DUBLIN CITY COUNCIL
Finance Committee
Tuesday, February 18, 2020
Council Chambers - 5:00 p.m.

Minutes of Meeting

Chairperson Alutto called the meeting to order at 5:00 p.m.

Committee Members present: Ms. Alutto, Chair; Mr. Keeler and Mr. Peterson.

Staff members present: Mr. Stiffler, Mr. Earman, Ms. Kennedy.

Finance Committee Proposed 2020 Schedule, Potential Topics and Timeline
Ms. Alutto thanked staff for preparing the updated proposed schedule. At the next meeting in April, the committee will review the investment policy and permissive taxes. Whatever is not covered tonight can be rolled forward to the April meeting. In June, the committee will review debt issuance/callable debt, plus TIF performance and the bed tax grant program – specifically the allocation of dollars available for bed tax grants and whether that should be tied to a fluctuating mark or not. She believes a meeting will be needed between June and September.
Mr. Stiffler stated the topics identified to date are policy ones and it is highly likely that additional topics will be identified as the year rolls forward.
Ms. Alutto stated that there are also budget meetings included on the proposed schedule.
Mr. Stiffler stated the September 16 date is the budget review for the Finance Committee to review the departments assigned to them in the operating budget. The CIP review timeline has also been provided, which kicked off at the staff level last week. In May/June, Council begins to meet on the CIP. When Council returns from recess in August, the CIP will be concluded and the operating budget process will begin. The cost study this year is a comprehensive one, so there will be a lot of activity post July recess. Perhaps a May meeting will be necessary if other topics are to be addressed.
Ms. Alutto stated that a decision about future meeting dates can be made at the April Finance Committee meeting.

Mr. Stiffler commented that the investment policy was adopted in 2013. It has not changed substantially, but it is important to review this as has been done last year with the debt policy and the General Fund policy. It is important to ensure that this Council is comfortable with the investment decisions authorized under the 2013 policy. Permissive taxes were touched on last year in terms of the $5 permissive tax fee for vehicle registrations. The State of Ohio increased the amount of tax that can be levied on that by $5. Many other Franklin County communities increased that fee last year, but Dublin did not. It should be considered, as well as for Delaware and Union counties. This is more of a revenue/fee policy discussion item for April.

In talking of the operating budget last year, it is difficult because staff is estimating off of an estimate for two years. We don't take the opportunity to go back and look at 2019 after it is discussed as part of the 2020 operating budget. Now that 2019 is no longer an estimate and actuals are known, we can talk more confidently about 2020. So he would like to revisit the year 2019 and talk more confidently about the projections for 2020. In terms of the CIP deadline/timeline is shown on the slide, it begins in earnest between Council and the Administration in May. Again, a similar timeline will be followed as last year – earlier in the year than in the years prior. The May 18 meeting will be a combination of a debt presentation and City Council prioritizing CIP projects, similar to what was done last year. Then the work sessions and adoption process will proceed.

Ms. Alutto asked if the CIP information will be provided to Council, similar to what was done last year, including the debt information.
Mr. Stiffler responded affirmatively. He noted that the debt presentation done in previous years was heftier, as the City was issuing a significant amount more debt than is anticipated with this CIP moving forward. As currently planned, we only have $7 million of debt to issue in the next five years, which is much closer to the historical average of $6 million per year. For the last three to five years, the debt issuance has been higher and therefore the conversation was more in depth.
The operating budget timeline is similar to last year but staff's goal is to have the operating budget passed at the first meeting in November – not the second – so that Council has more time to consider the budget without need for emergency passage in order to have it effective by January 1. He pointed out that the timeline of the operating budget workshop on October 12 and the first reading of the ordinance adopting the budget on October 26 does not permit changes to be made prior to the first reading. The budget may therefore have to be amended for the second reading on November 9. That is what occurred for the 2020 budget cycle.
Ms. Alutto stated it is a careful balance, because it is necessary to have "actuals" available for the current year to project more accurately for the following year's budget. If this allows adequate time to do so, the schedule is fine.
Mr. Stiffler responded that he believes the timeline is fine and is similar to what was done this year.

Review of 2019 Financials
Mr. Stiffler stated that income tax revenues were $93.3 million in 2019. That is the first time the City has eclipsed the $90 million mark. Overall, the income tax revenues were up 5.9 percent from the previous year. This is the largest increase since 2014. It is important to view the bottom of the chart that breaks this out into individual, net profits and withholding. Net profits in 2019 were $13 million, which was significantly higher than the three prior years and higher than the historical norm. Therefore, for 2020 we are currently budgeting a 4 percent decrease as the City's budget philosophy is to budget revenues low. He expects withholdings to increase from 2019 to 2020. All of the EDAs point positively and he anticipates a robust increase in 2020 from 2019 withholdings, which only increased 1.4 percent. He is hopeful it will be 2 percent in 2020. He also expects individual tax revenues to remain flat at a minimum. The net profit portion is a question mark, and it is too early in the year to know if last year was an anomaly, the new normal or something likely to be refunded later. He expects the City's overall income tax revenue to be on an upward trend, but not for 2020 in

particular, solely based on the net profits. He expects all categories to be back up in 2021 and moving forward.
Ms. Alutto asked what drove the net profit revenues.
Mr. Stiffler stated it is difficult to determine; there could still be requests for refunds on those filings. Staff believe it relates to the federal tax law changes as there were many changes with net profits. The federal tax law lowered the corporate rate, which is not good for Dublin, but eliminated many exemptions that benefited Dublin. Everyone is paying a lower base, and staff believes that some of the smaller companies that were fully exempted previously are not now and this may be reflected in the net profit changes.
Mr. Keeler asked if these are for small businesses.
Mr. Stiffler responded affirmatively – these are the portion of profits that businesses are earning, but that can be attributed to Dublin.
Ms. Alutto asked if this is impacted by central collection.
Mr. Stiffler responded affirmatively. The businesses reporting through central collection were down 74 percent from previous filings, based on the last statistics Mr. Robison provided to him.
Mr. Peterson asked for more information about this.
Mr. Stiffler responded that the Tax Administrator would be able to respond fully, but he will try to do so. The companies, instead of filing with the City of Dublin file with the Ohio Business Gateway. The state is not handling their returns in the same way that Dublin would handle them. Consequently, they are not counting revenues the same way. As a result of that, the revenues the state is dispersing to the City from those companies filing with the state that previously filed with the City are down 74 percent.
Mr. Peterson stated this is unbelievable. Administratively, he recalls that the City collected the taxes at a lower service cost than the state is now charging to collect these for the City.
Mr. Keeler asked if the centralized collection is already occurring.
Mr. Stiffler responded affirmatively – but only for the net profit tax.
Mr. Peterson stated there is nothing to stop the Ohio Business Gateway to trend in the direction of collecting individual income taxes now collected by the City.
Mr. Stiffler agreed.
Mr. Peterson stated that the numbers reported show that our revenue is decreased – even if the extra administrative costs imposed by central collection are removed.
Mr. Stiffler agreed, noting the City is down 74 percent to date.
Mr. Keeler stated that on the other hand, the net profit number has increased. Is it possible to drill down to understand what has caused this?
Mr. Stiffler responded there are some single actions involved in that $13 million figure, but he is not able to disclose what those are.
Mr. Keeler asked if these are one-time or repeatable actions.
Mr. Stiffler believes they are one-time actions.
Mr. Peterson asked if the central collection program is designed just to collect on the City's behalf and give back the revenues we would receive if they were not involved in the collection. Is that 74 percent reduction purely a product of interpretation, etc.?
Mr. McDaniel responded that the intent of central collection at the state level was to provide uniform filing for businesses with presence in multiple jurisdictions. The concept

is the state will collect those monies, but not everyone is filing with the state. For the ones filing with the state, we do not have the information we had previously when they filed directly with the City. There is not total visibility on filings. There are many unknowns. That is why this was taken to the Ohio Supreme Court. The revenues for those filing with the state, to our best knowledge, are down. However, many filings are still done directly with the City.

Ms. Alutto asked if that is part of the economic development strategy in terms of EDA's where we would require the company file with the City versus the central collection at the state.

Mr. McDaniel responded that is required in the EDAs.

Mr. Peterson asked if the City has knowledge of what companies have participated in central collection. Does a list exist?

Mr. McDaniel responded this information is available, but there is a lag time in obtaining it.

Mr. Peterson noted the City made every effort to oppose the central collection. Council would prefer to have the City handling its tax revenues. His other question is if Dublin revenues from central collection end up in other communities as a result. That has been a concern all along – central distribution and perhaps central collection in the future for individual income tax. With a 75 percent income tax reduction, Dublin would be severely impacted.

Mr. McDaniel added that staff continues to monitor any statehouse activity closely.

Mr. Stiffler stated that Mr. Robison is very involved with this effort.

<u>General Fund Balance Policy</u>

Mr. Stiffler continued with 2019 review, specifically the year end General Fund balance policy compliance. During the operating budget, a 2020 General Fund balance estimate was made of 53 percent. At the end of 2019, once the advances are repaid, we are at 94 percent. The 2020 estimate puts us at about 67 percent. An important point is that expenditure is the revised budget – the maximum legally permissible. We typically spend between 85 to 90 percent of the revised budget amount. If that revised budget amount was 95 percent, still more than typically spent, the General Fund balance would be 76 percent at the end of 2020. If it were a normal year – and he believes 2020 will be a bit more toward the 10 percent side than 15 percent due to the $6 million in capital being spent out of the General Fund, the General Fund balance would be projected as about 85 percent at the end of 2020. He is closely monitoring these metrics.

<u>Debt policy</u>

At the time the voters approved the income tax of two percent, it required allocating 75 percent to the General Fund and 25 percent to the Capital Improvement Tax Fund. Out of the 25 percent to the Capital Improvement Tax Fund, 60 percent is to be used to retire debt and 40 percent to fund cash capital projects. In 2019, that 60 percent is $14 million to retire debt. The income tax service debt was in the amount of $5 million, so only 35 percent of the City's debt capacity was utilized per the debt policy. As we have added $20 million in debt to be repaid with income tax dollars through the CIP in 2020, that is an additional 1.6 percent. That will bring the utilization rate to about 39 percent.

Throughout the next 5 years in the CIP, the utilization rate is highest in 2022 when it is 52 percent. But that is using very conservative revenue estimates. We are well within the debt policy for the next 5 years, utilizing half or less in each of those years.

Operating Revenues and Expenditures
Mr. Stiffler shared graphs that reflect the City's budget philosophy – budgeting expenditures high and revenues low. This policy has been continued in 2020. In more recent years, we have been budgeting revenue closer to the actual – being a little less conservative and more realistic in budgeting. This approach was based on Council's feedback. On the expenditure side, we have maintained a significant gap between budgeted and actual expenditures. That gap grew in 2019 and he will provide clarification later in the presentation. The 2020 large increase in expenditures is a result of the factors such as 27th pay, CIP dollars, etc. We continue to have a balanced budget – the 2019 actual revenues exceeded actual expenditures. The variance for that was about $10 million in an operating surplus. We projected a $3 million operating deficit when budgeting for 2019; we proposed a similar deficit in 2020. He expects that it will flip to positive in 2020 as well, similar to years past.

Mr. Peterson stated that the historical perspective that shows the years 2008-2009 reflect the philosophy that, even in a significant downturn of the economy, city services never suffered because of the conservative budget approach.
Mr. Stiffler stated that 2009 is the example that the metrics work – that we can come together when facing a 6.8 percent revenue decline, cutting expenditures to ensure that the actuals exceed the expenditures and that the budget is balanced. The tools we talk about have been "battle tested" – in a very difficult environment like 2009.

Actual Operating Revenue and Operating Expenditures by Category
The core operating expenditures – personal services, contractual services and supplies reflected in 2019 a reduction in this trend. During the budget process, we continued to project a 4 percent increase in this trend, but we did see a reduction. In numbers, the typical increase in these core expenditures had been about $2.5 million. In 2019, it was $1.2 million. The savings came generally from personal services – generally due to an increase in some key staff vacancies. There was a lot of turnover and some director positions remained vacant for a majority of the year, etc. He expects 2020 to be above that 4 percent as the reorganization and the 27th pay and health care cost increases kick in. Staff is continuing to monitor all of this.

Discussion of Recreation Cost Recovery Policy Transfer
Mr. Stiffler stated that this policy was adopted by Council with Ordinance 65-18 about two years ago. He wants to revisit this, after experience with a year of increased fees and resulting revenue in the Recreation and Pool Fund. He wants to discuss the intention behind it, how we intend to do it, what we need from Council, and what to expect moving forward from that cost recovery policy.
The cost recovery program was always 50 percent of direct operating costs; it was amended in 2010 to include building maintenance costs; and amended again in 2018 to include an assigned percentage of costs associated with certain recreation program

capital improvement projects. At that time, there was some concern with the construction of the North Pool and the $6 million being debt funded. By adding this line to the cost recovery program, we removed the $6 million for the North Pool from the debt financing and placed it into the pay-as-you-go financing, using the user fees as a mechanism to identify that $6 million. He shared a slide that depicts the changes. The idea of the policy was that the rec center would be subsidized by income tax as a benefit for being a resident of the City of Dublin and putting up with the negative aspects associated with economic development, i.e. traffic, congestion. The residents would have a heavily subsidized recreation center that they can enjoy. As time progressed and building maintenance needs assessed, the recreation cost recovery policy was amended to include those; ultimately, in 2018, some capital improvements as the North Pool are now ready for reconstruction. Also assigned at that time is a refresh of the recreation center itself, which in 2018 is estimated to cost about $3.5 million. Staff has estimated what the 20-year level term debt service on those two projects would have been so that we can estimate what the cost recovery needs to be. The blue line on the graph represents the cost recovery of the rec program from 2009-2019 and it has been relatively steady since about 2014 at the 55-56 percent. The decrease in 2019 is not necessarily a result of a true decrease in 2019, but rather a reallocation based on the cost increases done at the end of 2018. We increased pass fees by 20 percent – the first increase since 2009. As part of that process, individuals can purchase passes at any time. Many opted to renew their passes in December 2018 to avoid the fee increases effective in 2019. There was about $125,000 that shifted years due to this factor. It is the expectation through this policy that there will not be another 20 percent fee increase following 10 years of none. Instead, there will be staggered increases over the years.

The recreation costs transfer amount is estimated to be about $480,000. In 2019, based upon the revenues and expenditures of the Pool Fund and the Recreation Fund, there will be a transfer just short of that. The Recreation Fund is funded 50 percent from transfers from the General Fund with the remainder funded by user fees. The operating expenditures of the account total about $7 million, leaving an amount over 50 percent of about $400,000. The same can be said of the Pool Fund. These amounts will be transferred to the Recreation Capital Improvement Fund. That will be a new fund that Council will be asked to create in the second quarter of this year. We will transfer this money into this new fund, which will then transfer that money to the general debt service fund in order to make the debt payment on the pool. To the extent that there is a fund balance in the Fund 409, it indicates that the recreation program has more money than the debt service for the capital projects assigned to it. He does not believe $480,000 is what will be needed in the first year; he believes it will be significantly less than that. If in some future year an advance is required, we will make a decision of whether to do this from the General Fund or the Capital Fund. During the cost study process, we will identify for Council that the fund balance is 0 and it owes the General Fund x amount of dollars. That may mean that fees will need to be increased at some future time to repay that advance.
Ms. Alutto stated if Fund 409 has more money than is required for the debt service, what is done with that difference?

Mr. Stiffler responded that more capital improvements could be assigned to it. As a policy decision, we have arbitrarily chosen the North Pool and the DCRC refresh. We are not yet at the level necessary to fund those. Those were about $750,000. He believes that as the fees settle out, it will be resolved. If we were to exceed that – for example, in 2020 we are investing $500,000 into the Rec Center for new chillers – there is no reason as a policy decision that those costs could not be assigned to this fund. There is also no reason why Council could not determine that they are comfortable with what is being paid for from this fund and fees do not need to increase. He would not recommend lowering fees, but fees could be held steady for multiple years in order to decrease the balance in this fund.
Ms. Alutto stated it could be kept in reserves for asset management.
Mr. Stiffler agreed.
Ms. Alutto stated that if we have monies in the fund that exceed the debt service, you could funnel that into a reserve account to offset future maintenance that the pools or Rec Center may need.
Mr. Stiffler agreed. He added that all of that will take place as part of the cost study conversation in terms of the Fund 409 balance – what can be done with it, what should be done with fees, and the allocation of revenue from those fees moving forward.
Ms. Alutto asked from an asset management perspective what the projected life of the Rec Center building is.
Mr. McDaniel responded that, typically, such a facility would have a 25-30 year life. It has had some upgrades done. It also depends on the care taken of the facility. We have installed a new roof, replaced HVAC equipment for efficiency, etc. There is a need for aesthetic improvements at this age of the facility.
Ms. Alutto stated that to the extent we have monies beyond what is needed for debt service, a reserve account for that purpose should be established. When is staff suggesting this discussion take place?

Mr. Stiffler responded with the action items he is recommending to Council:

1. Create a new fund – Recreation Capital Improvements Fund 409 (RCI) in the second quarter.
2. Appropriate the transfer from this new fund to the Debt Service Fund 310. This will be included in the second quarter supplemental.
3. If necessary, appropriate an advance from the General Fund to the RCI Fund. This will be included in second quarter supplemental if needed.
4. Transfers from the Recreation and Pool Fund as well as the payment of debt service from General Debt Service Fund were approved in the 2020 Operating Budget using placeholder values.
5. When we review the schedule of fees and costs related to the Recreation Programs, we will begin to have this discussion. At this point, in year one and year two, we are still at the point of "we did not raise fees enough category," as $480,000 is needed for the pool and $300,000 is needed for the refresh of the DCRC. We are still in the "are fees high enough" part of the conversation – not necessarily what do we want to do beyond those two projects.

Ms. Alutto stated that in terms of fees, she recalls the portions of the discussion. One was about the Rec Center membership fee for residents, school district residents, non-residents and seniors. There was some consternation over raising rates for seniors. The other part of the discussion was around other fees that people pay for programming. As we move toward the middle of the year and have a better idea of what that service will look like, will that conversation come into play for both those types of fees or just for membership fees?
Mr. Stiffler responded that from a Council perspective, the conversation will just be about the larger fees – memberships, items in the ordinance. The programming fees are managed internally in Recreation and change based on market demand and conditions. They have to be more nimble. The programming fees are updated much more regularly. The fees in the ordinance did not change from 2009-2018, but the cost recovery remained at 55 percent. It was the programming fees that were overburdened; the other fees were being subsidized. We need a few years to balance this to achieve a 50/50 cost recovery on both of those. The programming fees have been internally adjusted on an annual or regular basis and subsidized the membership fees to some extent.

Discussion of Bond Rating Presentation
Mr. Stiffler noted that the ratings presentations are done by him and Mr. McDaniel. From the rating agency perspective, they are concerned only with whether the City can repay the debt. Many of the statements made are reflective of this focus. This presentation is focused on that aspect. The municipal advisor for the City is also present for the presentations and the bond counsel. Several staff members listened to the presentations for general awareness purposes. (Presentation attached)
Upon mention of succession planning, one of the rating agencies expressed interest, noting that they don't see local governments do succession planning. It is becoming more difficult to identify qualified government leaders, and this type of forward thinking lends additional credibility to the forward thinking done on all fronts in Dublin. This further reinforced to them that Dublin is a planned community who anticipates future events and is not surprised by them.
They were interested in the form of government, the Council members and the labor agreements. They were also interested in the people who are managing the organization and we spoke at length about the service in Dublin and the structure of the government. They were updated on the current org structure; vision and mission; five strategic focus areas, emphasizing fiscal health and economic vitality aspects; and the Council goals. They spoke to the progress being made on the Council goals.
Ms. Alutto asked about their reaction.
Mr. Stiffler responded they really liked it and were interested that we have a successful economic development history and we are already planning for what is next. They liked the talk about the future of work and that we have identified that it may not look like the office buildings we planned for previously – that we are already revising our strategies.
Mr. McDaniel stated they emphasized we are a city that plans and thinks forward. This is an example of thinking strategically and they were impressed by that.

Mr. Stiffler added that we also execute on the plans and have demonstrable progress on Council goals.

Mr. Stiffler stated that the economic vitality story is one of what we expect our future to look like and the type of economic future we see over the life of this debt. We talk of our large employers, TIF revenue, EDAs to give them a sense of the direction of the community. We talk of our business districts and our adherence to the Community Plan with a mix of commercial/residential to have high quality services for residents and a plan to pay for those services. They highlighted the recent projects such as Bridge Street District, the library and the West Innovation District. They talked of Nestle and VA Data and the TIF revenues from the West Innovation District that will be available to develop this district. They also talked of the new highway interchange that could bring new economic development opportunities.
Ms. Alutto stated that many communities build out without having an economic development plan to support the necessary infrastructure. That would be important for the bond rating agencies.
Mr. Stiffler also added information about OSU, the Dublin Corporate Area Plan, the Smart Corridor, PACE financing and the 100 gigabyte project.
Ms. Alutto asked if they identified any risk associated with the Smart Corridor, related to the connected and autonomous vehicles.
Mr. Stiffler responded they did not – they expressed interest in the partnerships being created in this initiative.
Mr. McDaniel shared a map reflecting the 70 automotive suppliers that are part of the 33 Corridor. This led to further discussion about Honda relocating is headquarters from CA to this area, which also includes the Transportation Research Center.
Mr. Stiffler provided examples of other technology initiatives underway in the city – smart parking, block chain and residential broadband.
The next topic covered for them was fiscal health. Our fiscal policies were codified in 2016 and reaffirmed in 2019.
He continued to describe the various practices highlighted for the rating agencies.
They shared that the top 10 taxpayers made up 28 percent of the income tax base. The rating agencies are interested in the City's ability to increase revenue by increasing the tax rate. But that would require voter approval and reducing a credit would require Council approval. The rating agencies want to know how much money could be raised with those activities. They want to see that there is excess capacity even within our income tax.

Mr. Keeler asked about the top 10 taxpayers. It seems to be a very concentrated amount. Is that unique?
Mr. Stiffler responded he does not know how it compares, but it is relatively consistent. It has been falling a little bit over time.
Mr. Keeler stated it seems to be a relatively high number.
Mr. McDaniel responded it is actually a lower number. We are not over reliant on a few businesses. They tend to be impressed with the diversity of our local economy.
Ms. Alutto added that is how the city can absorb the loss of a business like Verizon. The mid to smaller businesses are an important component of our tax base.

Mr. McDaniel agreed that it is desirable to have the lowest number possible, but there are many cities that have one large employer. Dublin lost about 4,000 jobs in recent years, but it was not felt to the degree that some cities would have felt that loss.
Mr. Stiffler stated that 2018 represents the last year of any Nationwide withholdings in the City. 2019 reflects a 1.4 percent increase in withholdings, despite the loss of Nationwide. Dublin is resilient and this message was carried to the rating agencies.

Mr. Stiffler stated that the City does monitor the activity of the Top 10 businesses. They also highlighted to the rating agencies the activity of other businesses coming into the City. There are 23 headquarter companies located in Dublin.

Mr. Peterson asked where OSU Ambulatory Medical Center will rank when it is operational.
Mr. McDaniel responded that net new jobs will be about 350-400. If a Phase 2 is added, they will move into the Top 10 quickly.
Mr. Stiffler stated that, ultimately, all the City's bonds are backed by property tax revenue, although the City repays the bonds with income tax revenue. Ohio law and the bondholders are interested in Dublin's property valuations because if they are not paid with income tax revenues, they will be paid with property tax revenues. The full valuation of property has increased by $1.2 billion since 2016, which is an incredible amount in a short period of time. The exempted values are all TIF values, so we are seeing service payments as well as increased valuations.
Mr. Stiffler stated that bond holders and rating agencies want to be assured that not one person owns all the property, so the slide shown demonstrates the various holdings.

<u>Variances</u>
He spoke to the 2019 General Fund budget and the variance in Other Revenue of $2.9 million as a result of the delayed sale of OSU. That sale for $3.2 million did not occur in 2019 as originally planned. It is budgeted to occur in 2020. The advance of $275,000 is an advance repayment from the Riviera TIF. That TIF has taken longer than anticipated to get online. It is in three counties and is a residential TIF, with service payments that come only twice per year. He expects that advance of $275,000 represents a delay for this TIF.
For personal services, the budget includes the full staffing amount and that is not likely to occur, even though the City has a fairly low vacancy rate.
Other expenses are a result of some contractual services that were encumbered and rolled over.
The transfers in 2019 are all operating transfers. In 2020, there are some capital transfers. Advances were up because of the $15.5 million for the bond proceeds. Ultimately, we had General Fund revenue of $77 million and expenditures of $69 million so the fund balance would have increased by $8 million.

For 2020, we budget conservatively and do not actually anticipate a $3 million decrease in income tax revenues. The variance here is a result of the sale of the OSU property. For fines, licenses and permits, we have been conservative in budgeting as well. We have been over $4 million since 2016 when Bridge Park began construction. Many of

these are Building and Planning related fees. He expects that number to be over $4 million, but budgeting is conservative.
Next are operating transfers where the General Fund supports the Other special revenue funds such as Safety, Pool, etc. and the $6 million for the Shier-Rings Road alignment. Transfers in were again a result of the bond repayment. The $1.4 million advance out is a result of the Bridge Street Cooperative Agreement with the Dublin Schools. That is advanced to the Bridge Street Fund 457 and when TIF revenues materialize to the extent that the Fund can pay that, it will make that payment and repay the General Fund.
In summary, there are total expenditures of $50 million in 2019 and a revised budget of $62 million, leaving one to conclude that we expect to spend $12 million more in 2020 than 2019. That is not true. He shared a slide to explain this. The green line shows the actuals at $50 million with the red line as the revised budget. The revised budget includes the original appropriations, supplemental appropriations and encumbrances. Encumbrances for expenditures from the General Fund are typically $5-8 million per year. They are generally much closer to $5 million, but one year they were $8 million. Actual spending as a percentage of the revised budget is around 85 percent. That is the green line divided by the red line. Doing that for 2020 will show actual spending of about $53 million and encumbrances of $5-8 million, giving a spend of $58-61 million on the $63 budgeted. In comparing the actual to the revised budget, it appears that the expenditures are rising every year significantly. This is not the case.
He walked the bond rating group through the City's plan to spend about $2.7 million more in 2020. The largest expense is the 27th pay at $1.3 million.
With a summary of the fund balance over time, it was important to point out that this Capital Improvement and Other Capital Improvements line – the $3 million, $5 million, $12 million, $8 million are transfers from the General Fund for capital improvements that have occurred since 2016. The important thing from a rating perspecti8ve is that they are one-time and they are purely discretionary. Council could at any point decide not to use General Fund dollars to make capital improvements.
This $21 million explains why the fund balance has been relatively flat over this period of time. But on a percentage basis, it has been over 75 percent for a large majority of this timeframe.
They also briefed the rating agency on the Capital Improvement Plan and the importance of maintenance – that $ 80.5 million is programmed in the CIP. They also talked about debt issuance of $26 million for 2019 and 2020 and in the future, only $7.4 million will be issued under the 2020 CIP.
They also walked them through the debt policy.
They were provided more details about transactions.
He offered to respond to questions.

Mr. McDaniel stated that he had encouraged Mr. Stiffler to share the bond presentation with the Committee. This is a great confirmation of how the City manages its finances.

Mr. Stiffler stated that the rating agencies sent questions in advance to make sure they responded to them, and a few were responded to during the ratings call. They did not have follow-up questions.

Mr. Keeler asked when the bond rate will be determined.
Mr. Stiffler responded they will be sold in April and the rating will come in late March. The City's municipal advisor will assist with structuring the bond issuance.

Ms. Alutto asked when the hotel-motel tax grant applications are due.
Mr. Stiffler responded they are due in October and reviewed by Finance Committee at a November meeting.
Ms. Alutto stated that if the discussion about bed tax policy is held in June, there will be adequate time to make any adjustments.

Discussion of the General Fund Balance Policy
Mr. Stiffler stated that the policy was drafted in 2016 and reaffirmed in 2019. As new issues arise, he wants to check in to see if the policy or procedures in support of the policy meet Council's expectations. There were questions about the advances in recent months and how the fund balance is impacted. Unfortunately, these advances crossed a fiscal year and that had to be addressed in terms of the fund balance policy. The policy requires the balance of the General Fund to be greater than 50 percent of expenditures. The conditions under which the fund balance can go below 50 percent include when funds are being advanced to be reimbursed with bond proceeds. While this recent advance did not take the fund balance under 50 percent, if it had it would have been permissible under the policy. The policy itself is silent on the timeline for the repayment of the advances. Federal law generally requires repayment in less than 18 months. The policy also requires the Finance Director to transfer – pending Council approval – 25 percent of the fund balance that is above 75 percent of the Fund's expenditures to the Capital Fund. This occurred in 2017 and 2018, and would have occurred in 2019 but for the advance that lowered the fund balance to 71 percent from 94 percent. He does expect that the fund balance will likely be over that 75 percent again in 2020, and he expects that transfer to occur again.
Ms. Alutto stated that there is a timing issue involved – allowing the fund balance to go below 50 percent when advancing funds that will be reimbursed from bond proceeds – but once the reimbursement is made, the balance is then over 75 percent. She is not certain how that can be resolved.
Mr. Stiffler responded that the fund balance does not include advances, because at the end of the year it did not, so it will not be transferred. The money does not disappear but becomes part of the fund balance that is then transferred in subsequent years. The policy self corrects in subsequent years. It is important to note that for 2020, $6.5 million is being transferred from the General Fund to the CIP for a capital project for the Shier-Rings Road realignment. The policy intention of that transfer is already being fulfilled because the transfer is in place, if only for this year – it does exist.
Ms. Alutto stated it is a matter of the end of the year and the status of that fund balance. As part of the policy, an example of that would be good to include.
Mr. Stiffler stated that the advances are not really expenditures, but they do reduce the fund balance. Thus the need for this conversation.
Ms. Alutto asked about his view on timing of repayment of advances.

Mr. Stiffler responded that he does not have a strict recommendation; it is likely preferable to leave it open ended rather than have an 18-month deadline. Placing a deadline on this repayment could result in a problem if there is a case where an exception needs to be made. The policy should have some flexibility. When the monies are advanced, a conversation with Council about timing of repayment with a bond issuance should occur at the same time.

Mr. McDaniel stated that this is a specific scenario about advancing funds anticipating a bond issuance. There is also a case to be made for not doing so. There are cities that may not be as robust as Dublin. Dublin has the capability to advance the monies to begin a project while other cities may not. The key point is to keep the flexibility in the policy to do this.

Mr. Keeler stated that he would like an example or two of a scenario under which this could occur to have a better understanding.
Mr. Stiffler responded that monies were advanced in 2018 as well to have projects started, and those advances were later reimbursed with bond proceeds. The 2019 advances crossed the fiscal year, triggering the questions about the fund balance policy.
Mr. Keeler stated that in writing a policy, there would be benefit in leaving the repayment open-ended – perhaps something to the effect as repayment within the same tax year.
Mr. Stiffler commented that with advancing monies in December, this would not be possible, however. One of the benefits of having Dublin's financial strength is being able to execute on this policy. The rigid, inflexible part of this process is that plans are made to begin projects, but the exact timing is typically not known. Once the bonds are issued, the clock begins, and that issue needs to be ready. This provides the flexibility for issuing the amount of debt needed when the project costs are better known.
Ms. Alutto stated that the federal law provides the maximum repayment period, so it is not necessary to include a specific time for repayment in our policy.
Mr. Stiffler noted that to him, advancing for these projects is a neutral or even slightly beneficial way to finance projects. But it does expose the City to market risk in the timing between the advance and the bond issuance. Market risk is hard to quantify, however. Delaying projects may not have financial costs, but certainly have an operational cost. To the extent we advance these monies, they still remain in STAR Ohio, earning interest -- whether in the General Fund or the 404 Fund. It is a matter of where it sits in the City's accounting system.
He asked for Council feedback.

Ms. Alutto stated that, given the market conditions, she is not concerned. But that does not preclude having this policy discussion in the future on a periodic basis.
Mr. Peterson noted he does not have concerns. Have the City's financial advisors weighed in on this?
Mr. Stiffler stated he will ask them if they have an opinion, but he would be surprised if they did. The bond market risk is always present.
Ms. Alutto noted she is supportive of the flexibility that allows the City to advance funds to have projects initiated. We should leverage this capability.

Ms. Alutto stated it is incumbent upon Council to hold staff accountable to bringing forward these policy questions through the years. As things change, the policy may need to be changed as well.
Mr. Keeler stated that these advances are approved by Council, correct? That is adequate in his opinion.
Mr. Stiffler confirmed that they are approved by Council.

Mr. Stiffler stated he has heard tonight that examples could be added to the policy for clarification purposes. He has not heard that the Committee desires amendments to the policy, but just details to enhance it.
Ms. Alutto agreed that the examples are very helpful for Council now and into the future.

Mr. Stiffler stated that the final graph shows the general fund balance and the expenditures in red. It reflects the fund balance over time, ranging from 50-75 percent and the amount over 75 percent. He explained that the fund balance transfer policy of 25 percent of the amount over 75 percent of expenditures did not come into effect until 2016. Those transfers occurred in 2017 and 2018. The orange portion reflects the advance repayment to accurately reflect the fund balance. He pointed out that General Fund expenditures have trailed revenues in all years except one – 2018. By our General Fund policy, operating expenses cannot exceed operating revenues in the General Fund unless a program is winding down. Those 2018 General Fund expenses were for capital projects, and include the $12 million spent on capital projects. Revenues always exceed expenditures, but the fund balance is not always growing. The missing piece of this is the advances – monies advanced from the General Fund to TIF funds, to the Capital Improvement Fund, to Water and Sewer Funds (later repaid) and so the fund balance does not always correlate to revenues/expenditures. Advances affect the fund balance but are not expenditures.
Mr. Stiffler stated that concludes his comments.

Ms. Alutto stated that when the Committee meets again, the agenda will include investment policy review and performance and the permissive taxes.
Mr. Stiffler added that if there are any topics not on the Committee agenda that they believe should be addressed, that can be discussed with the Chair.
Ms. Alutto stated that the list also included the open items from last year.
Mr. Stiffler noted that he believes some of those topics may be reassigned – he is not certain.
Ms. Alutto will check to review her e-mail from him about topics.
Mr. Stiffler stated that on June 29, there will be discussion of bed tax policy but also a larger discussion around the program itself. The bed tax ordinance was approved in 1987. The conversation began last year, but was not concluded.
Ms. Alutto added that some informal tweaks to the program have been made along the way, but perhaps those should be formalized.
Mr. McDaniel noted that an update on the proposed fieldhouse will soon come to Council and what effect that could have in terms of bed tax. Perhaps that can be discussed during the Council retreat, time permitting.

The meeting was adjourned at 6:28 p.m.

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