



City of Gahanna

Meeting Minutes

Finance Committee

200 South Hamilton Road
Gahanna, Ohio 43230

Michael Schnetzer, Chair
Karen J. Angelou
Merisa K. Bowers
Nancy R. McGregor
Kaylee Padova
Stephen A. Renner
Trenton I. Weaver

Jeremy A. VanMeter, Clerk of Council

Monday, September 25, 2023

City Hall, Council Chambers

Immediately following the regular Committee of the Whole meeting on September 25, 2023

A. CALL TO ORDER:

Councilmember Michael Schnetzer, Chair, called the meeting to order at 7:43 p.m. The agenda was published on September 22, 2023. All members were present for the meeting. There were no additions or corrections to the agenda.

B. DISCUSSIONS:

1. Quarter 2 Financial Report FY 2023

[2023-0164](#)

Quarter 2 Financial Report FY 2023

Director of Finance Joann Bury outlined the agenda for the quarterly report. She mentioned that the report would cover the results for the General Fund, special funds, Capital Improvement Funds, income tax trends for the second quarter, investment performance, and a conclusion based on these results.

Chairman Schnetzer inquired about the procedure for the upcoming presentation of the quarterly report. He suggested taking pauses between the major fund groups to allow for questions. Director Bury agreed with this approach.

Director Bury began the presentation by discussing the General Fund revenue. She mentioned that they were at about 60 percent of the budget, which was an 18 percent increase compared to 2022. The main drivers of the increase were investment income and income tax. Fines, fees, and license improvements also showed an increase due to higher activity in sports, shelter rentals, Mayor's Court, and citywide construction. Moving on to General Fund expenditures, Director Bury stated that they were at 40 percent compared to the budget, with an 11 percent increase compared to 2022. When factoring in encumbrances, they were at about 58 percent of the

budget. The increase compared to 2022 was mainly attributed to salaries and benefits due to negotiated agreements, changes to the unclassified salary ordinance, and filling new and vacant positions from the previous year. Contract services decreased slightly due to the absence of one-time initiatives from 2022. Director Bury highlighted that the General Fund had an excess of expenditures over revenues for the quarter, amounting to about \$5.1 million before transfers and advances. Transfers were mainly related to debt service, including the final advance from the Water Fund. After considering these transfers and advances, the General Fund had an addition of about \$4.5 million to its fund balance, resulting in a Q2 fund balance of approximately \$33 million. Of this, \$5.5 million was reserved for encumbrances, \$7.45 million was reserved for emergencies, leaving \$20 million unreserved, equivalent to about 10 months of operating expenditures.

Director Bury paused for questions for the General Fund. There were no questions.

Next, Director Bury provided an overview of the special revenue funds, highlighting similarities to the General Fund results. In all three funds, they were at about 60 percent of the budget, with income tax revenues at approximately 55 percent. The majority of the increase in expenditures was attributed to salaries and benefits. In the Public Safety and Public Service funds, salaries and benefits appeared lower due to some unfilled positions in both areas. The Parks & Recreation Fund was right on track, considering its seasonal nature, with expenditures at about 50 percent for the middle of the year. Director Bury mentioned that all three funds ended the quarter with increases. Public Safety received an additional \$21,000, Parks & Recreation received \$278,000 and the Public Service Fund received about \$1.4 million compared to their budgets. Looking at the actual results across all three funds, Director Bury noted that the increases were primarily due to income tax revenue. Although the percentages for Public Safety and Parks & Recreation seemed slightly off, it was because of a change in income tax allocation based on their expected operations for the year. Comparing the current year to the previous year, Director Bury stated that expenses had increased, particularly in salaries and benefits. Additionally, participation in Parks and Recreation had continued to rise, approaching pre-pandemic levels.

Director Bury paused for questions for the Special Revenue Funds. There were no questions.

In the Capital Improvement Fund, Director Bury noted that revenue was at about 54 percent of the budget, reflecting a seven percent increase in income tax revenue. Expenditures stood at approximately eight percent of the planned budget, with a majority of that amount allocated to encumbrances for ongoing projects. These figures were as of the end of June, and it was expected that expenditures would increase in the third quarter as projects progressed throughout the year. The unreserved fund balance in the Capital Improvement Fund was nearly \$5 million at the end of the second quarter.

Director Bury paused for questions for the Capital Improvement Fund. There were no questions.

Director Bury provided a detailed overview of the income tax trends, highlighting key areas of interest. She mentioned that there had been an expected increase in withholding taxes due to the economic expansion in the area. However, the net profit tax continued to decrease as businesses adjusted their models post-pandemic. A notable increase was observed in the "individual" income tax category, and Director Bury expressed the need to monitor this closely in the upcoming quarters to determine if it was a sustained trend or an anomaly. Moving on to investments, she noted that a significant portion of funds were invested in various instruments, including treasuries, corporate paper, STAR Ohio, and mutual funds. Investment income had exceeded expectations, largely due to rising interest rates, and this trend was expected to continue. In summary, Director Bury emphasized that the economic expansion seen in the first quarter continued into the second quarter, resulting in revenue stabilization. She anticipated that this trend would persist throughout the remaining quarters of the year. While unemployment rates were tightening, she expected positive results for the city as the job market continued to improve in 2023.

Chairman Schnetzer inquired about the city's investment portfolio and the substantial income it generated, significantly exceeding expectations. He expressed interest in whether there had been discussions with the city's investment advisor regarding the possibility of extending the maturities of investments to capitalize on the high interest rates. He acknowledged that the current strategy favored short-term investments due to favorable rates, but he also pointed out that these conditions might not last indefinitely. Chairman Schnetzer sought insights into potential discussions or plans related to the Investment Portfolio's maturity schedule.

Director Bury responded to Chairman Schnetzer's question, stating that while there had been discussions with the city's investment advisor about the investment portfolio's strategy, the focus had been on staying relatively short in terms of maturities. She explained that the current expectation was that interest rates would continue to rise with several more rate hikes anticipated by the end of the year. However, the plan was to look more toward extending maturities in the first quarter of the following year. Director Bury emphasized that they were keeping a close eye on interest rate trends and would adjust the portfolio strategy accordingly.

C. ADJOURNMENT:

With no further business before the Finance Committee, the Chair adjourned the meeting at 7:56 p.m.

Jeremy A. VanMeter
Clerk of Council

*APPROVED by the Finance Committee, this
day of 2023.*

Michael Schnetzer