

### Income Tax Modeling for 2019

- First, I updated the modeling with 2018 actual collections and the updated estimated amount expected to be produced for a full year is \$10.1 million.
- I then analyzed Reynoldsburg and Upper Arlington and the year the levy passed for them they experienced 24% and 27% growth in income tax revenue respectively. I then looked at how they were trending before the increase to estimate how much of the growth was due to existing conditions. My base year was 2007 to capture both the impact of the recession and recovery to normalize the trend. Reynoldsburg was trending at 5% growth and Upper Arlington was trending at 3% growth. Backing these estimated normal growth percentages out results in 19% and 24% growth estimated to be from the increase in the tax levy respectively. The average of these two increases is 22%. The 22% percent growth is the target I used to estimate how much new money would be generated in 2019 from the increase.
- Estimating 42% to be received in the first year results in 22% growth from 2018. I then applied this 42% to the full year estimate of \$10.1 million which would result in \$4.2 million. I then divided this by 12 to determine one month of collection times 5 months as we will begin to receive new money in August from the July collections. This totals \$1.8 million.
- Of the \$1.8 million expected to be received 75% or \$1.3 million will be received for capital and 25% or \$500 thousand for public safety, public service, and parks and recreation operations.

### Recommendation for New Money

- Because of the time of year the new money will begin to come in, it is the administrations recommendation to focus on 2020 for capital and therefore no adjustments to capital appropriations for 2019 are included. Whatever will be generated for 2019 plus what is estimated to be collected in 2020 will be used as the full amount of resources available for budgeting capital in 2020.
- Assuming Council wants to create three new funds for the 25% of operational money, the administration is recommending that full programs within these areas be moved to the new funds to be partially or fully funded by the new revenue. Any associated revenue for the programs would also flow over to the new funds which is why the new money may not be fully funding the program.
- The administration believes the following should be moved to the new funds:
  - Public Safety – School Resource Officers
  - Public Service – Engineering Department
  - Parks & Recreation – Pools and Camps

We believe this is appropriate for Public Safety and Parks and Recreation as these were the programs that were being considered for reduction upon the failure of Issue 29. We believe Public Service is appropriate as a majority of the capital will be used for roads and infrastructure which is all supported by the Engineering Department.

- Assuming Council does not want to establish hard percentages for each of the three main areas and would rather set the amount that is going to each based on the annual appropriation process, there will need to be a rationale manner in which to allocate the 25%. We recommend a calculation to determine the estimated net cost of the operations for each program to determine the portion of the 25% that should

go to each fund. Using the \$500,000 estimated to be brought in for 2019, the below provides examples of how this would occur.

- If this calculation results in a net cost of \$500,000 it will be split to cover the net cost for each as calculated. For example the SRO net cost is \$200,000; Camps and Pools \$150,000 and Engineering \$150,000. This is how the \$500,000 will be split.
- If it is more than \$500,000, the percentage of the total deficit for each program will be used to allocate the 25%. For example, SRO \$300,000; Camps and Pools \$200,000 and Engineering \$200,000 is a total net cost of \$700,000. The SRO program makes up 43%; Camps and Pools and Engineering would both be 28.5%. These percentages would be applied to the \$500,000 to calculate the split. The remaining net cost would be covered by General Fund transfers for the first year.
- If the net cost is less than \$500,000 the same percentage of the total deficit would be used to allocate to each fund. Anything remaining at the end of the year would be rolled into the new year for the same purpose (not just the programs but anything related to the three main areas).

- Moving into the future the administration and Council can determine with each budget cycle if they want to grow any of the programs or add additional programs from the three main areas etc. The same rationale will be used to allocate the 25% each year based on estimated net cost and collections.

- There is also an assumption that these programs will be fully supported by the new income tax revenue, remaining unencumbered fund balance from previous years, and any revenue that the specific programs collect for services. In other words, it is the administrations recommendation that no General Fund transfers should be used to fund any programming moved to the new funds.

#### General Fund Recommendation

All requests from the Mayor's memo on 5/13/19 have been incorporated as follows:

- Restores 2.5% increase for unclassified staff
- Adds the Police Lt. position back
- Adds the Police Analyst position back
- Fully funds the Director of Parks & Recreation; Economic Development Manager; and Forestry Foreman for a full year.

In addition, the final offer made to the FOP was for a 3.33% for 2019. Assuming the union members and Council approve the contract an additional .33% has been included for the FOP as the original budgeted increase was 3%.

May 28, 2019 Operating Budget

GENERAL FUND				PUBLIC SAFETY FUND		PUBLIC SERVICE FUND		PARKS & RECREATION FUND		
Current Year estimates may not equal Appropriations										
	May, 2019	Jan, 2019	Difference		May, 2019		May, 2019		May, 2019	Total to New Funds
<b>Annual Operating Expenses</b>				<b>Annual Operating Expenses</b>		<b>Annual Operating Expenses</b>		<b>Annual Operating Expenses</b>		
Salaries & Benefits	\$ 15,961,040	\$ 16,623,700	\$ (662,660)	Salaries & Benefits	\$ 145,270	Salaries & Benefits	\$ 108,540	Salaries & Benefits	\$ 422,980	\$ 676,790
Operating	\$ 7,559,765	\$ 7,582,075	\$ (22,310)	Operating	\$ -	Operating	\$ 18,310	Operating	\$ 4,000	\$ 22,310
Transfers	\$ 1,276,120	\$ 1,276,120	\$ -	Transfers	\$ -	Transfers	\$ -	Transfers	\$ -	\$ -
<b>Subtotal Operating Expenses</b>	<b>\$ 24,796,925</b>	<b>\$ 25,481,895</b>	<b>\$ (684,970)</b>	<b>Subtotal Operating Expenses</b>	<b>\$ 145,270</b>	<b>Subtotal Operating Expenses</b>	<b>\$ 126,850</b>	<b>Subtotal Operating Expenses</b>	<b>\$ 426,980</b>	<b>\$ 699,100</b>
Sustainable/Ongoing Capital	2019	2019	2019	Sustainable/Ongoing Capital	2019	Sustainable/Ongoing Capital	2019	Sustainable/Ongoing Capital	2019	2019
Asphalt Overlay	\$ 1,293,330	\$ 1,293,330	\$ -							
Creekside Capital Maintenance	\$ 62,500	\$ 62,500	\$ -							
Bridge Replacement Program	\$ 229,000	\$ 229,000	\$ -							
Detroit Street Rebuild	\$ 1,530,230	\$ 1,530,230	\$ -							
City-wide Traffic Signal Upgrade & Maint	\$ 110,000	\$ 110,000	\$ -							
GF(Except Police) Equipment Replacement	\$ 200,000	\$ 200,000	\$ -							
GNET Fiber Network Growth & Redundancy	\$ -	\$ -	\$ -							
Golf Cart Replacement Program	\$ 30,000	\$ 30,000	\$ -							
Garage Equipment Replacement	\$ 15,000	\$ 15,000	\$ -							
Municipal Compound Flooring Replacements	\$ -	\$ -	\$ -							
Dual Network Core Switches	\$ 55,000	\$ 55,000	\$ -							
Physical Server Lifecycle Replacement	\$ 17,175	\$ 17,175	\$ -							
Park Asphalt Resurfacing	\$ 200,000	\$ 200,000	\$ -							
Park Renovations	\$ -	\$ -	\$ -							
Play Elements & Surfacing Replacement	\$ 50,000	\$ 50,000	\$ -							
Police Radio Replacement Program	\$ 75,000	\$ 75,000	\$ -							
Pool Infrastructure Replacement & Maint	\$ -	\$ -	\$ -							
Police Equipment Replacement Program	\$ 200,000	\$ 200,000	\$ -							
Roof Replacement	\$ -	\$ -	\$ -							
SAN Equipment Replacement Program	\$ -	\$ -	\$ -							
Street Lights at Intersections	\$ 20,000	\$ 20,000	\$ -							
<b>Sustainable/Ongoing Capital</b>	<b>\$ 4,087,235</b>	<b>\$ 4,087,235</b>	<b>\$ -</b>	<b>Sustainable/Ongoing Capital</b>	<b>\$ -</b>	<b>Sustainable/Ongoing Capital</b>	<b>\$ -</b>	<b>Sustainable/Ongoing Capital</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Annual Operating Expenses</b>	<b>\$ 28,884,160</b>	<b>\$ 29,569,130</b>	<b>\$ (684,970)</b>	<b>Total Annual Operating Expenses</b>	<b>\$ 145,270</b>	<b>Total Annual Operating Expenses</b>	<b>\$ 126,850</b>	<b>Total Annual Operating Expenses</b>	<b>\$ 426,980</b>	<b>\$ 699,100</b>
<b>Annual Operating Resources</b>	2019	2019	2019	<b>Annual Operating Resources</b>	2019	<b>Annual Operating Resources</b>	2019	<b>Annual Operating Resources</b>	2019	2019
INCOME TAX	\$ 20,088,700	\$ 20,088,700	\$ -	INCOME TAX	\$ 165,000	INCOME TAX	\$ 220,000	INCOME TAX	\$ 115,000	\$ 500,000
CHARGES FOR SERVICES	\$ 1,372,500	\$ 1,813,300	\$ (440,800)	CHARGES FOR SERVICES	\$ 68,000	CHARGES FOR SERVICES	\$ -	CHARGES FOR SERVICES	\$ 372,800	\$ 440,800
GRANTS	\$ 10,200	\$ 10,200	\$ -	GRANTS	\$ -	GRANTS	\$ -	GRANTS	\$ -	\$ -
INTEREST & INVESTMENT INCOME	\$ 740,830	\$ 740,830	\$ -	INTEREST & INVESTMENT INCOME	\$ -	INTEREST & INVESTMENT INCOME	\$ -	INTEREST & INVESTMENT INCOME	\$ -	\$ -
LOCAL GOVERNMENT FUND	\$ 675,900	\$ 675,900	\$ -	LOCAL GOVERNMENT FUND	\$ -	LOCAL GOVERNMENT FUND	\$ -	LOCAL GOVERNMENT FUND	\$ -	\$ -
MISCELLANEOUS INCOME	\$ 185,000	\$ 185,000	\$ -	MISCELLANEOUS INCOME	\$ -	MISCELLANEOUS INCOME	\$ -	MISCELLANEOUS INCOME	\$ -	\$ -
OTHER TAXES	\$ 573,900	\$ 573,900	\$ -	OTHER TAXES	\$ -	OTHER TAXES	\$ -	OTHER TAXES	\$ -	\$ -
REAL ESTATE TAXES	\$ 2,088,700	\$ 2,088,700	\$ -	REAL ESTATE TAXES	\$ -	REAL ESTATE TAXES	\$ -	REAL ESTATE TAXES	\$ -	\$ -
TRANSFERS	\$ 1,231,800	\$ 1,231,800	\$ -	TRANSFERS	\$ -	TRANSFERS	\$ -	TRANSFERS	\$ -	\$ -
FINES & FEES	\$ 2,135,800	\$ 2,160,800	\$ (25,000)	FINES & FEES	\$ -	FINES & FEES	\$ 25,000	FINES & FEES	\$ -	\$ 25,000
<b>TOTAL GENERAL FUND</b>	<b>\$ 29,103,330</b>	<b>\$ 29,569,130</b>	<b>\$ (465,800)</b>	<b>TOTAL PUBLIC SAFETY FUND</b>	<b>\$ 233,000</b>	<b>TOTAL PUBLIC SAFETY FUND</b>	<b>\$ 245,000</b>	<b>TOTAL PUBLIC SAFETY FUND</b>	<b>\$ 487,800</b>	<b>\$ 965,800</b>
<b>Total Annual Operating resources</b>	<b>\$ 29,103,330</b>	<b>\$ 29,569,130</b>	<b>\$ (465,800)</b>	<b>Total Annual Operating resources</b>	<b>\$ 233,000</b>	<b>Total Annual Operating resources</b>	<b>\$ 245,000</b>	<b>Total Annual Operating resources</b>	<b>\$ 487,800</b>	<b>\$ 965,800</b>
Gross Operating Surplus / <Shortfall>	\$ 219,170	\$ -	\$ 219,170	Gross Operating Surplus / <Shortfall>	\$ 87,730	Gross Operating Surplus / <Shortfall>	\$ 118,150	Gross Operating Surplus / <Shortfall>	\$ 60,820	\$ 266,700
<b>Net Operating Surplus / &lt;Shortfall&gt;</b>	<b>\$ 219,170</b>	<b>\$ -</b>	<b>\$ 219,170</b>	<b>Net Operating Surplus / &lt;Shortfall&gt;</b>	<b>\$ 87,730</b>	<b>Net Operating Surplus / &lt;Shortfall&gt;</b>	<b>\$ 118,150</b>	<b>Net Operating Surplus / &lt;Shortfall&gt;</b>	<b>\$ 60,820</b>	<b>\$ 266,700</b>
	0.76%	0.00%			60.39%		93.14%		14.24%	

^Txfr to Capital Improvement Fund is not included-so as not to double count the capital expenses & one-time uses