




CITY OF DUBLIN

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Memo

To: Members of Dublin City Council
From: Terry Foegler, City Manager 
Date: April 8, 2010
Initiated By: Marsha I. Grigsby, Deputy City Manager/Director of Finance
Re: **Financial Update - First Quarter 2010**

Summary

Background Information for 2010 Income Tax Revenues

The national economic recession had a negative impact on the City of Dublin in 2009; however, our financial position remained strong. The following discussion will provide background information for the 2010 income tax assumptions and projections.

As you are aware, income tax revenues for 2009 were down approximately \$4.3 million, or 6.14%, as compared to 2008. As reflected on the attached spreadsheet, History of Income Tax Revenues, this was the first year the City's income tax revenues were less than the previous year. A decrease is reflected in 1986, but that was the result of changing from having our local tax administered by the City of Columbus to being administered in-house and the timing as to when revenue was recorded.

When staff began preparing the 2010 operating budget in August, we projected the 2009 income tax revenues would be down 8%, or approximately \$5.6 million, and the 2010 income tax revenues would decrease by an additional 2% as compared to 2009. As a result of the income tax revenues through mid-October and the breakdown of the revenues by type (i.e. withholding, net-profits, and individuals), we revised the projection for 2009 to reflect a decrease of 7.15% instead of 8%, or approximately \$5 million less than 2008. Because of the uncertainty of the economy and the desire to take a more conservative approach, we did not adjust the dollar amount for our income tax revenue projections for 2010. As a result, the 2010 income tax revenue projections reflect a decrease of 2.9% as compared to the projected total for 2009.

As stated above, the 2009 actual income tax revenues were down 6.14% compared to 2008 resulting in collections that exceeded our 2009 projections by approximately \$709,200. Based on the higher 2009 actual income tax revenues, our budgeted 2010 income tax revenue projections reflect a larger decrease of 3.9% as compared to the actual total for 2009. The projected income tax revenue for 2010 totals \$63,309,470. Of the total, 75% or \$47,482,100 is programmed in the General Fund and 25% or \$15,827,370 is programmed in the Capital Improvements Tax Fund.

2010 Income Tax Revenues

The attached spreadsheet, Financial Update-First Quarter of 2010, provides the actual annual income tax revenue for 2007, 2008, and 2009. The information is broken down by quarter and reflects the percentage of change per quarter and the percentage of change by year. This annual information is the same as the total reported on the History of Income Tax Revenues spreadsheet referenced above.

The 2010 income tax revenue is provided by month and by type (i.e. withholding, net-profits, and individuals) and includes the percentage of change as compared to 2009. Comparison information for 2008 also is provided. As reflected on the spreadsheet, the collections for the first quarter of 2010 are up by \$463,159, or 2.88%, as compared to the first quarter of 2009. As stated above, our 2010 budgeted income tax revenues reflect a projected decrease of 3.9% as compared to the actual income tax revenues for 2009. This better than projected performance has resulted in our first quarter income tax collections exceeding the first quarter budgeted revenues by \$1,090,862. Additionally, the income tax revenues from withholding accounts, those revenues that are withheld by employers from their employees' wages, are up 1.93% compared to the first quarter of 2009. As you are aware, the income tax revenues from withholding accounts generally comprise approximately 80% of our total income tax 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. The Financial Update-First Quarter of 2010 spreadsheet reflects the 2008 and 2009 year-end General Fund balances and the 2010 month-end balances. Based upon our better than projected year-end performance, the 2009 General Fund year-end balance, as a percentage of expenditures and operating transfers, increased to 64.9% from the 2008 year-end percentage of 59.8%.

The December 2009 General Fund balance, including the amount of the advances made for right-of-way acquisition for the US 33/SR 161/Post Road interchange, was \$34,773,949. The balance as of the end of March 2010 has increased to \$36,533,491. From a comparison standpoint, the General Fund balance at the end of March is equal to 68.2% of the total 2009 General Fund expenditures and operating transfers.

Property Taxes and Service Payments

The Financial Update-First Quarter of 2010 spreadsheet also includes the totals for the first half distribution of real estate property taxes and service payments from the City's TIF districts. Property tax revenues continue to reflect a modest rate of growth, while the rate of growth in revenue from service payments has been substantial the past two years.

The growth in revenue from service payments can be attributed, for the most part, to Cardinal Health's second building (McKittrick TIF), the development in the area around the Dublin Methodist Hospital (Perimeter West TIF), the continued development along Emerald Parkway and Woerner Temple Road (Thomas/Kohler TIF), and the addition of the Shamrock Crossing TIF district improvements. The service payments from the McKittrick TIF will decrease in 2011 as a result of the "Phase II area" converting from a "straight" TIF to a "non-school" TIF.

Other Information

The General Fund expenditures for the first quarter of 2010 are down slightly as compared to the first quarter of 2009, after 2009 is adjusted for the additional pay period. The first quarter of 2009 had 13 pay periods and there were 12 pay periods in the first quarter of 2010.

Currently, there are 27 vacant full-time positions and 3 vacant permanent part-time positions. Several additional positions have become vacant since the budget workshops late last year, and we have evaluated these vacancies to determine whether the positions should be staffed or not, or if there were other options available, such as the reallocation of other positions. The Administration will continue to closely monitor and evaluate staffing levels as we move forward through 2010 and prepare for the 2011 Operating Budget.

Similar to 2009, we will continue to closely monitor the use of overtime and travel and training in 2010. Additionally, as previously discussed with Council, we are continuing to evaluate how we deliver services by looking for opportunities to become more efficient.

As reflected on the attached spreadsheets, the first quarter of 2010 is a much better start to the year than what we experienced in 2009. Based on our income tax revenue increase of 2.88% during the first quarter of 2010, and the budgeted reduction for the year of 3.9%, we could absorb a reduction of 6.15% over the remaining three quarters of the year and meet our current budget projections.

As a result of the first quarter, we are cautiously optimistic that the outlook for 2010 is more favorable than projected in the 2010 Operating Budget.

Recommendation

For information purposes only.

**City of Dublin
Financial Update-First Quarter of 2010**

Income Tax Revenues

2009 Recap by Quarter:

	Total Collections	% Change from 2008	2008	% Change from 2007	2007
1st quarter	\$16,094,953	-3.11%	\$16,610,864	2.91%	\$16,140,793
2nd quarter	18,785,757	-10.93%	21,090,211	5.73%	19,947,139
3rd quarter	15,571,423	-1.30%	15,776,317	2.03%	15,461,939
4th quarter	15,455,458	-7.68%	16,741,647	6.75%	15,682,904
	<u>\$65,907,592</u>	<u>-6.14%</u>	<u>\$70,219,039</u>	<u>4.44%</u>	<u>\$67,232,775</u>

2010 Recap by Month:

	Budgeted	Total Collections	% Change from 2009	2009	% Change from 2008	2008
January	\$5,135,746	\$5,777,320	8.11%	\$5,344,169	-0.29%	\$5,359,459
February	4,957,508	4,594,276	-10.94%	5,158,697	0.16%	5,150,511
March	5,373,997	6,186,517	10.63%	5,592,088	-8.34%	6,100,894
	<u>\$15,467,251</u>	<u>\$16,558,113</u>	<u>2.88%</u>	<u>\$16,094,954</u>	<u>-3.11%</u>	<u>\$16,610,864</u>

2010 YTD Collections
Compared to Budget

\$1,090,862

2010 Recap by Type:

	Total Collections	% Change from 2009	2009	% Change from 2008	2008
Withholding accounts	\$14,671,380	1.93%	\$14,394,134	-2.23%	\$14,722,406
Net-profit accounts	988,215	37.29%	719,812	-24.29%	950,721
Individual accounts	898,519	-8.41%	981,008	4.61%	937,737
	<u>\$16,558,114</u>	<u>2.88%</u>	<u>\$16,094,954</u>	<u>-3.11%</u>	<u>\$16,610,864</u>

**City of Dublin
Financial Update-First Quarter of 2010**

General Fund Balance

<u>2008</u>	
December	\$31,626,245
<u>2009</u>	
December	34,773,949
<u>2010</u>	
January	35,661,961
February	35,936,032
March	36,533,491

Property Tax Revenues

2009

	Capital Fund	Parkland Fund	Safety Fund	2009 Total	% Change from 2008	2008 Total
1st Half distribution	\$715,182	\$849,278	\$199,015	<u>\$1,763,475</u>	2.94%	<u>\$1,713,053</u>

2010

	Capital Fund	Parkland Fund	Safety Fund	2010 Total	% Change from 2009	2009 Total
1st Half distribution	\$1,278,056	\$319,513	\$202,954	<u>\$1,800,523</u>	2.10%	<u>\$1,763,475</u>

Service Payments-TIF Districts

2009

	2009 Total	% Change from 2008	2008 Total
1st Half distribution	<u>\$3,019,216</u>	10.46%	<u>\$2,733,214</u>

2010

	2010 Total	% Change from 2009	2009 Total
1st Half distribution	<u>\$3,644,765</u>	20.72%	<u>\$3,019,216</u>

Note: Revenues received from all TIF districts.

CITY OF DUBLIN, OHIO
History of Income Tax Revenues

Year	Total Collections	Percent of Increase
1984	\$2,053,161	
1985	2,568,355	25.09%
1986	2,317,824	-9.75% (1)
1987	4,351,935	87.76%
1988	8,909,724	104.73% (2)
1989	11,847,441	32.97% (3)
1990	13,103,258	10.60%
1991	14,567,059	11.17%
1992	16,363,997	12.34%
1993	17,956,031	9.73%
1994	19,729,572	9.88%
1995	23,096,183	17.06%
1996	25,485,255	10.34%
1997	28,110,746	10.30% (4)
1998	34,346,941	22.18% (4)
1999	40,482,038	17.86% (4)
2000	43,825,247	8.26% (4)
2001	48,826,163	11.41% (4)
2002	50,156,961	2.73% (4)
2003	51,870,173	3.42% (4)
2004	53,106,978	2.38% (4)
2005	57,987,880	9.19% (4)
2006	64,217,598	10.74% (4)
2007	67,232,775	4.70% (4)
2008	70,219,039	4.44% (4)
2009	65,907,592	-6.14% (4)

- (1) In 1986 the City began administering and collecting the local income tax. Prior to 1986, the City of Columbus administered the local tax.
- (2) Effective January 1, 1988 the City's income tax rate increased from 1% to 2%.
- (3) Includes \$1,052,892 balance in a separate account maintained for income tax collections prior to 1989 and which was not reported until 1989.
- (4) Does not include income tax revenues shared with the Dublin City School District.

Source: City of Dublin, Department of Finance

1/21/2009

CITY OF DUBLIN, OHIO
History of Income Tax Revenues

Composition of Income Tax Revenues

Year	Type of Collection	Amount Collected	Percent of Total
1991	Withholding	\$11,682,257	80.19%
	Net Profits	981,488	6.74%
	Individuals	1,905,168	13.08%
		<u>14,568,913</u>	<u>100.00%</u>
1992	Withholding	13,157,876	80.41%
	Net Profits	1,069,899	6.54%
	Individuals	2,136,496	13.06%
		<u>16,364,271</u>	<u>100.00%</u>
1993	Withholding	14,361,395	79.99%
	Net Profits	1,439,657	8.02%
	Individuals	2,153,318	11.99%
		<u>17,954,370</u>	<u>100.00%</u>
1994	Withholding	16,005,971	81.12%
	Net Profits	1,560,168	7.91%
	Individuals	2,164,415	10.97%
		<u>19,730,554</u>	<u>100.00%</u>
1995	Withholding	18,291,033	79.19%
	Net Profits	2,417,213	10.47%
	Individuals	2,389,065	10.34%
		<u>23,097,311</u>	<u>100.00%</u>
1996	Withholding	20,586,607	80.78%
	Net Profits	2,145,838	8.42%
	Individuals	2,752,810	10.80%
		<u>25,485,255</u>	<u>100.00%</u>
1997	Withholding	23,119,119	82.24%
	Net Profits	2,273,300	8.09%
	Individuals	2,718,327	9.67%
		<u>28,110,746</u>	<u>100.00%</u>
1998	Withholding	27,188,194	79.16%
	Net Profits	3,866,256	11.26%
	Individuals	3,292,491	9.59%
		<u>34,346,941</u>	<u>100.00%</u>

**CITY OF DUBLIN, OHIO
History of Income Tax Revenues**

Composition of Income Tax Revenues

Year	Type of Collection	Amount Collected	Percent of Total
1999	Withholding	32,571,258	80.46%
	Net Profits	4,231,398	10.45%
	Individuals	3,679,382	9.09%
		<u>40,482,038</u>	<u>100.00%</u>
2000	Withholding	35,794,666	81.68%
	Net Profits	4,182,640	9.54%
	Individuals	3,847,941	8.78%
		<u>43,825,247</u>	<u>100.00%</u>
2001	Withholding	39,512,280	80.92%
	Net Profits	4,968,164	10.18%
	Individuals	4,345,719	8.90%
		<u>48,826,163</u>	<u>100.00%</u>
2002	Withholding	41,459,530	82.66%
	Net Profits	4,229,771	8.43%
	Individuals	4,467,660	8.91%
		<u>50,156,961</u>	<u>100.00%</u>
2003	Withholding	42,778,979	82.47%
	Net Profits	4,818,438	9.29%
	Individuals	4,272,756	8.24%
		<u>51,870,173</u>	<u>100.00%</u>
2004	Withholding	42,614,590	80.24%
	Net Profits	5,786,469	10.90%
	Individuals	4,705,919	8.86%
		<u>53,106,978</u>	<u>100.00%</u>
2005	Withholding	45,599,687	78.64%
	Net Profits	7,509,548	12.95%
	Individuals	4,878,645	8.41%
		<u>57,987,880</u>	<u>100.00%</u>
2006	Withholding	50,435,714	78.54%
	Net Profits	8,483,911	13.21%
	Individuals	5,297,973	8.25%
		<u>64,217,598</u>	<u>100.00%</u>
2007	Withholding	54,457,065	81.00%
	Net Profits	7,235,057	10.76%
	Individuals	5,540,520	8.24%
		<u>67,232,642</u>	<u>100.00%</u>

CITY OF DUBLIN, OHIO
History of Income Tax Revenues

Composition of Income Tax Revenues

Year	Type of Collection	Amount Collected	Percent of Total
2008	Withholding	55,685,048	79.30%
	Net Profits	8,659,385	12.33%
	Individuals	5,874,606	8.37%
		<u>70,219,039</u>	100.00%
2009	Withholding	53,945,886	81.85%
	Net Profits	6,639,861	10.07%
	Individuals	5,321,846	8.07%
		<u>65,907,593</u>	100.00%

Source: City of Dublin, Department of Finance