

December 2, 2022

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

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

Subject: Financial Planning Committee Meeting December 2, 2022

As a reminder, the Financial Planning Committee is scheduled to meet on Monday, December 2 at 4:30 p.m. The agenda for this meeting is as follows:

1. November Income Tax Report—The Income Tax Report for the month of November is attached for the Committee's review. Staff will be prepared to answer any questions on this report at the meeting.
2. Investment Policy Proposed Amendment—Please see the attached correspondence from Interim Finance Director Chris Bigham asking the Committee to consider updates to the City's current investment policy. Staff will be present to discuss the proposed changes with the Committee and to obtain their feedback at the meeting.
3. Proposed Year End Transfers and Appropriations to the 2022 Budget—Please see the attached correspondence from Interim Finance Director Chris Bigham requesting year-end supplemental appropriations to the 2022 Budget. The year-end supplemental appropriations are necessary to reconcile various accounts either needing additional appropriations or which are required to be reduced for budgetary compliance purposes. Staff will be prepared to discuss the changes at the meeting.
4. Adjustments to the Proposed 2023 Operating Budget—Please see the attached correspondence from Interim Finance Director Chris Bigham detailing proposed changes to the 2023 operating budget. Staff will be prepared to discuss the changes and to obtain feedback from the Committee at the meeting.
5. Update to Regional Income Tax Authority (RITA) Plan—Please see the attached correspondence from Interim Finance Director Chris Bigham providing an update on a previous discussion regarding tax collection services from RITA. Staff will be prepared to update the Committee on this discussion and to obtain feedback at the meeting.

6. Other Business - The purpose of this agenda item is to provide an opportunity to discuss any issue or ask questions.

Also, attached are the minutes from the October 3, 2022 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 (3)
Mayor and City Council Members (3)
Connie Gaylor, Executive Assistant/Clerk of Council
File

AGENDA

December 5, 2022
4:30 P.M.
City Hall

1. Call to Order
2. Guests and Residents
3. Communications
4. New Business
 - a. November 2022 Income Tax Report
 - b. Investment Policy Proposed Amendment
 - c. Proposed Year End Transfers and Appropriations to the 2022 Budget
 - d. Adjustments to the Proposed 2023 Operating Budget
 - e. Update to Regional Income Tax Authority (RITA) Plan
5. Approval of Minutes: October 3, 2022
6. Other Business
7. Adjournment

December 1, 2022

To: Brian Riblet, City Manager

From: Christopher Biggam, Interim Finance Director *CB*

Subject: 2022 November Income Tax Variance Report

Year to Date

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.

	2022	2021	% Change
MTD November Actuals	623,842	682,548	(8.60%)
YTD Collections	11,253,351	9,966,265	12.91%
	YTD Actual	YTD Estimate	% Change
2022 Estimated Collections	11,253,350	9,658,060	16.5%

A breakdown by category for November 2022 is as follows:

Business- 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.

Resident- 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.

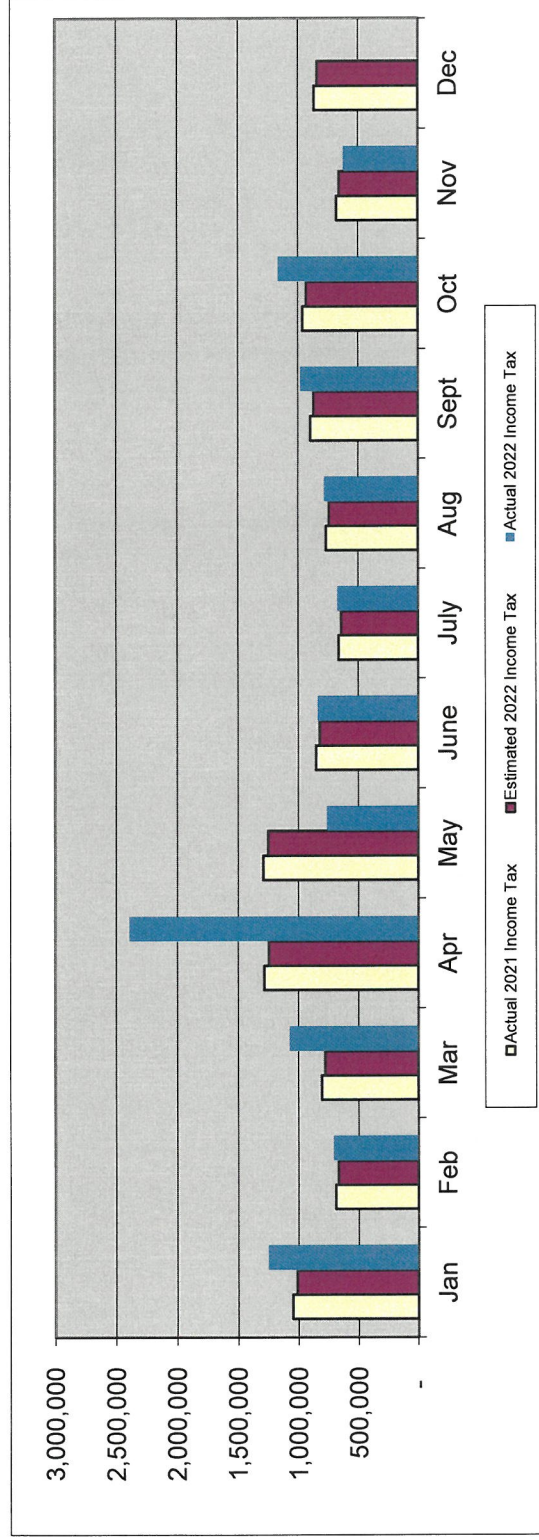
Withholding- November 2022 withholding collections were \$566,427; a decrease of \$72,188 or (11.30%) when compared to November 2021 collections of \$638,614. The majority of the variance is due to a large volume of payments received in November of 2021 when compared to November 2022. Year-to-date withholding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

The following schedule breaks down collections by source and provides a graph comparing actual and estimated income tax revenues for 2020 and 2021. There is also an End of Month report attached showing the comparison between month-to-date and year-to-date.

c: Financial Planning Committee Members (2)
Mayor and City Council Members (3)
Christopher Bigham, Acting Finance Director
Connie Gaylor, Executive Assistant/Clerk of Council
File

Schedule of Income Tax Collections by Source
Actual 2021 Compared to 2022 Estimate & Actual

	Actual 2021		Actual 2022		Total	2022 Estimate	Estimate		Actual Variance	%
	Business	Resident	Business	Resident			Variance	%		
Jan	22,114	272,633	754,152	151,267	1,048,899	1,016,462	234,235	23.04%	201,798	19.24%
Feb	14,945	20,729	658,420	23,418	694,094	672,630	37,395	5.56%	15,930	2.30%
Mar	53,011	126,857	627,421	114,578	807,289	782,324	291,715	37.29%	266,750	33.04%
Apr	215,044	364,009	706,378	1,040,677	1,285,431	1,245,679	1,144,327	91.86%	1,104,575	85.93%
May	64,004	501,273	727,813	127,402	1,293,090	1,253,101	(490,844)	-39.17%	(530,833)	-41.05%
June	61,639	294,466	496,221	226,107	852,326	825,968	11,851	1.43%	(14,507)	-1.70%
July	13,905	43,208	609,131	91,136	666,244	645,641	30,713	4.76%	10,110	1.52%
Aug	15,164	44,606	711,115	52,495	770,885	747,045	37,609	5.03%	13,769	1.79%
Sept	74,070	249,155	577,700	235,796	900,925	873,064	105,332	12.06%	77,471	8.60%
Oct	56,672	163,223	744,639	243,660	964,534	934,706	230,558	24.67%	200,730	20.81%
Nov	15,110	28,824	638,614	41,968	682,548	661,440	(37,597)	-5.68%	(58,705)	-8.60%
Dec	44,872	269,806	554,130		868,808	841,940				
Totals	650,551	2,378,789	7,805,734	2,348,505	11,253,352	10,500,000	1,595,292	16.5%	1,287,086	12.9%



END OF MONTH REPORT - City of Montgomery

	MTD TWO YRS AGO	MTD LAST YR	MTD	THIS YR VS LAST YR MONTH %	YTD TWO YRS AGO	YTD LAST YR	YTD	THIS YR VS LAST YEAR %
BUSINESS	28,439.59	22,114.25	25,330.08	14.54%	28,439.59	22,114.25	25,330.08	14.54%
INDIVIDUAL	128,068.27	272,632.66	151,266.85	(44.52%)	128,068.27	272,632.66	151,266.85	(44.52%)
WITHHOLDING	759,371.18	754,152.23	1,074,100.32	42.42%	759,371.18	754,152.23	1,074,100.32	42.42%
01 JANUARY	915,879.04	1,048,899.14	1,250,697.25	19.24%	915,879.04	1,048,899.14	1,250,697.25	19.24%
BUSINESS	12,992.01	14,944.67	17,996.86	20.42%	41,431.60	37,058.92	43,326.94	16.91%
INDIVIDUAL	60,206.99	20,729.39	23,418.17	12.97%	188,275.26	293,362.05	174,685.02	(40.45%)
WITHHOLDING	709,427.46	658,419.74	668,609.25	1.55%	1,468,798.64	1,412,571.97	1,742,709.57	23.37%
02 FEBRUARY	782,626.46	694,093.80	710,024.28	2.30%	1,698,505.50	1,742,992.94	1,960,721.53	12.49%
BUSINESS	47,700.67	53,010.61	66,619.40	25.67%	89,132.27	90,069.53	109,946.34	22.07%
INDIVIDUAL	44,426.18	126,857.39	114,578.45	(9.68%)	232,701.44	420,219.44	289,263.47	(31.16%)
WITHHOLDING	737,930.53	627,421.17	892,840.87	42.30%	2,206,729.17	2,039,993.14	2,635,550.44	29.19%
03 MARCH	830,057.38	807,289.17	1,074,038.72	33.04%	2,528,562.88	2,550,282.11	3,034,760.25	19.00%
BUSINESS	87,593.71	215,061.10	568,375.14	164.29%	176,725.98	305,130.63	678,321.48	122.31%
INDIVIDUAL	192,504.10	368,989.92	1,040,677.36	182.03%	425,205.54	789,209.36	1,329,940.83	68.52%
WITHHOLDING	616,697.91	706,378.28	780,953.20	10.56%	2,823,427.08	2,746,371.42	3,416,503.64	24.40%
04 APRIL	896,795.72	1,290,429.30	2,390,005.70	85.21%	3,425,358.60	3,840,711.41	5,424,765.95	41.24%
BUSINESS	40,919.24	64,003.47	22,090.21	(65.49%)	217,645.22	369,134.10	700,411.69	89.74%
INDIVIDUAL	86,096.86	496,275.64	127,401.77	(74.33%)	511,302.40	1,285,485.00	1,457,342.60	13.37%
WITHHOLDING	580,622.96	727,813.14	612,764.69	(15.81%)	3,404,050.04	3,474,184.56	4,029,268.33	15.98%

END OF MONTH REPORT - City of Montgomery

	MTD TWO YRS AGO	MTD LAST YR	MTD	THIS YR VS LAST YR MONTH %	YTD TWO YRS AGO	YTD LAST YR	YTD	THIS YR VS LAST YR %
05 MAY	707,639.06	1,288,092.25	762,256.67	(40.82%)	4,132,997.66	5,128,803.66	6,187,022.62	20.63%
BUSINESS	82,209.98	61,638.95	69,320.31	12.46%	299,855.20	430,773.05	769,732.00	78.69%
INDIVIDUAL	116,457.51	294,465.69	226,106.70	(23.21%)	627,759.91	1,579,950.69	1,683,449.30	6.55%
WITHHOLDING	487,086.54	496,220.60	542,392.22	9.30%	3,891,136.58	3,970,405.16	4,571,660.55	15.14%
06 JUNE	685,754.03	852,325.24	837,819.23	(1.70%)	4,818,751.69	5,981,128.90	7,024,841.85	17.45%
BUSINESS	119,339.82	13,905.44	12,246.00	(11.93%)	419,195.02	444,678.49	781,978.00	75.85%
INDIVIDUAL	779,989.39	43,207.80	91,135.53	110.92%	1,407,749.30	1,623,158.49	1,774,584.83	9.33%
WITHHOLDING	522,443.24	609,130.69	572,972.07	(5.94%)	4,413,579.82	4,579,535.85	5,144,632.62	12.34%
07 JULY	1,421,772.45	666,243.93	676,353.60	1.52%	6,240,524.14	6,647,372.83	7,701,195.45	15.85%
BUSINESS	15,371.57	15,163.58	33,055.96	118.00%	434,566.59	459,842.07	815,033.96	77.24%
INDIVIDUAL	74,312.99	44,606.38	52,495.02	17.69%	1,482,062.29	1,667,764.87	1,827,079.85	9.55%
WITHHOLDING	675,636.40	711,115.45	699,102.81	(1.69%)	5,089,216.22	5,290,651.30	5,843,735.43	10.45%
08 AUGUST	765,320.96	770,885.41	784,653.79	1.79%	7,005,845.10	7,418,258.24	8,485,849.24	14.39%
BUSINESS	149,021.75	74,070.41	112,705.72	52.16%	583,588.34	533,912.48	927,739.68	73.76%
INDIVIDUAL	253,568.65	249,154.53	235,795.77	(5.36%)	1,735,630.94	1,916,919.40	2,062,875.62	7.61%
WITHHOLDING	560,997.16	577,699.78	629,894.07	9.03%	5,650,213.38	5,868,351.08	6,473,629.50	10.31%
09 SEPTEMBER	963,587.56	900,924.72	978,395.56	8.60%	7,969,432.66	8,319,182.96	9,464,244.80	13.76%

END OF MONTH REPORT - City of Montgomery

	MTD TWO YRS AGO	MTD LAST YR	MTD	THIS YR VS LAST YR MONTH %	YTD TWO YRS AGO	YTD LAST YR	YTD	THIS YR VS LAST YEAR %
BUSINESS	27,610.66	56,672.48	48,071.43	(15.18%)	611,199.00	590,584.96	975,811.11	65.23%
INDIVIDUAL	146,112.59	163,223.09	243,660.18	49.28%	1,881,743.53	2,080,142.49	2,306,535.80	10.88%
WITHHOLDING	620,619.06	744,639.05	873,532.02	17.31%	6,270,832.44	6,612,990.13	7,347,161.52	11.10%
10 OCTOBER	794,342.31	964,534.62	1,165,263.63	20.81%	8,763,774.97	9,283,717.58	10,629,508.43	14.50%
BUSINESS	15,490.83	15,109.72	15,447.63	2.24%	626,689.83	605,694.68	991,258.74	63.66%
INDIVIDUAL	34,315.08	28,823.95	41,967.89	45.60%	1,916,058.61	2,108,966.44	2,348,503.69	11.36%
WITHHOLDING	656,377.41	638,614.13	566,426.53	(11.30%)	6,927,209.85	7,251,604.26	7,913,588.05	9.13%
11 NOVEMBER	706,183.32	682,547.80	623,842.05	(8.60%)	9,469,958.29	9,966,265.38	11,253,350.48	12.91%
BUSINESS	59,566.52	44,872.03	0.00	(100.00%)	686,256.35	650,566.71	991,258.74	52.37%
INDIVIDUAL	107,472.62	269,806.15	0.00	(100.00%)	2,023,531.23	2,378,772.59	2,348,503.69	(1.27%)
WITHHOLDING	509,621.67	554,129.78	0.00	(100.00%)	7,436,831.52	7,805,734.04	7,913,588.05	1.38%
12 DECEMBER	676,660.81	868,807.96	0.00	(100.00%)	10,146,619.10	10,835,073.34	11,253,350.48	3.86%
	10,146,619.10	10,835,073.34	11,253,350.48	3.86%	67,116,209.63	72,762,688.49	83,670,308.33	14.99%

November 22, 2022

TO: Brian K. Riblet, City Manager
FROM: Christopher Bigham, Acting Finance Director
SUBJECT: Investment Policy Proposed Amendment

Background

This memo is to review and update the investment policy per section 16.0, which states "The policy shall be reviewed on an annual basis by the Financial Planning Committee and any modifications made thereto must be approved by the Council."

Update

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.

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.

Financial Impact

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.

Recommendation

Staff requests the Financial Planning Committee of City Council to consider a motion to approve the updated investment policy as reference on the attached updated Investment Policy. Upon approval, staff anticipates a Resolution being presented at the January 4, 2023 Business Session for consideration by City Council at that meeting.

City of Montgomery Investment Policy

1.0 Policy:

It is the policy of the City of Montgomery to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

2.0 Scope:

This investment policy applies to all financial assets of the City of Montgomery. These funds are accounted for in the City of Montgomery's Annual Financial Report and include:

2.1 Funds:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Trust and Agency Funds

3.0 Prudence:

Investments shall be made with judgment and care--under circumstances then prevailing--which persons of prudence; discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

3.1:

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided

deviations from expectations are reported in a timely fashion and appropriate action taken to control adverse developments.

4.0 Objective:

The primary objectives, in priority order, of the City of Montgomery investment activities shall be:

4.1Safety:

Safety of principal is the foremost objective of the investment program. Investments of the City of Montgomery shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 Liquidity:

The City of Montgomery's investment portfolio will remain sufficiently liquid to enable the City of Montgomery to meet all operating requirements which might be reasonably anticipated.

4.2 Return on Investment:

The City of Montgomery's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City of Montgomery's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 Delegation of Authority:

Authority to manage the City of Montgomery's investment program is derived from the Ohio Revised Code, Section 135. Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, repurchase

agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

6.0 Ethics and Conflicts of Interest:

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interest in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Montgomery's portfolio.

7.0 Authorized Financial Dealers and Institutions:

For Certificates of Deposit, the Finance Director may purchase Certificates of Deposit from financial institutions located within the State of Ohio which have a current depository agreement with the City of Montgomery.

The Finance Director will maintain a list of financial institutions authorized to provide investment services (with depository agreements). In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness, who maintain an office in the State of Ohio. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by Ohio state law.

All financial institutions and brokers/dealers who desire to become qualified bidders for investment transactions must supply the Finance Director with the following: audited financial statements, proof of National Association of Security Dealers certification, trading resolution, proof of state registration, completed broker/dealer questionnaire,

certification of having read entity's investment policy, depository contracts.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Finance Director.

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City of Montgomery invests.

8.0 Authorized and Suitable Investments:

The City of Montgomery is empowered by Section 135.14 of the Ohio Revised Code to invest in the following types of securities.

A) Repurchase agreements with eligible institutions having a signed master repurchase agreement on file with the Finance Director. Repurchase agreements shall have as collateral items B or C of this section.

B) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

C) Bonds, notes, debentures or other obligations, instruments or securities issued by any federal government agency, or the Export-Import Bank of Washington, which are backed by the full faith and credit of the U.S. Government.

D) Certificates of Deposit.

E) Bonds or other obligations of the State of Ohio, or the political subdivisions of the State, provided that, with respect to bonds or other obligations of political subdivisions, all of the following apply:

- a. The bonds or other obligations are payable from general revenues of the political subdivision and backed by the full faith and credit of the political subdivision.
- b. The bonds or other obligations are rates at the time of purchase in the three highest classifications established by at least on nationally recognized standard rating service and purchased through a registered securities broker or dealer.

- c. The aggregate value of the bonds or other obligations does not exceed twenty percent of interim moneys available for investment at the time of purchase.
- d. The treasurer or governing board is not the sole purchaser of the bonds or other obligations at original issuance.
- e. No investment shall be made under division (B)(4) of this section unless the treasurer or governing board has completed additional training for making the investments authorized by division (B)(4) of this section. The type and amount of additional training shall be approved by the treasurer of state and may be conducted by or provided under the supervision of the treasurer of state.

F)The State Treasurer's investment pool (STAR OHIO), as provided in Section 135.45, of the Ohio Revised Code.

9.0 Collateralization:

Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest.

The City of Montgomery chooses to limit collateral to federal deposit insurance, surety company bonds, specific pledged securities, or a public depository's established pool of collateral.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The right of collateral substitution is granted.

10.0 Safekeeping and Custody:

All security transactions, including collateral for repurchase agreements, entered into by the City of Montgomery shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Finance Director and evidenced by safekeeping receipts.

11.0 Diversification:

The City of Montgomery will diversify its investments by security type and institution. With the exceptions of U.S. Treasury securities and the State Treasurer's investment pool, no more than 30% of the entity's total investment portfolio will be invested in a single security type or with a single financial institution.

12.0 Maximum Maturities:

The Finance Director may invest public moneys of the City of Montgomery in authorized securities which mature within five years from the date the investment was purchased except as follows:

A) Repurchase agreements shall not exceed thirty days and

~~B) Certificates of Deposits shall not exceed one year.~~

13.0 Internal Control:

The Finance Director shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

14.0 Performance Standards:

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City of Montgomery's investment risk constraints and cash flow needs.

14.1 Market Yield (Benchmark):

The entity's investment strategy is active. Given this strategy, the basis used by the Finance Director to determine whether market yields are being achieved shall be the six-month U.S. Treasury Bill.

15.0 Reporting:

The Finance Director is charged with the responsibility of including a market report on investment activity and returns in the City of Montgomery's Financial Reports.

16.0 Investment Policy Adoption:

The City of Montgomery's investment policy shall be adopted by resolution of the City of Montgomery's legislative authority. The policy shall be reviewed on an annual basis by the Finance Committee and any modifications made thereto must be approved by the Council.

November 30, 2022

TO: Brian K. Riblet, City Manager

FROM: Christopher Bigham, Acting Finance Director *CB*

SUBJECT: Proposed Year End Transfer and Appropriations

Background

This memo is to review the FY 2022 Budget and discuss the necessary transfers and appropriation adjustments to end the year balanced.

Financial Impact

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.

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).

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.

Recommendation

Staff requests the Financial Planning Committee approve the proposed transfers and appropriation adjustments and place on December 21 agenda for consideration at that meeting.

2022 End of Year Supplemental Transfer and Appropriations

Section One: 2022 End of Year Additional Transfers

From Source Fund:			To Use Fund:		Comments
Leave Payout	101.701.5220	61,000	Compensated Absences	875.000.4920	61,000 Employee did not retire, transferring per policy

61,000

61,000

Section Two: 2022 End of Year Appropriations Reductions

From Source Account:			To Use Accounts:		
324.000.5501	Principle Payment	(375,000)	Unappropriated Surplus General Bond Retirement F	(375,000)	\$7.5M BAN rolled over, no principle due

Total Appropriation Reductions

(375,000)


(375,000)

Section Three: 2022 End of Year Additional Appropriations

From Source Accounts:			To Use Accounts:		
Fund					
101 Recreation Salaries	101.301.5205	2,000	Recreation Contract Services	101.301.5365	2,000
Parks Salaries	101.303.5205	2,000	Parks Contract Services	101.303.5365	2,000
Unappropriated Surplus General Fund 101		92,700	Lodges Contract Services	101.317.5365	2,400
			City Beautiful Special Projects	101.406.5401	300
			Finance Contract Services	101.702.5365	90,000 Robert Half and Baker Tilly Contract increases
Total General Fund 101		96,700			96,700
324 Unappropriated Surplus General Bond Retirement		2,000	Refunds and Reimbursements	324.000.5350	2,000 2022 tax refunds increased
328 Unappropriated Surplus Reserve of Montgomery Bond Reti		389,030	Refunds and Reimbursements	328.000.5350	389,030 SA 38-613 terminated and property taxes refunded
410 Unappropriated Surplus Capital Improvement Fund		35,000	Refunds and Reimbursements	410.000.5350	35,000 2022 tax refunds increased
460 Unappropriated Surplus Heritage District Fund		30,000	Contract Services	460.000.5365	30,000 Bohn Parking Lot Lease
461 Unappropriated Surplus Triangle TIF Fund		1,500	Contract Services	461.000.5365	1,500 TIF payment to school was higher than anticipated
875 Unappropriated Surplus Compensated Absence Fund		30,245	Leave Payout	875.000.5220	30,245 \$75,000 currently appropriated. Four employee retirements total \$105,245, additional need of \$30,245
890 Unappropriated Surplus Unclaimed Money Fund		1,000	Refunds and Reimbursements	890.000.5350	1,000 stale dated check paid transferred and paid out
Total		585,475	Total		585,475

November 30, 2022

TO: Brian K. Riblet, City Manager

FROM: Christopher Bigham, Acting Finance Director 

SUBJECT: Adjustments to the Proposed FY 2023 Budget

Background

This memo is to review the adjustments to the Proposed FY 2023 Budget (Proposed Budget). Some line items have changed, and the updated ordinance reflects the changes in the General Fund and various special revenue funds as detailed below.

Financial Impact

General Fund

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.

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.

Special Revenue Funds

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.

Recommendation

Staff requests the Financial Planning Committee approve the proposed changes to the Proposed Budget and place on the December 7 agenda for consideration at that meeting.

November 30, 2022

TO: Brian K. Riblet, City Manager

FROM: Christopher Bigham, Acting Finance Director *CB*

SUBJECT: Update to Regional Income Tax Authority (RITA) Plan

Background

The City of Montgomery has engaged the RITA in assuming tax collections in the near future. This memo provides an update to the plan.

Update

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.

Financial Impact

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 was 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.

Recommendation

Staff requests the Financial Planning Committee of City Council to consider a motion to develop a proposal with RITA with an execution date of July 1, 2023. The proposal would be added to the City Council Work Session for discussion and approval.

These Minutes are a draft of the proposed minutes from the Financial Planning Committee of City Council meeting. They do not represent the official record of proceedings until formally adopted by the Government Affairs Committee of City Council.

City of Montgomery
Financial Planning Committee Meeting
October 3, 2022

Present

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

Council Committee Members Present

Ken Suer, Chair
Mike Cappel
Lee Ann Bissmeyer

The Financial Planning Committee of Council convened its meeting for October 3, 2022 at 4:30 p.m. at City Hall with Mr. Suer presiding.

September 2022 Income Tax Report

Mr. Bigham explained that for the month of September, the City's total income tax receipts were \$978,396, which is an increase of \$77,471 or 8.6% when compared to the 2021 September collections of \$900,925. Collections for September are consistent with the prior two years. Year-to-date revenue is up 13.76%.

Mr. Bigham stated that the month of September 2022 withholding collections were \$629,894; an increase of \$52,194 or 9.03% when compared to September 2021 collections of \$577,700. Staff believes the variance is attributable to one sizable payment received as a courtesy withholding payment for one or more residents. Year-to-date revenue remains up at 10.31% over the prior year.

Mr. Bigham stated in September 2022, net profits from businesses located within or doing business within Montgomery were \$112,706. This is an increase of \$38,635 or 52.16% when compared to September 2021 collections of \$74,070. Year-to-date business revenue is 73.76% over 2021 collections; however, the percentage may change once all returns on extension have been posted.

Mr. Bigham stated in September 2022, Revenues of \$235,796 were collected in September 2022 from residents living in Montgomery, which is a decrease of \$13,359 or (5.36)% when compared to September 2021 collections of \$249,155. Typically, residents begin filing returns that are on extension toward the end of September; however, staff noticed a lower volume of mail in the last month compared to prior years. The volume will likely increase in October for the deadline on the 15th. Year-to-date resident revenue is up 7.61%.

Regional Income Tax Agency (RITA)

Mr. Riblet explained that since the original presentation by RITA at the June 6 2022 Committee meeting, staff has continued to discuss the benefits of RITA's services. He stated that when Mr. Bigham came on board, they researched it more in depth and found that it would be financially beneficial which was not the case when originally presented. Mr. Riblet stated that customer service was a big component in the consideration of using their services. He stated that the City would continue to have a staff member here at City Hall to provide service locally.

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October 3, 2022
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Mr. Bigham explained that he has not personally worked with RITA, but he had gone through all the notes made from the previous meetings with their representatives and then reached out to some of their local clients to obtain feedback. He explained that the City of Loveland has utilized their services for 10 years without issues. He stated that their Finance Director Mark Medlar had very positive feedback. Mr. Medlar stated that the City of Loveland still retains control over tax laws and the service provided to their residents. Mr. Bigham explained that he also reached out to the Finance Director Dave Jones of the City of Hamilton who explained that they just entered into a contract with RITA this year after switching to RITA from a different contractor of the same services and stated that overall, the transition went well. Mr. Jones did highlight that RITA shares information from the federal income tax which makes it more streamlined in capturing information on residents filing. Mr. Bigham explained that he participated in a conference call with Brian Thunberg and Angela Veazey of RITA and feels confident in their technical abilities.

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. Bigham closed by stating that entering into a contract with RITA would be a service focus and not necessarily a savings model as the of hiring qualified personnel has been increasingly difficult.

Mrs. Bissmeyer stated that she felt due to the electronic filing feature not working on our website that she thought it was a crucial component that RITA has the FTI compliance program to be able to verify that residents have filed their federal tax returns as well.

Mr. Bigham asked the Committee to consider a motion to authorize staff to obtain a formal quote from RITA.

Mr. Riblet reminded the Committee that during busy times, residents could still come to City Hall to meet with staff as that personal service will still be available.

Mr. Bigham added that while the electronic filing issues have still not been resolved, the City did renew a license to utilize it if it is needed and working.

Mr. Cappel stated that he was uncomfortable contracting out City jobs and would still support electronic filing if it worked. He asked what the percentage of residents use a CPA.

Mrs. Bissmeyer replied she felt it was a large portion. Staff confirmed that she was correct.

Mr. Cappel stated that he felt the electronic filing needs to be available but supports moving to RITA due to hiring challenges.

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October 3, 2022
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Mrs. Bissmeyer asked Mr. Bigham for clarification on who RITA was.

Mr. Bigham replied that for general purposes they are third party contractor.

Mr. Riblet added that they are considered an entity of the State as their Board of Trustees is authorized by the State to administer and enforce income tax laws for any of the municipalities, they represent by the Ohio Revised Code Chapter 167.

Mrs. Bissmeyer asked if the issue with electronic filing was fixed if that would negate the need for RITA.

Ms. Braun stated that the problems with the CMI electronic filing program were very large and at this time they cannot offer a fix for them.

Mr. Bigham added that all used of the CMI software experienced the same issues.

Mrs. Bissmeyer asked if the percentage of collections that would go to RITA would be smaller since the city is smaller.

Mr. Riblet replied that the percentage would be negotiated but that staffing is the determining factor behind the consideration of this service.

Ms. Henao explained that she viewed this service similar to the building permitting contract with National Inspection Service. She stated it is how you manage the contractual relationship that makes it work for the City and the residents.

Ms. Gaylor added that staff strives to be innovative and to be current with the industry in the services they provide to the City so if this would provide those types of services then it may be a good choice.

Mr. Suer explained that in the past there was negative talk about RITA among people who had to deal with them, however he realizes they are now improved and more efficient. He added that he strongly feels that there needs to be a personal touch as it is what the City prides themselves in. Mr. Suer stated that Mr. Bigham's report was very comprehensive. He stated that a key factor is that since RITA is quasi-governmental, they have resources and can do more than our small staff is able to do due to their access to federal documents. He stated that it was good to hear that Loveland has had a positive experience for 10 years as there are a lot of small communities who could benefit from this type of service. Mr. Suer stated that it was important to maintain in-house customer service but that adding staff to the finance department was unlikely so this could be an answer to staffing challenges. He stated that he now feels this is something the City should pursue.

Mr. Cappel made a motion to authorize staff to request a proposal from RITA. Mrs. Bissmeyer seconded. The Committee unanimously agreed.

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Other Business

There was no other business to discuss.

Minutes

Mr. Cappel moved to accept the minutes of the August 1, 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 5:36 p.m.

Chair