve Bond Retirement due to issuing refunds for overpayments of assessments. The fund balance will be zero since there are no longer assessments being collected. Third, Fund 461 Triangle TIF Fund has an estimated expenditure increase of \$2,000 related to the increase school board payment based on actual 2022 collections. The year end fund balance is projected to be \$67,308 after this adjustment.

After discussion, Mr. Cappel moved for approval of the proposed changes. Mrs. Bissmeyer seconded. The Committee unanimously agreed.

#### Update to Regional Income Tax Authority (RITA) Plan

Mr. Bigham explained since our last update, we engaged RITA staff and the City's tax staff to develop a proposed transition plan that would have minimal impact on the residents of Montgomery. After discussion, if the City is to transition to RITA, the effective date would be July 1, 2023, to allow staff to have enough time to process filings for the 2022 tax year that is due by April 2023 and also allot the necessary time to work through various contracts and approvals to execute an agreement. RITA provided the City with examples of an agreement for participation, billing to cities, entries for the Annual Comprehensive Financial Report (ACFR), RITA rules and regulations, and samples of collection memos. These documents will be provided at the meeting for your review and specific documents would be drafted for Council approval to contract with RITA. Staff reviewed these documents and found no issues or concerns with the information.

Mr. Bigham explained that RITA's fees are 3% of collections with a reconciliation of fees and a refund for savings in May of the following collection year. Based on information received from RITA and various municipalities, the cost of RITA services ranges from 1.4% to 2.5% of collections. The proposed cost of RITA is similar to the current budget, with the budget neutral rate of 1.9%. In other words, if RITA charges the City 1.9% or less, there is no additional expense for the service. There will be a collection delay during the first year of RITA services. RITA collects earnings taxes and remits the revenue in the following month. For the first year of operation, the City would collect only 11 months of earnings tax. If the contract were cancelled or not renewed, the last year would include an additional month of collections. As a result, this is a timing issue and not an additional cost of RITA.

Mr. Suer stated that he felt delaying the start date until July of 2023 made sense and gives time for staff to be prepared for the changes in the processes in the Tax Department. He stated that while he was not originally in favor of contracting with RITA he sees the positive points of reduced

workforce challenges, possibility of retaining customer service approach here locally, and that the fees look acceptable at this time. He stated that he feels this falls in line with other outsource contracts. He stated because of these things he is in favor of contracting with RITA.

Mr. Cappel stated that he feels some roles should only be done by government, but he sees that we have no other options due to the labor pool.

Mrs. Bissmeyer stated that she feels the enforcement part of the collection should be done by the City but understands that we are faced with workforce challenges. She stated that she feels that there will be individuals and businesses who do like the convenience of the online services.

Mr. Riblet explained that after the first presentation by RITA staff reached out to other organizations who have contracted with RITA and the representatives from RITA to feel this is the right way to go. He stated that staff may bring legislation to the February Work Session for discussion and to the March Business Session for approval in order to begin advertising the change in the bulletin in plenty of time for the July rollout.

Mr. Suer stated that we need to bring it to residents' attention that they do have options of still coming in house or filing electronically.

Mrs. Bissmeyer asked what the term of the contract would be.

Mr. Bigham replied that it is ongoing until one of the parties separates. He stated there is no penalty for cancelling the contract.

Mr. Cappel made a motion of support for the contract with RITA and to advise staff to submit the contract legislation to City Council for approval. Mrs. Bissmeyer seconded. The Committee unanimously agreed.

### Other Business

Mr. Riblet explained to the Committee that just like the focus on the mental health of our staff he considers that a segway to their financial wellness as well. He explained that he met with a representative from Equitable Triple Crown Wealth Management who have offered to meet with staff to offer advice on how to utilize ICMA/Ohio Deferred Compensation savings programs. He added that these programs would now be included Roth 457 plans and that this firm could help to explain the difference in the programs to staff. He stated that if staff feels it prudent to move forward with this that legislation would be brought before Council as another option for staff. He added there was no fee or long term commitment with this potential partnership.

Mr. Suer asked if this company was working with other entities.

Mr. Riblet stated that they are and that in fact some employees here have spouses that are working with them from other entities.

Mr. Cappel stated that representatives from Social Security will come in and help to advise employees as well.

Mr. Riblet replied that is something he could look into as well.

Minutes

Mr. Cappel moved to accept the minutes of the October 3, 2022 meeting of the Financial Planning Committee as written. Mrs. Bissmeyer seconded. The Committee unanimously agreed.

Adjournment

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

The Financial Planning Committee of Council was adjourned at 5:33 p.m.

  
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Chair