

# City of Gahanna

200 South Hamilton Road  
Gahanna, Ohio 43230



## Meeting Minutes

Monday, January 27, 2014

Immediately Following Committee of the Whole

Council Committee Rooms

### Finance Committee

*Michael Schnetzer, Chair*

*Karen J. Angelou*

*Ryan P. Jolley*

*Thomas R. Kneeland*

*Brian D. Larick*

*Jamie Leeseberg*

*Stephen A. Renner*

*Kimberly McWilliams, CMC, Clerk of Council*

**ROLL CALL:**

**Present** 7 - Brian D. Larick, Jamie Leeseberg, Karen J. Angelou, Ryan P. Jolley, Stephen A. Renner, Thomas R. Kneeland, and Michael Schnetzer

**ADDITIONAL ATTENDEES:**

City Attorney Ewald, Dottie Franey, Joann Bury, Matt Holdren, Karl Wetherholt, Gen. James Williams, Chief Murphy, Niel Jurist, Anthony Jones, Mayor Stinchcomb, Sue Wadley, Jennifer Teal, Tony Collins, Carter Bean, Greg Gallas, 2 residents, Clerk McWilliams.

**PENDING ISSUES - From Chair Schnetzer****1. Risk-Based Review of Reserve Policy Outline**

Schnetzer asked what Council deemed an appropriate use of the reserves and that will guide us down the path of how much that should be; structure the conversation into 2 buckets; one is revenue and one is expenditure; asked Teal about cash flow and timing; any kind of intracalendar year peaks and troughs and the concept of max draw down. Teal stated generally from a revenue standpoint, we have a steady cash flow; most general fund revenue 65-70% comes in from income tax collections; that comes in from employee withholdings and most do that on a monthly basis; that is a very steady \$1million/month coming in from RITA; do see a pick up in May when many individuals pay their amounts; but it is generally between \$1.1 and \$1.3 million; other top revenue sources are charges for service, court fees and fines; that income is pretty consistent; we have a decent amount of revenue coming in from recreation; that is summer-centric; property distributions in February and September; total property taxes are about \$1.6 per year in the general fund.

Teal continued on the expense side: primary expense are salaries and benefits; does pick up in summer when we have a lot more part-timers coming in; capital projects tend to be later in the year after it has warmed up; have a large spike in cash related to debt services but that is not coming out of the general fund; out of debt service fund; this is all relevant when you take it in contrast to economies of other entities; for example, if we were dependent on sales tax, you could see huge shifts month to month; in my opinion, a risk we would have is a large withholder leaving; that would be the type of risk that would affect us from a revenue standpoint. Schnetzer asked about lowest month. Teal stated couldn't say; certainly earlier in the year; once tax season hits, we do pick up. Larick asked who the largest withholder is excepting the City and Schools. Teal was not sure; largest withholder brings in more than half million a year; that is a significant portion; we

get a report from RITA every month; can provide that. Schnetzer asked about interyear fluctuations. Teal said we analyzed income tax data quite a bit; meat of information lies there; looked back to 2000; there was one gross anomaly, the year we transitioned to RITA; was not a problem but we had a month where we received no income tax cash because we did not receive it while RITA began collecting; done our best to normalize that data; we did feel the impact of the recession; have seen a very slow and steady increase in income tax collections; have not identified any other large or inexplicable change in collections; one area difficult to predict is net profit return; can be variable but it is such a small portion; 5% of income tax collections. Schnetzer stated beyond revenues, let's look at expenses; anything that would blow a hole in our budget. Larick asked what we consider an emergency; what this fund would be used for. Mayor stated Franklin County as well as Gahanna has done a natural disaster analysis. Gen. Williams stated we have done a hazard analysis and analyzed probability of a number of hazards; some are unique to Gahanna; other parts of the County don't have to take into consideration airplane crashes into City buildings; flooding is the number one hazard that we face; based on historical facts and geographic location on Big Walnut Creek and Hoover Dam being close by; flash flooding is something we face; Oklahoma Avenue is the only facility to really face that hazard; if you don't have flood insurance and there is no need to have it; if you have a major flood and it is classed as presidentially declared disaster, FEMA will pay you a 5% loss; things like a tornado, major fire are covered by insurance; anyone that would fund you for disaster will ask how much insurance coverage you have; we have a \$1,000 deductible; they will fund 75% of that; we have a good handle on the hazards that may affect the City and they are insurance covered. Mayor stated sometimes there are cash flow issues. Schnetzer stated let's work towards quantifying those. Larick stated from a disaster standpoint, those things are covered, what about an incident where the businesses are closed and cannot reopen, now you've got a loss of revenue. Gen. Williams stated FEMA will not compensate any of that. Leeseberg stated we have day to day expenses and people working around the clock. Gen. Williams stated our risk is not so much the cost of property the City owns but the loss of revenue if a disaster were to destroy a business. Schnetzer asked do we have the capability of modeling something like that. Gen. Williams stated you could project that; all probabilities and possibilities; should think about what the impact would be if we were to lose a major employer for a set amount of time. Schnetzer stated what defines an emergency; economic recession, would that constitute an emergency. Larick stated it needs to have structure around it but yes. Gen. Williams said if you want to define that, you could say any type of emergency that creates a loss of revenue of 10-15% to City. Kneeland stated there will be an expense rate also. Teal stated she

has seen specific but not limiting language regarding how Council could define an emergency; she has also seen discussion of other economic events that reduce revenue by x% for 2 quarters. Schnetzer asked about financial risk; do we have any variable rate or derivative exposure. Teal answered no. Schnetzer asked if there is any legal risk. Wadley stated workers compensation covers that. Teal added that we are self insured for workers compensation; we do not have enough to cover stop loss gap for catastrophic injury; if we were not self funded, we would not have the outlay up front but our rates would go up so significantly that it would feel the same. Schnetzer asked about negligence. Franey answered we would have liability insurance for that; we would have deductibles and reinsurance amounts; the amount depends on the issue; it is either \$5,000, \$10,000 or \$15,000. Angelou asked about law suits. Ewald answered he thinks we have 6; can get the number. Schnetzer said he wanted to define emergency in this conversation then move to quantifying it. Angelou stated there was something mentioned in the paper about Gahanna Grill saying they don't have anyone coming in due to weather. Schnetzer asked about an extreme winter and any data on those expenditures. Wetherholt stated there is another thing that could happen; something like Cherry Bottom Road sliding over the hill. Teal named it infrastructure failure; risk is low but cost is high. Larick asked is there a debt source to be used. Teal answered yes. Gen. Williams stated you do need to front those funds. Leeseberg stated if we have to front the money, we also lose the income from the investment. Larick asked how we go from this discussion into a statement. Schnetzer stated he was hoping to get a laundry list of things and talk about mitigating factors. Franey stated in enterprise funds, a certain percentage of funds are set aside for danger of revenue falling; there is also a percentage we hold back for capital issues; separate operating fund we work out of. Kneeland asked would there be a disaster type that would overrun those funds. Franey stated anything is possible but we did what you are doing here; tried to come up with what are all of the possibilities and what is the worst one; or you could go with a percentage of your revenue; we did both and go with a percentage on a regular basis because it seemed to cover the most catastrophic thing that could happen. Schnetzer asked Police for any type of emergency that would tax the Police Division. Chief stated we would automatically do mutual aid with other agencies; if there was a long term situation; we would get the job done or bring in other agencies. Kneeland asked if you had a situation with guys taken out of work force for a long time, would mutual aid run out or would we have to pay them back. Chief stated we would be very efficient but we wouldn't do a lot of additional business; would not be beyond us to ask the National Guard for help. Angelou asked about ammunition and lack of it; what happens if that becomes worse. Chief stated ammunition has quadrupled in price; we never just do minimum; if another department

was in a pinch we would help them; as I would expect they would help us. Larick asked for next step. Schnetzer stated we will compile all we talked about and ask directors about mitigating factors and bring it back to committee. Leeseberg thanked directors for coming with such great information tonight.

**Jayme D. Maxwell, CMC, Reporting**