DUBLIN CITY COUNCIL
FINANCE COMMITTEE
Tuesday, May 10, 2022 – 4:00 p.m.
5555 Perimeter Drive
Council Chamber

Meeting Minutes

Ms. Alutto called the Finance Committee meeting of March 8, 2022 to order at 4:02 p.m.

Committee members present: Ms. Alutto (Chair), Mr. Keeler, Ms. Amorose Groomes

Staff members present: Mr. Stiffler, Ms. Murray, Ms. Kennedy, Ms. Hoffman, Ms. O'Callaghan

APPROVAL OF MINUTES

Ms. Alutto moved to approved the minutes of the March 8, 2022 Finance Committee meeting.
Ms. Amorose Groomes seconded the motion.
The motion passed by the following vote: Mr. Keeler, yes; Ms. Alutto, yes; Ms. Amorose Groomes.

DISCUSSION ITEMS

2022 Operating Budget Status

Mr. Stiffler stated that it has been an interesting year but despite negative news, income tax remains strong. He shared reports from Munis identifying where the City is as of the end of April. When the budget was created last year, it was with a negative variance of $8.5 million. Current variance is a positive of $10,581,803. That is mostly from income tax revenues. January to April is a very high revenue, low expenditure period, but that will change during summer months. Mr. Stiffler explained that the revised variance in the General Fund is due to the American Rescue Plan Act (ARPA) funding. That fund is currently ahead by $13.2 million, which enables the City to cash finance the purchase of the Orr property. The largest difference is that local tax revenue is already at $31 million. Dublin has been in the low $30s in terms of operating revenues in the last 4 years and we have already experienced approximately $40 million this year. We are slightly behind in street maintenance and repair expenditures, which could be timing or a reflection of people driving less due to high gasoline prices. Recreation revenue is still suffering from lingering pandemic issues. There is encouraging news with regard to expenditures. Budget utilization was in the mid to low 70s. We are finally eclipsing the 2020-2021 actual budget. We are probably not back to pre-pandemic utilization but are seeing recovery in budget utilization. Income tax revenue was up 24% through the end of April. There could be a significant increase in projected income tax revenue for 2023 Capital Improvement Projects (CIP) budgeting. There will be more revenue either for more projects or to at least pay for the inflated costs of current projects that were budgeted in the 2022 CIP. Withholding is up almost 9%. 13 of 50 withholding accounts

reflect a reduction of 25% or greater. This could be due to timing or remote work. 8 of the City's top 50 accounts reflect an increase of 25% or greater.
Ms. Amorose Groomes asked if those numbers could reflect employees whose work requires them to be in-person versus remote. Mr. Stiffler answered affirmatively. Our companies are experiencing net profits. Ms. Amorose Groomes asked about reporting requirements for receipt of federal dollars and if the 69% net profit could be partially due to federal dollars. Ms. Alutto noted that because those dollars were reported separately, it may not be included. Mr. Stiffler stated that he would request more information on that from the Tax Director. Mr. Keeler noted that much of the federal funds were received in 2020. Salaries are higher for many now. The increase in tax revenue could be a reflection of companies paying more and doing well. However, there are also cost overruns on some projects, which evens out the numbers.
Ms. Alutto stated that with some of the rules and local tax laws, people who worked remotely in 2021 are not necessarily able to file for a refund. More of those filings will be seen, as amended schedules become permanent. Mr. Stiffler stated that looking at 2022 income tax and projecting for 2023, the negative tailwinds not affecting the City this year are temporary positives, which are expected to correct at some point. The City is experiencing an increase in refund requests (40% in 2022), and that might be a new normal until withholdings are corrected. Ms. Alutto noted that due to inflation, there will be upward pressure on salaries in the labor market. Mr. Stiffler stated that none of the models took inflation into account. Staff will have more income tax numbers available in mid-June.
Mr. Stiffler stated that another interesting metric being tracked is new accounts. There are 5 or 6 extra new accounts per month on average. There was an explosion in December. These would be new accounts of remote workers that now have to file in Dublin. The City gains and loses on remote work. Ms. Alutto stated that she would like to see how many of these matriculate into tax payments.
Mr. Stiffler stated that it is financially rewarding if you work in Dublin to fix this as soon as possible due to our income tax rate of 2% versus surrounding areas' rate of 2.5%. Ms. Amorose Groomes asked how that could be detected. Mr. Stiffler stated employers have to correct it, but it is unclear who and on what timeline they will be held accountable. Mr. Keeler asked if these are net additions. Mr. Stiffler stated that these are all new. Typically, companies stop withholding rather than cancel an account.
Mr. Stiffler shared that net profits are up. November and December is when the majority of these refunds are filed. There is no special risk this year.

Mr. Stiffler spoke about Recreation Fund 225 revenues. April is very important with camp deposits. This year's spike was similar to 2020 but nowhere near pre-pandemic levels. That is a result of staffing shortages. Labor shortage is not something that will resolve itself. Discussion will need to be held about what cost recovery looks like. This year, staff is conducting a comprehensive cost of services study. A primary point of discussion will be the recreation cost recovery policy. That was amended in 2018 to include capital construction costs of the pool and recreation center. Those costs were intended to be paid from revenue exceeding 50%. It is unlikely that the City will see a 50% cost recovery this year, and it is uncertain how cost recovery will look going forward.

Ms. Alutto stated that everyone is suffering from the same labor shortage. People are moving to where employers are offering the most pay and that is part of the upward pressure. It will be another year or two before any improvement in the labor shortage will be seen, as people eventually re-enter the workforce.
Mr. Keeler stated that the early part of this presentation is a reflection of what we think to be higher incomes. Therefore, in general, people have higher discretionary income. If the City is facing higher costs because of the need to pay our recreation staff more, then it stands to reason that recreation dues and fees increase. Mr. Stiffler agreed and noted that City fees can be assessed and amended annually. Typically, an increase in costs is incurred before the need to increase the fee is discussed. Ms. Amorose Groomes stated that there is a large population of seniors and they have not received a cost of living increase recently. Hopefully, they will be receiving a significant cost of living increase.

Mr. Stiffler stated that the hotel-motel tax is recovering well, as the next 4 months will show. The City has a full slate of events scheduled, and the revenue in this fund is anticipated to return to pre-pandemic levels soon.

Mr. Stiffler stated there are some expected changes to the General Fund Balance: $5.7 million for repayment of an advance associated with Riverside Crossing Park project; a reduction of approximately $7.7M due to the purchase of the Orr property; an addition of dollars made available by the ARPA funding; and a possibility of $15-19 million in additional expenditures. If that number approaches $19 million, short-term financing will be discussed.

Bridge Park NCA - F Block TIF
Mr. Stiffler reviewed City Council action on Block F and the corresponding Tax Increment Financing (TIF). The F Block was originally going to include a hotel (Springhill Suites) and a parking garage. Developers have realized they are overparked and could save money on those capital improvements. The TIF was estimated to generate $10.2 million over 30 years.

Mr. Stiffler shared the request that would be brought forward to Council. F Block consists of 3 parcels, one of which is a roadway. Springhill Suites is exempted. The request is that Parcel 273-013081 be removed from this TIF and a new TIF be applied to that parcel. This parcel will contain The Bailey, an 88-unit senior living facility. Creation of a new TIF would restart the 30-year clock on that TIF. This action would generate about $400,000 in service payments over the 30-year life of the TIF. The Bridge Park Block F TIF allows $315,000 of additional public improvements to be financed. If creation of the new TIF does not occur, the $315,000 will be immediately redeemable and not available for public improvements. Public improvements that were planned with this TIF are mainly the G block parking garage and associated costs.

Mr. Stiffler explained creation of a TIF. The first step is legislative approval, which authorizes creation of a TIF district but does not actually create it. Next, the Department of Finance files an exemption application with the County Auditor. That typically takes place one year after the legislation is passed but that is not required. Once approval is received by the County Auditor, County Treasurer and Department of Taxation, then it is considered an approved TIF. There are different types of TIFs:

1. Delayed TIFs (Cardinal Health South Campus), Ohio University, Primrose; and
2. Rolling TIFs (H2 Hotel, Tuller 40, The Corners).

Rolling TIFs are rarer because they cover more than one parcel. One parcel may be included one year and the other enters in subsequent year. There are different types and subtypes of commercial TIFs. They are named after the ORC section for which they are created. Dublin has a mix of 40 TIFs with service payments limited to public improvements and 41 TIFs with service payments may be used for public or private improvements. Under current law interpretation, the 40 TIFs can be delayed or rolling. Interpretation of the law did not allow 41 TIFs to be delayed or rolling. Mr. Stiffler stated that removing the current TIF and reapplying a new TIF district would restart the 30-year clock on this parcel to match the private improvements to occur in 2022. This is consistent with current law.

Ms. Amorose Groomes asked for what purposes the Bailey TIF money would be used. Mr. Stiffler responded that the private improvement that money would finance is the parking garages. Ms. Amorose Groomes asked if it could be used for policing and maintenance of the garages. Mr. Stiffler stated that it is paying for operating, maintenance and debt service. That is true for all parking garages except those in Blocks B and C. Ms. Amorose Groomes asked who holds that note. Mr. Stiffler stated that the City does not hold the note. Ms. Amorose Groomes asked if this funding could be utilized to pay down debt on the Block B and C garages. Mr. Stiffler responded that would not be possible until the end of that waterfall; after 10 years and the end of the waterfall, any remaining dollars could be used to pay down those debts. Ms. Amorose Groomes stated that she would be interested in seeing if any of the City's costs could be paid. Mr. Stiffler stated that these revenues would not be available for that.

Mr. Keeler asked for any potential downside to approving the creation of the new TIF district. Mr. Stiffler stated that there is no financial downside. Staff recommends this action. The City receives $315,000 worth of improvements in the Bridge Park District and likely receives a small financial gain at the end of the agreement.

Ms. Alutto moved and Mr. Keeler seconded a motion to recommend to Council removal of Parcel 273-013081 from the Block F TIF and reapplying a new TIF district to that parcel.
The motion passed by the following vote: Ms. Amorose Groomes, yes; Ms. Alutto, yes; Mr. Keeler, yes.

<u>2022 Bond Issuance Update</u>
Mr. Stiffler stated that with the increase in interest rates, the City was not able to refund 2012 bonds. True interest ended at 3.45%. That rate is competitive with previous true interest costs. Historically, it is still a great rate, although not as good as hoped. Savings were negative $10,000. If there is an opportunity in the future, the bond issuance can be called. Staff will be asking municipal advisors to keep an eye on that and they may be refunded at a future date.

Ms. Amorose Groomes asked what needs are foreseen for future bonding. Mr. Stiffler responded financing will be required for the Riverside Crossing Park promenade project in 2024; water and sewer projects; and other large scale projects such as recreation facilities. Ms. Amorose Groomes stated that it might be worthwhile, since interest rates likely will continue to climb, to stay away from debt issuances. She would like to see what might make sense to cash finance. Mr. Keeler agreed. Dublin has an investment portfolio that is growing at less than 1% per year. Bonds are a long-term obligation. Ms. Alutto agreed.

Ms. Alutto asked for a summary of the waterfall order. Staff indicated that information would be added to this meeting's materials.

Mr. Stiffler stated Dublin has cash financed some other capital projects and if that is the direction preferred by Council, instead of or in addition to short-term debt financing, a policy discussion could yield good financial results. Ms. Amorose Groomes clarified that she is not intending to give direction but would like to encourage the exercise and conversation. Budget conversations this year will be interesting. Mr. Stiffler stated that he would be happy to point out considerations during CIP budget discussions to make sure all options are clear and available.

There being no further business to come before the Committee, the meeting adjourned at 4:52 p.m.

_*Christina Alutto*____________
Chair

_*Jayme Maxwell*_____________
Deputy Clerk of Council