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Memo

To: Members of Dublin City Council
From: Dana L. McDaniel, City Manager 
Date: April 7, 2016
Initiated By: Angel L. Mumma, Director of Finance
Re: Financial Update – First Quarter 2016

Summary

Financial System Update

On March 1, 2016, the City implemented the first phase of its Financial/Human Resources Enterprise Resource Planning (ERP) System – Tyler Technologies “Munis” system. From the finance/payroll standpoint, Munis replaced a legacy financial system that had been in place since the late 1990’s. This system will be the first automated HR information system utilized by the Human Resources Office that will be fully integrated with Payroll and Finance.

The first phase was implementation of our financial system, excluding payroll. This included the general ledger, accounts payable, accounts receivable, cash receipting and budgeting. The second phase, implementation of payroll and human resources, is currently planned for July 1, 2016.

Over the course of the past six months, staff has prepared for the go-live of the financial system. A significant amount of time was spent ensuring that all accounts were properly established and that all fund balances, revenue and expenditure balances (including all transactions that took place in January and February 2016) were properly accounted for in the system. Additionally, aggregate data was converted from 2014 and 2015.

We are still working through a number of issues that arose after we went live in the system. The most notable includes the interfacing of receipts collected throughout various departments utilizing other applications into the new financial system. For this reason, this particular quarterly update has limited information, as we are still working to accurately post our revenue transactions that occurred in March.

However, our largest source of revenue, not only in the General Fund, but for all funds is the income tax. Using information from our tax system, we are able to accurately provide income tax revenues for the quarter. Given that this is our largest source of revenue, our overall position is primarily driven by the performance in this source.

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. We ended 2015 with a healthy General Fund balance of \$59,556,334 or 97.9% of the actual 2015 General

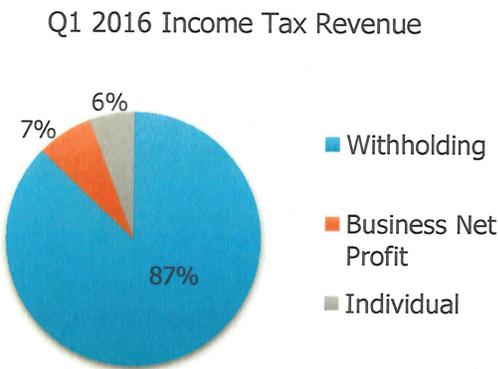
Fund expenditures, excluding advances.

The estimated General Fund balance through the first quarter of 2016 was \$64,921,676, or 92.8% of the 2016 planned General Fund expenditures, excluding advances.

Income Tax Revenue

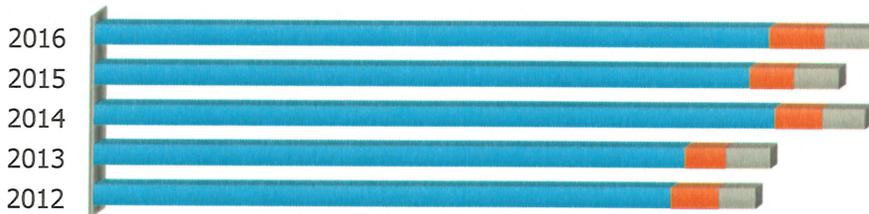
In the 2016 Operating Budget, we projected \$83,285,000 in revenue from the local income tax, with 75% or \$62,463,750 programmed in the General Fund, and 25% or \$20,821,250 programmed in the Capital Improvements Tax Fund. Maintaining our conservative approach to estimating revenue, this estimate was based on an assumption of no change from our 2015 revised revenue estimate, determined when the 2016 Operating Budget was approved. However, our actual income tax revenue for 2015 exceeded the revised estimate by 5.4%. Compared to 2014 income tax revenue, our 2015 collections decreased 0.32%.

While our 2015 income tax revenue exceeded expectations, albeit down slightly from 2014, it is important to remember that 2015 was the first full year in which the City recognized the loss in revenue from Cellco Partnership (“Verizon”). Given that Verizon was one of the City’s largest employers, the fact that we ended 2015 relatively equal to 2014’s income tax revenue speaks to the strength and stability of the other businesses within Dublin.



The first quarter of any given year can be unpredictable in terms of income tax revenue. Overall, the quarter closed with revenues increasing 4.1% over the first quarter 2015. The largest source of our income tax revenue, withholding taxes derived from those individuals working in Dublin, increased 3.0% while business net profits and individual returns increased 24.0% and 0.2%, respectively.

The graph below depicts the City’s first quarter income tax revenue each year from 2012 through 2016.



	2012	2013	2014	2015	2016
Withholding	\$15,876,071	\$16,249,070	\$18,700,217	\$17,996,965	\$18,532,420
Net Profit	\$1,306,280	\$1,117,934	\$1,292,566	\$1,212,327	\$1,503,713
Individual	\$1,005,495	\$1,222,032	\$1,160,875	\$1,224,919	\$1,227,758

Hotel/Motel Tax Revenue

The 2015 Hotel/Motel tax revenue exceeded 2014 collections by 10.0%. Hotel/Motel tax revenue is received by the City for stays the prior month. For example, visits to Dublin hotels in the month of January will be reflected as revenue in the month of February.

The monthly collections through the first quarter of 2016 compared to the previous four years are as follows:

	2012	2013	2014	2015	2016
January	\$99,516	\$104,789	\$105,355	\$109,687	\$122,340
February	\$107,517	\$110,988	\$123,736	\$127,323	\$108,652
March	\$125,855	\$123,282	\$124,400	\$132,335	\$129,628
Q1 Total	\$332,888	\$339,059	\$353,491	\$369,345	\$360,620

The decline in bed tax revenue beginning in February is reflective of the increase in funding (from 25% to 35% of the actual bed tax revenues) provided to the Dublin Convention and Visitors Bureau (DCVB). In fact, the gross total bed tax revenues collected in the first quarter 2016 increased 7.6%, or \$37,244 over the first quarter 2015. The above referenced numbers are reflective of the net amount receipted into the Hotel/Motel Tax Fund. The amount for the DCVB is deposited directly into a separate fund established solely for their portion of the tax revenue.

The change in funding for the Dublin Arts Council (DAC) from 25% of the estimated bed tax revenue to 25% of actual revenue is reflected in the expenditures within the Bed Tax Fund. Since the amount provided to the DAC is a grant, and not statutorily required, we have not established a separate fund to account for this revenue and expense (like the DCVB). The total amount payable to the DAC for the first quarter (after deducting the amounts for the DAC building rent and the Art in Public Places program) was \$102,422. Under the former funding model, the DAC would have received \$110,574. The difference is reflective of the fluctuations that occur in the bed tax revenues. The former funding model provided a known, constant payment each month.

Property Taxes and Service Payments

The distribution of property taxes and service payments from our TIF areas are made during the first and third quarters of each year. However, we are still working on recording that revenue in the proper accounts and funds. Preliminary analysis shows that first half distribution of property taxes in 2016 were 0.60% lower than the first half 2015. This is a difference of less than \$10,000. Furthermore, preliminary analysis of our 2016 revenues received from service payment reflect an increase of 0.92%, or \$37,592 over 2015.

The annual Tax Incentive Review Council meeting will be held on April 26. In preparation of that meeting, a detailed listing of the service payments received will be compiled. We will make sure that City Council receives a copy of that listing along with an analysis of the property tax revenues as well.

Other Information

General Fund expenditures for the quarter were \$11,043,862, which represented a 25% decrease over the first quarter 2015 expenditures. Excluding transfers and advances, expenditures

decreased 7.1% or \$681,463. The largest portion of this decrease is within contractual services. More specifically, when comparing the first quarter of 2016 to the first quarter of 2015, a \$275,000 reduction in property taxes was recognized. This is a result of property acquisitions that took place in 2014. The City was required to pay property taxes and in one case in particular, CAUV recoupment, on those parcels in 2015 prior to the tax exemption going into effect. The lower amount in 2016 is reflective of the property tax exemptions being in place. Additionally, legal expenditures have decreased in 2016. Supplies also decreased over \$350,000. The largest reduction was in fuel expenditures and the maintenance of equipment.

It is possible that some of the decrease in expenditures could be attributable to the fact that for nearly two weeks at the end of February, as the Finance Department prepared for the implementation, no financial transactions, with the exception of payroll, took place. Additionally, it took staff some time to acclimate to the new financial system during the month of March. This could have delayed some payments from being made; however, to my knowledge, there is no backlog of invoices that are awaiting Finance to pay. We will have a much better picture at the conclusion of the 2nd quarter once staff have had a chance to "normalize" to the new system.

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 - First Quarter 2016**

Income Tax Revenues

Quarterly Recap:

	<u>2016 Collections</u>	<u>% Change from 2015</u>	<u>2015 Collections</u>	<u>% Change from 2014</u>	<u>2014 Collections</u>	<u>% Change from 2013</u>	<u>2013 Collections</u>
1st quarter	\$ 21,263,892	4.06%	\$ 20,434,210	-3.40%	\$ 21,153,658	13.80%	\$ 18,589,036
2nd quarter			25,547,020	-2.53%	26,209,597	6.91%	24,514,992
3rd quarter			21,830,328	2.33%	21,332,530	8.39%	19,680,387
4th quarter			<u>19,973,304</u>	3.10%	<u>19,372,746</u>	0.27%	<u>19,320,955</u>
	<u>\$ 21,263,892</u>		<u>\$ 87,784,862</u>	-0.32%	<u>\$ 88,068,531</u>	7.26%	<u>\$ 82,105,370</u>

Monthly Recap:

	<u>2016 Budget</u>	<u>2016 Collections</u>	<u>% Change from 2015</u>	<u>2015 Collections</u>	<u>% Change from 2014</u>	<u>2014 Collections</u>	<u>% Change from 2013</u>	<u>2013 Collections</u>
January	\$ 6,005,600	\$ 7,435,049	17.46%	\$ 6,330,080	-3.35%	\$ 6,549,602	2.52%	\$6,388,650
February	\$ 5,971,236	5,869,620	-6.74%	6,293,859	1.55%	6,197,821	8.55%	5,709,438
March	\$ 7,409,917	7,959,223	1.91%	7,810,271	-7.09%	8,406,235	29.51%	6,490,948
1st quarter	<u>\$ 19,386,752</u>	<u>\$ 21,263,892</u>	4.06%	<u>\$ 20,434,210</u>	-3.40%	<u>\$21,153,658</u>	13.80%	<u>\$18,589,036</u>
Year-to-date	<u>\$ 19,386,752</u>	<u>\$21,263,892</u>	4.06%	<u>\$20,434,210</u>	-3.40%	<u>\$21,153,658</u>	13.80%	<u>\$18,589,036</u>

2016 YTD Collections
Compared to Budget

\$1,877,140

2016 YTD Collections
Compared to 2015

\$829,682

YTD Recap by Type:

	<u>2016 Collections</u>	<u>% Change from 2015</u>	<u>2015 Collections</u>	<u>% Change from 2014</u>	<u>2014 Collections</u>	<u>% Change from 2013</u>	<u>2013 Collections</u>
Withholding accounts	\$ 18,532,421	2.98%	\$ 17,996,965	-3.76%	\$ 18,700,217	15.08%	\$ 16,249,070
Net-profit accounts	1,503,713	24.04%	1,212,327	-6.21%	1,292,566	15.62%	1,117,934
Individual accounts	<u>1,227,758</u>	0.23%	<u>1,224,919</u>	5.52%	<u>1,160,875</u>	-5.00%	<u>1,222,032</u>
	<u>\$ 21,263,892</u>	4.06%	<u>\$ 20,434,211</u>	-3.40%	<u>\$21,153,658</u>	13.80%	<u>\$18,589,036</u>

**City of Dublin
Financial Update - First Quarter 2016**

General Fund Balance

December 2013	\$ 56,038,803	
December 2014	\$ 61,017,045	
December 2015	\$ 59,556,334	
January 2016	\$ 62,148,317	
February 2016	61,472,567	*Estimate based on revenue transactions still pending as a result of
March 2016*	64,921,676	implementation of new financial software on March 1, 2016

Hotel/Motel Tax Revenues

Quarterly Recap:

	2016 Collections	% Change from 2015	2015 Collections	% Change from 2014	2014 Collections	% Change from 2013	2013 Collections
1st quarter	\$ 360,620	-2.36%	\$ 369,345	4.49%	\$ 353,490	4.26%	\$ 339,059
2nd quarter	-		586,812	4.24%	562,955	7.56%	523,388
3rd quarter	-		668,600	18.28%	565,263	5.32%	536,734
4th quarter	-		581,926	11.09%	523,826	-0.63%	527,125
	<u>\$ 360,620</u>		<u>\$ 2,206,683</u>	10.03%	<u>\$ 2,005,534</u>	4.11%	<u>\$ 1,926,307</u>

Monthly Recap:

	2016 Collections	% Change from 2015	2015 Collections	% Change from 2014	2014 Collections	% Change from 2013	2013 Collections
January	\$ 122,340	11.54%	\$ 109,687	4.11%	\$ 105,355	0.54%	\$ 104,789
February	108,652	-14.66%	127,323	2.90%	123,736	11.49%	110,988
March	129,628	-2.05%	132,335	6.38%	124,399	0.91%	123,282
1st quarter	<u>\$ 360,620</u>	-2.36%	<u>\$ 369,345</u>	4.49%	<u>\$ 353,490</u>	4.26%	<u>\$ 339,059</u>
Year-to-date	<u>\$ 360,620</u>	-2.36%	<u>\$ 369,345</u>	4.49%	<u>\$ 353,490</u>	4.26%	<u>\$ 339,059</u>

2016 YTD Collections
Compared to 2015

\$ (8,725)

Property Tax Revenues

	Capital Imp. Fund	Parkland Fund	Safety Fund	Total	% Change from Prior Yr.
1st half distribution 2013	1,237,863	309,466	205,608	1,752,936	4.08%
1st half distribution 2014	1,248,034	312,008	208,216	1,768,258	0.87%
1st half distribution 2015	1,149,307	287,312	207,458	1,644,077	-7.02%
1st half distribution 2016*	1,142,650	285,633	205,915	1,634,198	-0.60%

Service Payments - TIF Districts

	Total	% Change from Prior Yr.
1st half distribution 2013	3,919,533	-9.89%
1st half distribution 2014	4,674,987	19.27%
1st half distribution 2015	4,075,315	-12.83%