

**DUBLIN CITY COUNCIL
FINANCE COMMITTEE MEETING
Monday, October 8, 2012
Council Chambers**

Minutes of Meeting

Ms. Chinnici-Zuercher, Chairperson, called the meeting to order at 6:00 p.m.

Committee Members present: Ms. Chinnici-Zuercher, Mr. Gerber, and Mr. Keenan. Council Member Boring was also present. Council Member Reiner and Mayor Lecklider arrived later and joined the meeting in progress.

Staff present: Ms. Grigsby, Ms. Mumma, Mr. Thurman, Mr. Sova, Ms. Kennedy.

Mr. Gerber moved approval of the Finance Committee minutes of August 8, 2012.

Ms. Chinnici-Zuercher seconded the motion.

Motion carried.

Third Quarter 2012 - Financial Update

Ms. Mumma reported that the third quarter financial report is very positive. The highlights are as follow:

The General Fund balance continues to grow. At the end of the quarter, the General Fund balance was \$50.4 million, which is 85% of the 2012 planned operating expenses in the General Fund. That fund balance over the past two months has increased and is in a very healthy position. For the year, the General Fund is up 5.8%, or approximately \$2.2 million.

Revenues

The General Fund balance increased due to an increase in income tax revenue. Every category of income tax collections is up -- withholding, net profit, and individual returns. In withholding, the top 50 companies drove the revenue up 2.2%; the top 100 companies, 2.2%; and the top 250 companies, 2.74%. At the end of the second quarter, the income tax revenue estimate for 2012 was revised to reflect a three percent increase over 2011, which is in line with the projection to be 5.5% over last year's income tax revenue. Other revenue sources in the General Fund had a positive trend through the third quarter. Charges for services increased by 11%, which primarily reflects the sale of fuel. The intergovernmental revenue, similar to last quarter, was up. This is due primarily to estate taxes. This revenue source will be eliminated by the state next year, but the City has collected over \$731,000 more than last year's collection at this time – an increase of 41%. With Licenses, Signs and Permits – significant revenue was received through residential and commercial plan review, as well as through fiber optic network fees. Miscellaneous revenue increased substantially, by 244%. This reflects the sale of a portion of the land the City had purchased from Ohio State to Nestle.

Expenses

General Fund expenditures are up 3.5% or \$1.5 million over the expenditures in 2011. After the second quarter presentation, there were timing differences in the salaries and wages expense, due to the three pay periods in a quarter last year. That has evened out this year. Personal services has increased by 1.5%. This reflects the hire of the Finance Director and the Fleet Supervisor. Supplies increased by 3%, or \$75,000. Travel/training is even with last year's numbers, and Transfers/Advances from the General Fund to other funds are down 4.1%, or \$495,000.

In summary, because Expenditures have not increased in line with the increase in Revenues, it has resulted in an overall growth in the General Fund balance.

Property Tax and Service Payments

These revenues are received semi-annually. Property tax revenue was down 4.1% over 2011. This was anticipated due to the fact that the taxable assessed valuation for Dublin decreased 4.4% over the prior year. Service payments, payments in lieu of taxes, from the TIF districts was even with last year's revenue. There were two TIF districts with new valuations this year. There were also several larger reappraisals and Board of Revision appeals filed on some properties within the TIF districts, which decreased the values lower than the original TIF amount, essentially losing all revenue in some cases. As valuations begin to rise on those properties, however, growth will be seen. Nevertheless, the amount remained even with last year.

Hotel/Motel Tax Revenue

This revenue increased by 10.9% over the third quarter of 2011. All 14 Dublin hotels have show growth in revenue.

Ms. Mumma concluded the third quarter financial report and invited Council members' questions.

Ms. Chinnici-Zuercher inquired if the reappraisals in the TIF districts are ever appealed. Ms. Mumma responded that the significant reappraisal was with the Wendy's TIF, which the School District did appeal. The School District is usually the first to appeal Board of Revision cases.

Ms. Grigsby noted that the City has always informed property owners that if they appeal the reappraisal with the Board of Revision, the City will accept the Board of Revision's decision.

Mr. Gerber noted that only the property owner, not the City, can object to the reappraisal.

Mr. Keenan stated that the School District is impacted more by property tax valuations than the City.

Ms. Grigsby responded that reappraisals within the TIF districts impact the City more significantly. The property owner must go through a review process and provide

documentation supporting their request for a reduction. The Board of Revision has an extensive process and the City has always accepted their decision.

Mr. Keenan stated that for commercial buildings, the Board reviews the leases to learn about their revenue stream. Their decision is not based on the market value of the property. Long-term leases on office buildings were negotiated long before the recent changes in the economy.

Mrs. Boring stated that TIFs are basically used to finance improvements, and eventually expire. The property owner must decide between making improvements and paying off the debt. Their situation is not as critical as with those people whose operating ability is impacted.

Ms. Grigsby stated that, typically, the City has not experienced much decrease. Most of this relates to what has occurred with the market and the economy the last couple of years.

Ms. Chinnici-Zuercher referred to the 5.5% increase. How does it compare to what the other central Ohio communities are experiencing?

Ms. Mumma responded that she would obtain that information and forward it to Council. Ms. Gibson, Director of Taxation, has been working with the income tax group that will be proposing language to Representative Grossman this week. She has asked Ms. Gibson to also provide information regarding the proposed language to Council, either through a presentation or a staff report. Ms. Gibson anticipates having that information on October 10.

Ms. Chinnici-Zuercher stated that she spoke with Rep. Grossman earlier today. She was very complimentary about Ms. Gibson's participation, commenting that Ms. Gibson's work has been essential to their decision making. Rep. Grossman indicated, however, that a vote was not anticipated this year.

Mr. Keenan inquired if this is the central income tax collection issue related to RITA. Ms. Chinnici-Zuercher responded that the committee has removed centralized collection from the table.

Ms. Mumma stated that the issue now is focused on general uniformity among Ohio municipalities.

Mr. Keenan inquired if TIF money could be designated for private road maintenance within the Perimeter Mall, Giant Eagle and Kroger Center.

Ms. Mumma responded that those are private improvements, and public dollars would not be used for that purpose.

Mr. Keenan stated that this road maintenance is an issue that needs to be addressed at some point.

2011 CAFR and Audit Report

Mr. Sova stated that this information was provided in the meeting packet. The City is audited annually by an independent CPA firm, currently Clark Schaefer Hackett of Springfield. They concluded their audit of the City's fiscal year ending 2011 and issued a clean audit opinion, which is reflected on pages 27-28. This is the report that, typically, financial analysts and bond rating agencies consider closely. The audit has been officially accepted by the Auditor of State and is available both on the City's and the Auditor of State's websites.

Ms. Chinnici-Zuercher stated that the date indicates that the auditors issued the report at the end of June. Is it perceived that six months after the close of the fiscal year is a reasonable timeframe?

Mr. Sova responded that the legal requirement is that the audit report be issued by June 30, within six months of the end of the fiscal year. Ideally, it would be done earlier. Some of the larger entities are able to have their audit completed as early as March. Dublin has never been able to do that, due to staff limitations and the auditors' schedule.

Ms. Grigsby noted that many of the larger entities that are completed earlier have certain bond covenants and requirements that call for reports and opinions to be issued by April 15. Typically, the audit firms will schedule those audits first.

Ms. Chinnici-Zuercher inquired to what extent staff is able to use this information in future financial planning.

Mr. Sova stated that CAFR and financial information are historical data and are helpful in establishing trends. The information is a basis on which the annual budget and CIP budgets are built. There is now a suggestion in front of the Government Accounting Standards Board to include ten-year projections with the official financial statements. He believes that is not an appropriate place to use those. The documents are useful, however, in establishing historical trends and making projections.

Mr. Gerber requested clarification of the statement in the last paragraph on the first page of the Management Letter, "During our testing, we identified certain expenditures that were initiated without obtaining the prior certification of the Finance Department."

Mr. Sova responded that those are typically small dollar items, such as a magazine subscription or annual professional dues. The City is required to have a purchase order with the Finance Director's certification of available funds prior to payment.

Ms. Grigsby stated that this particular Code section is outdated, enacted before computers were widely used. At that time, paperwork was sent to Finance for certification of available funds prior to making a purchase. Today, everyone has access to the online accounting system and aware of the status of their budget. The goal is not to overspend, and the City has compensating controls that prevent that.

Mr. Gerber responded that he is aware that it is an antiquated provision in the law. He was curious as to what extent it is yet possible to comply with it.

Mr. Sova responded that these are exception-based findings. The occurrence is not prevalent; the dollar amounts are small. If the auditor believed it was an issue, it would have risen to a higher compliance finding.

Mrs. Boring congratulated the Finance team for continuing to receive accolades and awards for its high level of performance.

Mr. Sova responded that he would share her comments with his staff.

Mr. Keenan inquired if there was an upgrade in the threshold amount for which a purchase order is required.

Ms. Grigsby responded that the state legislature is considering modifications to the Ohio Revised Code. Because Dublin is a home rule city, it currently has a higher dollar requirement than the state. The state's requirement is \$50,000 and Dublin's is \$75,000.

Cost Study Update

Ms. Kennedy stated that there is an annual update to the Cost of Services study. The goal of the study is to provide information regarding the actual cost to provide the City services so that the necessary fees can be established, based on target recovery. Each City work unit has reviewed their fees and provided their input. Approved fees will be effective on January 1, 2013, unless otherwise noted.

Building Standards:

Most of the proposed fee changes for 2013 are in the development areas. However, in Building Standards, the proposed changes are minimal. For the "electric plan review," there is a proposed increase of \$5.00 per unit. Based on the 2011 units of service, the increase will generate an additional \$720. For the "conditional occupancy inspection," there is a proposed increase of \$10.00 per unit. Based on the 2011 units of service, the increase will generate \$450 additional dollars. Other fees with increases were those with low service delivery.

Courts:

There were no proposed fee changes in 2013. A fee for the Adult Traffic Diversion Program was added. The fees include court costs of approximately \$80, plus the cost of the driving course. Of the cost of the driving course, \$25 is remitted back to the City.

Engineering:

The proposed changes are minimal. There is a change in easement encroachment review, because of the impact on the units of service. The proposal is to roll into the standard fee the recording costs of the documents, which results in a \$10 increase. Previously, the recording costs were a separate fee.

Cemetery/Park:

No fee increases are proposed for 2013.

Planning:

This area has the most proposed fee increases. The Corridor Development District no longer exists, so that application fee is being removed. The Special Permit review has been modified to exclude model homes. They are now permitted through the CZPA review (PL-17). For the Bridge Street District- ARB Basic Plan Review – the fee is established as \$1,000. For the Bridge Street District Open Space in Lieu of Determination – no fee for open space requirements less than 300 square feet.

Mrs. Boring asked about PL-26 -- are there any units to justify the raise of that fee?

Ms. Kennedy responded that there are no units, but if there would be a unit of service, the City would want to recover those fees.

Mrs. Boring asked if there are no units, how is it determined what the cost of recovery would be?

Ms. Kennedy responded that it is based on the amount of staff time to provide that service.

Ms. Grigsby stated that it is based upon an estimate of the time it would take to process that service. It is difficult to make that determination when there are no units or a low level, but that is how it is calculated.

Police:

Proposed fee increases: (1) Special Events – police officer's hour of time increase from \$130/hour to \$140/hour; (2) Cruiser usage for Special Duty – increase from \$7.00/hour to \$8.00/hour. (3) Fingerprinting – remove from fee schedule, as the service was discontinued in 2010. There are two other locations nearby that offer fingerprinting services – Biometric Information Management, Metro Center and National Background Check, Inc., Bethel Road.

Utilities:

These fees are also reflected in the separate water and sewer rate ordinance. The increases were discussed during the 2013-2017 CIP hearing. The proposal is a five percent rate increase in both the sewer and water tap fees. This will support long-term maintenance. There is also a 25 cent *mcf* reallocation from the Water to the Sewer Fund already approved for 2013. Discussion of further increases in the surcharge for 2014 will occur in the next CIP hearing.

Mr. Reiner inquired if Dublin is competitive with other municipalities in these ranges.

Ms. Kennedy responded that the worksheet reflects the City of Columbus charges. She does not have information for other municipalities. She can research that information and provide it to Council.

Mayor Lecklider stated that a contractor who recently completed maintenance work on his deck shared with him that he considered the City's fees to be reasonable, compared to other municipalities in which he does work, and the level of service here is greater than he receives elsewhere.

Mr. Reiner indicated that type of information would be good to share at the City's web site.

Mrs. Grigsby stated that the benefit of the Cost Study is that because the City charges these fees, it is able to have adequate staffing levels to provide the service. The fees and the good service go hand-in-hand.

Mr. Keenan inquired if a consultant was utilized a few years ago to fine-tune the document.

Ms. Grigsby responded that the consultant who completed the initial study was also retained to conduct a follow-up review in 2009.

Mr. Keenan stated that the annual fee schedule changes have been minimal in recent years. He questions whether the staff time involved for the annual review is justifiable. Perhaps conducting the review every two years would be more efficient in view of the few number of proposed increases.

Ms. Grigsby responded that has been discussed. A couple of years of ago, instead of undertaking a complete cost study, an adjustment was made based upon the Consumer Price Index. That could be considered again.

Mr. Keenan stated that he believes a biennial review seems more reasonable.

Mrs. Boring concurred. The one area which may require closer monitoring are the water and sewer charges.

Mr. Keenan responded that review occurs with the budget hearings, regardless.

Mrs. Boring asked Ms. Kennedy what portion of her time is allocated to produce this study.

Ms. Kennedy responded that it requires 40% of her work time.

Fleet:

Ms. Kennedy stated that a one cent increase per gallon surcharge for gasoline and compressed natural gas is proposed. Staff requests that, if approved, those increases would be effective on July 1, 2013 in order to provide time for the school district and the township to budget for the increases.

[Discussion ensued regarding the proposed cost increase for unleaded and diesel fuel.]

Ms. Chinnici-Zuercher inquired what the reason is for an anticipated discussion of additional sewer and water fee increases at the next CIP hearing.

Ms. Grigsby responded that it is related to continuing maintenance and improvement needs of the sanitary sewer system. Sewer systems are much more expensive to maintain. The City's Water Fund is healthy. Based upon the amount of investment made in the sewer lines in recent years, additional fee increases would be considered.

Mr. Keenan noted that funds have been moved between those two funds in the past several years.

Recreation services:

Ms. Kennedy stated that a 50 percent target recovery was met in 2011. Two fee changes are proposed: (1) 10% discount for early registration for resident pool passes, and (2) \$3.00/year increase for resident memberships to the seniors program. A market study is available for Council review.

Mr. Keenan inquired how many seniors are in the program.

Ms. Kennedy responded that there are 785 memberships, and over 1,000 participants.

Ms. Chinnici-Zuercher stated that this is the resident discount. What do non-residents pay?

Mr. Earman stated that the annual fee for the senior program was increased from \$14 to \$20 in 2010, as a two-phase increase. What is proposed is \$15/resident and \$20/non-resident.

Mr. Keenan stated that he does not see a need for an increase in that program.

Mrs. Boring responded that it reflects the costs for the facility and the staff time necessary for the program. She believes it is reasonable and affordable.

Mr. Keenan stated that the amount of money it would raise is insignificant. Personally, he is not in favor of increasing the fee. It is a three percent increase.

Mr. Earman stated that in 2009, targets for cost recovery were set for each program area so a 50% cost recovery overall could be achieved. In 2009, there was a 13% recovery for this program. It is a heavily subsidized area. The intent was to move it to a 25% cost recovery, consistent with other communities. This increase would achieve that.

Mr. Reiner inquired Dublin's senior citizen age definition.

Mr. Earman responded that it is age 55.

Ms. Chinnici-Zuercher thanked staff for their review, their knowledge of the costs to the City for the programs, and for their efforts to ensure the City receives a return on its investment.

Mrs. Boring stated that it makes a difference to the community that these fees are not arbitrary. There is a study that justifies the amounts. She also thanked staff for their efforts.

Mr. Reiner thanked staff for the detailed financial reports.

The meeting was adjourned at 6:38 p.m.

Clerk of Council