

City of Montgomery
Financial Planning Committee Meeting
February 7, 2022

Present

Brian Riblet, City Manager
Tracy Henao, Asst. City Manager
Katie Smiddy, Finance Director
Connie Gaylor, Clerk of Council

Council Committee Members Present

Ken Suer, Chair
Mike Cappel
Lee Ann Bissmeyer

The Financial Planning Committee of Council convened its meeting for February 7, 2022 at 4:30 p.m. at City Hall with Mr. Suer presiding.

January 2022 Income Tax Report

Ms. Smiddy reported for the month of January 2022, the City's total income tax receipts were \$1,250,697, which is an increase of \$201,798 or 19.2% compared to the 2021 January collections of \$1,048,899. The variance is attributable to an increase in withholding tax revenue, primarily courtesy tax withholding for Montgomery residents.

Ms. Smiddy reported in January 2022 withholding collections were \$1,074,100; an increase of \$319,948 or 42.42% when compared to January 2021 collections of \$754,152. The variance is due to a large increase in several courtesy withholding payments for residents, along with a higher volume of payments.

Ms. Smiddy reported in January 2022, net profits from businesses located within or doing business within Montgomery were \$25,330. This is an increase of \$3,216 or 14.54% when compared to January 2021 collections of \$22,114; and is just slightly below the January 2020 collections. Business revenue in January is primarily from 4th quarter estimated payments for the prior year, so the increase is a positive sign that businesses are surviving the pandemic.

Ms. Smiddy reported that revenues of \$151,267 were collected in January 2022 from residents living in Montgomery, which is a decrease of \$121,366 or (44.52)% when compared to January 2021 collections of \$272,633. Reports show that a greater number of taxpayers paid 4th quarter estimated payments in December 2021 rather than waiting until the January 15 deadline. In addition, several year-end payments were remitted in January 2021 from residents who typically pay a large amount in 4th quarter.

Financial Statements for the Community Improvement Corporation

Ms. Smiddy reported to the Committee that the 2021 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 Net Position** reflects that the corporation had \$2,053,479.45 in a demand deposit account at Fifth Third Bank as of December 31, 2021.
- The **Statement of Financial Activities** reflects Grants Received of \$0 Interest Income of \$0, Grants Awarded of \$41,706.61 and Professional Fees expensed in the amount of \$36,000 for the year ended December 31, 2021.
- The **Statement of Cash Flow** reflects the corporation decreased its cash position from \$2,131,186.06 in 2020 to 2,053,479.45 as a result of Grants Awarded and Professional Fees.

Ms. Smiddy stated that the Corporation's tax return would be on the agenda for a CIC meeting anticipated to be held in March 2022.

Mr. Cappel made a motion to accept the 2021 financial statements for the Montgomery Improvement Corporation. Mrs. Bissmeyer seconded. The Committee unanimously agreed.

Review of 2021 Revenues and Expenditures

Ms. Smiddy reported on the revenue and expenditure variances for the year ending December 31, 2021. The following points were discussed:

- In 2021, the City experienced another positive year with income tax revenues exceeding the estimate. General Fund revenues, because of increases in the income tax, were up \$552,000 or 6.8% from 2020. Income tax, the City's primary source of funding for general operations accounted for 63.8% of the General Fund's operating revenues and 16.48% of the City's total operating revenues in 2021.
- Total City expenditures were under appropriations for the year. The same was true for the General Fund, enabling the City to continue to operate within its budgeted resources. Both the total and the General Fund expenditures and commitments were well within the target for managed spending and appropriations.
- In evaluating the Income Tax collections for 2021, receipts surpassed \$10 million coming in at \$10.8M which is 14.64% higher than the estimate. In reviewing the collections for the previous 10 years, revenues continue to tick upward, remaining a reliable source of funding for the City's general operations.
- For Property Tax collections, the City's second largest revenue source, as in prior years the assessed valuation increased for 2021. The City's total property tax receipts (combined general and fire levy) are 6.04% more than the budget estimate for 2021.

The millage in the General Fund is made up of 3 mills of inside millage and 1.5 mills of voted charter millage. The City's two Fire levies are continuous (5.55 and 6.0 mills) and because of the reduction factor, they do not receive increases based on reappraisals, as the General Fund does on its inside millage. Both Fire levies, however, do receive increases from new construction.

- The City's investment policy calls for the return on the entire portfolio to meet the rate on a six month Treasury bill. STAR's interest rates began at .10% in January and ended at 0.09% in December. The six-month T-Bill's comparable rates were .09% and 0.19%, respectively. Keep in mind, the City's investment policy's "foremost objective" is the preservation of capital. All City investments are backed by the credit of the federal government, FDIC, pooled collateral by depository banks or in the case of StarOHIO carry a Standard & Poor's highest credit rating of AAA.
- A portion of the City's investments are STAR Ohio, which is a money market fund operated by the State Treasurer's Office, and the remaining investments are in a laddered maturity plan consisting of securities of several federal agencies and certificates of deposits. The maturity dates for the laddered portfolio range from one year to five years.
- The City's building permit collections were 402.12% higher than the revenue estimate. The number of teardowns remained flat with a total of 11 dwelling units demolished in 2021. Since teardowns began in 2001, there have been a total of 313 teardowns or approximately 9.1% of the City's estimated detached single-family residential units. There were 635 building permits issued in 2021 compared to 502 in 2020.
- Total general fund revenue for 2021 exceeded the estimate by 23.4% and was 10.12% above 2020 actual revenue. The increase over estimated revenues was primarily due to increase in income tax.
- The pool's operations resulted in receipts of \$253,285 with \$15,000 being transferred into the fund from the General

Fund. This is an increase in revenues of \$160,452 or 172.84% more than 2020 revenues. Total expenses for pool operations in 2021 were \$198,366 compared to \$212,218 spent in 2020; this is a decrease of \$13,852. Total attendance was 20,406 in 2021, 10,109 in 2020, 27,298 in 2019, 28,659 in 2018, and 27,424 in 2017. The Covid-19 Pandemic and associated restrictions were the 2020 cause in decreased attendance and revenue. 2021 saw much less impact and a return to normalcy.

- 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 2020, the 2021 Capital Improvement Fund receipts were \$429,818 or 20.17% more, with \$292,309 in grant funds received in 2021 from Hamilton County Transportation Improvement District (HCTID) for continued work on the Montgomery Road Sidewalk Project.
- 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 required annual service payments be paid from TIF revenues, any deficit is to be made up by the developer. As of December 31, 2021, there exists a cumulative deficit of \$157,118. In May of 2021, the mortgage holder of the property initiated a foreclosure action. The City will continue to receive current collections from real estate settlements and is currently pursuing legal action to secure payment as a tax lien.
- General Fund expenditures including outstanding encumbrances totaled 81.0% of the revised appropriations for 2021. The 2021 General Fund expenditures were \$653,750 or 6.68% higher than actual 2020 expenditures. Total General Fund expenditures with transfers and encumbrances in 2021 were \$11,431,638.
- Total City expenditures were under appropriations for the year. Both the total and general fund expenditures and commitments were well within the target for managed spending and appropriations.
- General Obligation Debt – As of December 31, 2021, the City has \$7,711,875 outstanding with a final maturity of 2038. Debt service payments for this debt are made for bond anticipation notes issued for the Montgomery Quarter Infrastructure Improvements.
- Special Obligation Debt – As of December 31, 2021, the City has \$57,697,548 outstanding with a final maturity of 2050. Debt service payments for this debt are made as payments in lieu of taxes to property owners located in the Vintage Club phase I and phase II developments.
- The City has reserve requirements and/or targeted fund balances on five City funds:
 - General Fund -The unencumbered cash balance of the General Fund as of December 31, 2021 was \$18,286,969 which represents a reserve of approximately 19 months, when using the total General Fund expenditures of \$10,462,976 (total General Fund expenditures net of transfers of \$1,001,900.00 to the Community Oriented Policing Fund, the Street Maintenance and Repair Fund, the Environmental Impact Area Funds, and Municipal Pool Fund plus year-end encumbrances of \$124,423) as the basis for determining the reserve.
 - Fire Levy Fund - The unencumbered cash balance of the Fire Levy Fund as of December 31, 2021, was \$11,514,439 which represents a reserve of approximately 35 months, when using the total Fire Levy Fund expenditures \$3,967,632 and outstanding encumbrances of \$463,605, as the basis for determining the reserve.
 - Capital Improvement Fund - The unencumbered cash balance of the Capital Improvement Fund as of December 31, 2021, was \$3,718,180 which is well above the targeted balance of \$1,000,000.
 - General Bond Retirement Fund - The unencumbered cash balance of the General Bond Retirement Fund as of

December 31, 2021, was \$720,831.

- Arts & Amenities Fund - The unencumbered cash balance of the Arts & Amenities Fund as of December 31, 2021, was \$647,494, which is well above the targeted balance of \$376,237.

Mr. Cappel asked if the funds in the Target Fund Balances were invested.

Ms. Smiddy replied that it was not that it was housed in Fifth Third.

Mr. Cappel asked if funds would be better directed to expenditures budgeted in the outer years to save on inflation costs.

Mr. Riblet replied that while that could certainly be discussed that it is a timing issue of planning for the next disaster or pandemic and what would be the least amount of risk with the best return.

Other Business

Mr. Riblet provided an update on the Gerri Harbison Memorial Fundraiser. He stated at this time there are funds and commitments totaling \$46,000. He stated that Tom Tsuchiya is comfortable in continuing for the creation of the sculpture, but an agreement is expected to come to City Council for approval by the March Business Session.

Minutes

Mr. Cappel moved to accept the minutes of the December 6, 2021 meeting of the Financial Planning Committee as written. Mrs. Bissmeyer seconded. The Committee unanimously agreed.

Adjournment

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

The Financial Planning Committee of Council was adjourned at 5:24 p.m.



Chair