

To: Members of Dublin City Council
From: Dana L. McDaniel, City Manager 
Date: August 6, 2015
Initiated By: Angel L. Mumma, Director of Finance
Re: Financial Update – Second Quarter 2015

Summary

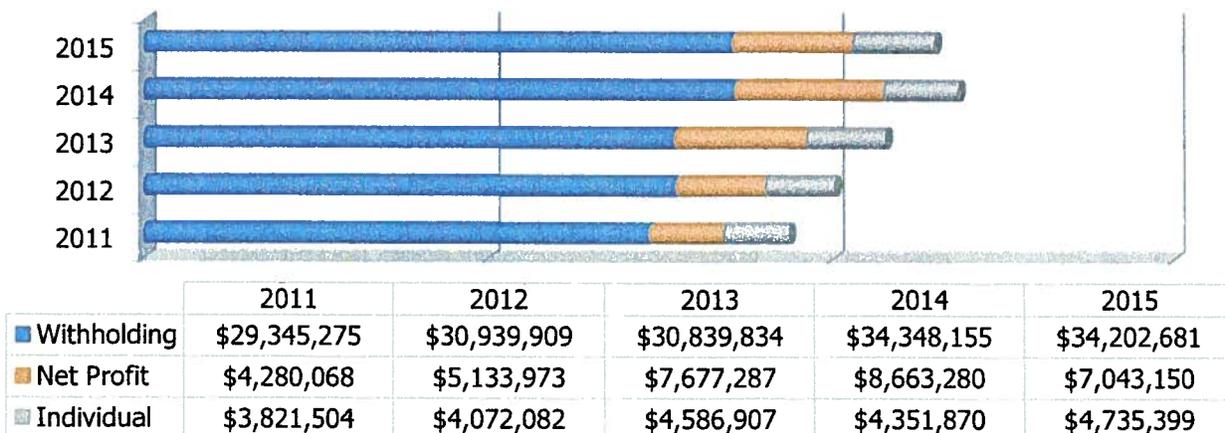
Income Tax Revenues

In the 2015 Operating Budget, we projected \$81,650,000 in revenue from the local income tax. This estimate was based on an assumption of a 5.7% decrease over our 2014 revised revenue estimate, determined when the 2015 Operating Budget was approved in December 2014. However, our actual income tax revenue for 2014 exceeded the revised estimate by 1.7%.

The main driver behind the decrease in projected income tax revenue for 2015 was the loss of revenue from Verizon, and in fact our actual income tax revenues to date are reflective of that loss. As previously reported to City Council, the first quarter ended with income tax revenues decreasing 3.4% over the same period in 2014, with withholding and net profits decreasing 3.8% and 6.2%, respectively. Individual returns, on the other hand, increased 5.5%.

Through the second quarter, income tax revenues declined 2.92%, or \$1,382,026. This reduction was driven by an 18.7% decrease in net profits, or approximately \$1,620,000. On a positive note, withholding, which is our largest source of income tax revenue, remained relatively stable, decreasing .42% over the second quarter 2014. This relative stability in our withholding is important to point out as despite the loss of one of the City’s largest employers, our withholding remains nearly even with what was generated last year.

The graph below depicts the City’s income tax revenue through the second quarter each year from 2011 through 2015.



For planning purposes, staff can start to draw more informed conclusions as to projected income tax revenues at year-end based on collections through the first half of the year. As previously mentioned, the 2015 projection took into account the reduction in revenue from Verizon. As indicated on the attached spreadsheet, our actual revenues through the second quarter reflect a 4.72% increase over the 2015 budgeted amount. While remaining conservative, we have revised our 2015 income tax revenues upwards by 2% to reflect anticipated revenue of \$83,285,000, an increase of \$1,635,000. You will see this revised projection utilized as a basis for our revenue when the Capital Improvements Program (CIP) for 2016 – 2020 is presented. Our projections do take into account a reduction in income tax revenue from Nationwide beginning in late 2016 through 2017. Staff will continue to monitor income tax revenues and provide Council with a monthly update on collections.

General Fund Balance

The General Fund balance is a critical component to the financial stability of the City and continues to be a key financial indicator used by the rating agencies in evaluating the financial strength of the City. As Council is aware, the City's practice has been to maintain a year-end balance equal to or greater than 50% of the General Fund expenditures, including operating transfers.

As discussed with Council at the June 22, 2015 Council meeting, Staff advanced \$22.6 million from the General Fund to the Capital Construction Fund during the second quarter for the Riverside Drive Realignment, Riverside Drive/SR 161 Roundabout, and Riverside Drive Park Project (in conjunction with Resolution 34-15 approved April 13, 2015 awarding the contract to Complete General Construction Company in the amount of \$22,533,750). While these projects were planned to be funded through the issuance of bonds, in advance of the bond issuance – which is currently expected for September 2015 - we were able to award the contract and commence construction by utilizing the General Fund reserve. Taking into account this advance, the General Fund balance at the end of the second quarter 2015 was \$39.9 million, or 60.8% of our anticipated 2015 General Fund expenditures. Had the advance not been necessitated, the fund balance would have been \$62.5 million or 95.3% of the anticipated 2015 General Fund expenditures.

Property Taxes and Service Payments

On a cash basis, property tax revenue collection had decreased 24.3% or \$595,600 over the first half of 2014. However, this appears to be a timing difference with respect to when the County distributions are received by the City. In looking at property tax revenue collected through July 2015 and comparing it to receipts through July 2014, our property tax revenue collections reflect a 6.1% increase.

Revenues generated from service payments, or payments in lieu of taxes, on properties within the Tax Increment Financing (TIF) areas decreased 5.6% over 2014. Given that the overall change in valuation in our commercial TIF areas increased 1.2% from 2014, this decrease in actual collections may be attributable to timing of payments by the property owners/taxpayers. Staff will closely monitor the 2nd half distribution of TIF revenues from Franklin and Union Counties to determine if this is indeed the case or if there are an increased number of delinquent taxpayers. However, we are aware that nearly 40% of the decline from 2014 to 2015 is a result of the Board of Revision decision on the Hidaka property located in the Shier Rings TIF. As previously reported,

this property was reduced in valuation from \$3.4 million to approximately \$951,000. Franklin County reduced the City’s payment by \$81,600 to account for this reduction in value.

The normal distribution of property taxes and service payments are made during the first and third quarters of each year. As such, Council can expect an updated analysis on both of these revenue sources during the third quarter financial update. We expect at that time that the receipts will normalize when looking at them from a comparison standpoint.

Hotel/Motel Tax Revenue

The Hotel/Motel Tax Revenue collected through the second quarter 2015 totaled \$956,158, which represents a \$39,713 or 4.3% increase over collections through the second quarter 2014.

	2011	2012	2013	2014	2015
January	\$ 87,445	\$ 99,516	\$104,789	\$105,355	\$109,687
February	95,191	107,517	110,988	123,736	127,323
March	112,501	125,855	123,282	124,399	132,335
April	152,160	165,420	157,333	188,454	193,250
May	145,652	154,806	172,538	169,724	189,310
June	<u>150,699</u>	<u>173,043</u>	<u>193,517</u>	<u>204,777</u>	<u>204,253</u>
2nd Qtr YTD	\$ 743,648	\$ 826,157	\$862,447	\$916,445	\$956,158

Other Information

General Fund revenue totaled \$37,828,783 through June. This was a decrease of \$1,251,500 over the first half 2014. As previously stated, this was driven in large part, by the decrease in income tax collections, which decreased \$1,036,519 in the General Fund alone. Also contributing to the decrease in revenue was the amount received from licenses, fines and permits, which decreased approximately \$156,800 over 2014, mainly due to plan review and inspection.

General Fund expenditures through June totaled \$58,943,077, which was an increase of 62% or \$22,551,626 over the same time period in 2014. Please recall that this amount includes the \$22,600,000 advance to the Capital Construction Fund that was previously explained in the General Fund balance section of this memo. Excluding advances to other funds, the expenditures through the second quarter increased 4.0% or nearly \$1.2 million over 2014. The two areas that had the highest dollar increase were contractual services and personal services. Contractual services increased \$791,632 as a result of increased property taxes/recoupment on the Houchard Road Property as well as legal services. Personal services increased \$573,310, with the majority attributable to the increased cost of employee benefits. The increased funding level for employee insurance was discussed with Council during the 2015 Operating Budget workshops.

Attached for your review are two spreadsheets which provide comparison detail on the revenue sources discussed above.

Recommendation

For informational purposes only.

Attachments

**City of Dublin
Financial Update - Second Quarter 2015**

Income Tax Revenues

Quarterly Recap:

	2015 Collections	% Change from 2014	2014 Collections	% Change from 2013	2013 Collections	% Change from 2012	2012 Collections
1st quarter	\$ 20,434,210	-3.40%	\$ 21,153,658	13.80%	\$ 18,589,036	2.21%	\$ 18,187,846
2nd quarter	25,547,020	-2.53%	26,209,597	6.91%	24,514,992	11.64%	21,958,118
3rd quarter			21,332,530	8.39%	19,680,387	11.12%	17,711,685
4th quarter			19,372,746	0.27%	19,320,955	9.95%	17,572,864
	\$ 45,981,230		\$ 88,068,531	7.26%	\$ 82,105,370	8.85%	\$ 75,430,513

Monthly Recap:

	2015 Budget	2015 Collections	% Change from 2014	2014 Collections	% Change from 2013	2013 Collections	% Change from 2012	2012 Collections
January	\$ 6,072,136	\$ 6,330,080	-3.35%	\$ 6,549,602	2.52%	\$ 6,388,650	-4.81%	\$ 6,711,575
February	5,746,000	6,293,859	1.55%	6,197,821	8.55%	5,709,438	20.22%	4,749,270
March	7,793,420	7,810,271	-7.09%	8,406,235	29.51%	6,490,948	-3.51%	6,727,001
1st quarter	\$ 19,611,556	\$ 20,434,210	-3.40%	\$ 21,153,658	13.80%	\$ 18,589,036	2.21%	\$ 18,187,846
April	\$ 12,602,050	\$ 12,214,670	-10.14%	\$ 13,592,978	6.06%	\$ 12,816,853	21.75%	\$ 10,527,532
May	4,643,798	6,253,050	24.84%	5,008,950	7.85%	4,644,399	0.44%	4,624,249
June	7,053,071	7,079,300	-6.95%	7,607,670	7.85%	7,053,740	3.63%	6,806,337
2nd quarter	\$ 24,298,918	\$ 25,547,020	-2.53%	\$ 26,209,598	6.91%	\$ 24,514,992	11.64%	\$ 21,958,118
Year-to-date	\$ 43,910,475	\$ 45,981,230		\$ 47,363,256		\$ 43,104,028		\$ 40,145,964

2015 YTD Collections
Compared to Budget

\$2,070,755

4.72%

2015 YTD Collections
Compared to 2014

-\$1,382,026

-2.92%

YTD Recap by Type:

	2015 Collections	% Change from 2014	2014 Collections	% Change from 2013	2013 Collections	% Change from 2012	2012 Collections
Withholding accounts	\$ 34,202,681	-0.42%	\$ 34,348,155	11.38%	\$ 30,839,834	-0.32%	\$ 30,939,909
Net-profit accounts	7,043,150	-18.70%	8,663,230	12.84%	7,677,287	49.54%	5,133,973
Individual accounts	4,735,399	8.81%	4,351,870	-5.12%	4,586,907	12.64%	4,072,082
	\$ 45,981,230	-2.92%	\$ 47,363,256	9.88%	\$ 43,104,028	7.37%	\$ 40,145,964

**City of Dublin
Financial Update - Second Quarter 2015**

General Fund Balance

December 2012	\$ 52,039,415
December 2013	\$ 56,038,803
December 2014	\$ 61,017,045
January 2015	\$ 62,525,140
February 2015	61,424,844
March 2015	63,172,337
April 2015	65,538,818
May 2015	63,587,004
June 2015	39,902,753

Hotel/Motel Tax Revenues

Quarterly Recap:

	2015 Collections	% Change from 2014	2014 Collections	% Change from 2013	2013 Collections	% Change from 2012	2012 Collections
1st quarter	\$ 369,345	4.49%	\$ 353,490	4.26%	\$ 339,059	1.85%	\$ 332,888
2nd quarter	\$ 586,812.28		\$ 562,955	7.56%	\$ 523,388	6.11%	\$ 483,269
3rd quarter	-		\$ 565,263	5.32%	\$ 536,734	-4.73%	\$ 563,356
4th quarter	-		\$ 523,826	-0.63%	\$ 527,125	14.67%	\$ 459,700
	\$ 956,157		\$ 2,005,534	4.11%	\$ 1,926,307	4.17%	\$ 1,849,213

Monthly Recap:

	2015 Collections	% Change from 2014	2014 Collections	% Change from 2013	2013 Collections	% Change from 2012	2012 Collections
January	\$ 109,687	4.11%	\$ 105,355	0.54%	\$ 104,789	5.30%	\$ 99,516
February	\$ 127,323	2.90%	\$ 123,736	11.49%	\$ 110,988	3.23%	\$ 107,517
March	\$ 132,335	6.38%	\$ 124,399	0.91%	\$ 123,282	-2.04%	\$ 125,855
1st quarter	\$ 369,345	4.49%	\$ 353,490	4.26%	\$ 339,059	1.85%	\$ 332,888
April	\$ 193,250		\$ 188,454	19.78%	\$ 157,333	-4.89%	\$ 165,420
May	\$ 189,310		\$ 169,724	-1.63%	\$ 172,538	11.45%	\$ 154,806
June	\$ 204,253		\$ 204,777	5.82%	\$ 193,517	11.83%	\$ 173,043
2nd quarter	\$ 586,812	4.24%	\$ 562,955	7.56%	\$ 523,388	6.11%	\$ 493,269
Year-to-date	\$ 956,157	4.33%	\$ 916,445	6.26%	\$ 862,447	4.39%	\$ 826,157

2015 YTD Collections
Compared to 2014

Property Tax Revenues

	Capital Imp. Fund	Parkland Fund	Safety Fund	Total	% Change from Prior Yr.
2nd Qtr YTD 2013	1,257,639	314,410	208,518	1,780,566	-24.27%
2nd Qtr YTD 2014	1,730,594	432,648	286,975	2,450,217	37.61%
2nd Qtr YTD 2015	1,311,402	327,833	215,364	1,854,599	-24.31%

Service Payments - TIF Districts

	Total	% Change from Prior Yr.
2nd Qtr YTD 2013	3,919,533	-9.89%
2nd Qtr YTD 2014	4,674,987	19.27%
2nd Qtr YTD 2015	4,412,556	-5.61%

*\$22,600,000 advanced to Capital Construction Fund for the Riverside Drive Realignment, Riverside Drive/SR 161 Roundabout, Riverside Park Project.
Funds will be reimbursed from bond proceeds in the fall of 2015.