

Factors Influencing the Budget

Recovery

- It is unclear when the pandemic will officially be declared over.
- There is still concern over continued variants and low vaccination rates.
- There are many economic indicators improving but some are still not at pre-pandemic levels.
- Inventory bottlenecks and labor market shortages creating increases to wages and inflation but this will more than likely slow.
- Good news is Initial forecasts which did not predict recovery until after 2023 are now estimating recovery will begin in 2023 into 2024.
- What does that mean for 2022?
- Holding steady on revenue projections for 2022 with little or no growth based on adjusted 2021 estimates.
- As well as requesting various projects to consider with ARP funding to help keep recovery moving forward.

Planning

- As GoForward Gahanna reaches the end of the initial five-year period, a refresh of this plan is underway.
- The refresh will consider the increase in the income tax rate; new risks associated with the pandemic; City facilities and other items our residents, Council and the Administration identify as important to accomplish over the next five-year period to keep Gahanna strong and growing.
- New for the City and, also underway is an official Capital Improvement Plan. With 75% of the 1% increase to the income tax rate restricted for capital maintenance and improvements; identifying a long-term plan for this valuable resource will be very important.
- City facilities will be incorporated into the CIP also.
- While the Administration has been working on the refresh of the strategic plan, formulation of a capital improvement plan and assessment of City facilities this will continue into 2022.

- Appropriations are included for finalizing these items to create a successful path forward for the City as well as to address some of the long-standing deficiencies of the City's facilities that cannot be postponed.

Revenue Post Pandemic

- As recovery continues, monitoring revenue for post-pandemic trends will be very important.
- Will work from home business models continue to trend up and what impact will this have on withholding income taxes?
- Will withholding refund requests increase significantly not only because of WFH but also from how employers withheld taxes in 2020 and 2021 and pending lawsuits surrounding the 2020 withholding?
- While these may have a negative impact on revenue the City now has a fully staffed Development Department and the Planning Department has the first year as a newly created department under their belt.
- These two departments play a key role in the economic success of the City and have already created positive momentum in 2021.
- As the Central Ohio area continues to grow it is expected that Gahanna will be able to capitalize on this growth with the expertise of these departments.
- For 2022, it is predicted that this will keep our largest revenue source, income taxes, steady.

Staffing

- Except for the Finance Department and Police Department, all other departments are under new leadership since 2020.
- Leading up to the income tax increase, all departments were under-staffed and since the income tax increase capital maintenance and improvement projects have increased and new items, such as the rental code and sidewalk program have been implemented.
- The original plan for 2020 was to begin hiring staff to ensure continuity of services at an acceptable level and pace.
- Because of the pandemic many of these positions were deferred and included for 2021.

- While this has provided departments with additional human resources needed it did not fully address the additional services and projects.
- The 2022 appropriation request includes the addition of staffing in most departments to meet demands for services successfully. Detailed information on staffing requests are located in the All Funds Summary beginning on page 34 and within each departmental narrative which begins on page 55.

Human Capital

- During 2021, the City contracted with Clemens Nelson to perform a comprehensive compensation study.
- The purpose of this study is to ensure we are compensating current employees in line with market trends to retain current talent and to attract new talent with the appropriate qualifications.
- This will be an important piece for Council to consider as attracting and retaining qualified employees is extremely challenging right now and not just for Gahanna but nationally.
- This study also looked at compression between supervisory and non-supervisory staff to ensure an adequate and equitable compensation for supervisory staff.
- The appropriation request includes increases to various employees based on this study and recommendations from Clemens Nelson. This is discussed within the All Funds Summary on page 37.

Revenue by Fund Type

- In total revenue is projected to increase by 3% or \$2.5 million. However, there are a few things to consider.
- For the General Fund, the Public Service division of general services and the Parks & Recreation division of recreation were budgeted from special funds.
- 2021 began with additional unreserved balances in these funds from income taxes producing more than anticipated in 2020 and a reduction in planned expenditures for 2020 resulting from programming and event cancellations due to the pandemic.

- For 2022 it is not anticipated the special funds will have adequate resources to fund these activities so they are being reclassified back to the General Fund.
- Enterprise Funds includes intergovernmental revenue of \$1.9 million for requested ARP funds for various projects related to water and sewer infrastructure improvements.
- These resources are also included in the ARP fund.
- Accounting standards require the grant funding first be deposited to the grant fund then granted or transferred to the proprietary funds.
- This maintains all costs associated with the operations of our proprietary funds within these funds while demonstrating compliance with federal grant requirements.
- There was also a new accounting standard which changed how we treat certain funds as custodial or funds held on behalf of others that are not generated or expended under the administrative authority of the City.
- This required a budget for Developer's Escrow which did not previously require a budget and reclassification of the Refuse Escrow Fund as proprietary.
- Excluding these items results in an increases of \$175K or .24%

Revenue by Classification

- As noted under revenue by fund type intergovernmental revenue for ARP funds is included in the special revenue funds and as granted to the Enterprise Funds. Intergovernmental revenue would be an increase of \$212 thousand or 4.02%. Other items to note:
- The decrease in income tax revenue is all related to an anticipated increase in refunds. Refunds were increased 75% in anticipation of withholding refund requests for 2021 and possibly 2020.
- The increase in property taxes is determined by the County Auditor.
- Payments in lieu of taxes were calculated based on valuation information from the County Auditor and effective tax rates. This will be monitored and valuation information updated once the 2021 valuations are completed.

- Other local taxes which is lodging tax is expected to rebound significantly based on activity through the third quarter of 2021. This is still below pre-pandemic levels.
- Fines & Fees increased as a result of accounting standard changes requiring Developers Escrow Fund to have a budget. Previously a budget was not required for this fund.
- Investment income is expected to rebound based on our investment advisor's analysis of the City's current portfolio, maturity dates, and inventory of investments to purchase. This is also still below pre-pandemic levels.

Appropriation by Fund

- In total appropriations are increased by \$8.1 million below are important items to note:
- For the General Fund a portion of this is the reclassification of Public Service general services division and Parks & Recreation division of recreation from special funds to the General Fund as discussed during revenue.
- As discussed under revenue, ARP funds must be posted to a special fund and then grant or transfer the funds to the proprietary funds. This results in the actual expenditures for the projects accounted for from the proprietary funds and an equivalent expenditure from the ARP fund granting the award.
- There is also the change in accounting standards discussed earlier which impacts appropriations as well.
- Excluding the above, appropriations would have increased by \$5.8 million or 8%. 65% of this increase is related to an increase in capital maintenance and improvements of \$3.8 million (\$1.5 million in TIF projects, \$1.7 million in proprietary projects and \$750 K for capital)

Appropriation by Classification

- Salaries and benefits appropriations increased by \$1.1 million or 5% as the result of the following:
- 3% increase for USW employees as negotiated for 2021.

- 2% increase for Police and Dispatchers to be negotiated as these contracts expire the end of 2021.
- 2% increase for unclassified employees that are not part of the compensation study recommendations.
- Average of 6% increase for employees that are part of the compensation study recommendations.
- Request to add 16 positions. See page 34 of the All Funds Summary for details.
- Contract services appropriations increased 15% or \$3.7 million as the result of the following:
 - ARP grants to the water and sewer funds for requested capital improvements to infrastructure.
 - Increase in contract services for water, sewer and refuse services.
 - Requests for increases for technology for the new timekeeping and scheduling systems, work order and asset management system, and updates to the City website.
 - Increases to park and recreation programming for Price Road.
 - Funding for the Parks Master Plan refresh and Academy Park re-design.
 - Communication services increases.
 - Increase to capital outlay as discussed previously.

General Fund Overview

Revenue

- As discussed previously there are various uncertainties surrounding income taxes.
 - What trends we may experience post pandemic.
 - Increase of withholding refunds in general and from pending litigation.
 - For 2021 we predicted a continued decline of 10% for income tax.
 - But the third quarter of 2021 reflects an adjusted projection to the end of the year of a 5% increase.
 - We based our 2022 projection as zero growth from the 2021 adjusted projection of \$19.6 million but have increased expected refunds by 75% or an increase of \$252 thousand.

- This results in a slight decrease of 1.3%. This will be monitored closely over the next few years to identify the post pandemic trends.
- Based on County Auditor estimates, property tax is expected to increase by 13%.
- Based on 2021 third quarter collections it appears lodging tax is beginning to recover. The 2021 third quarter collections were projected forward to 2022 and it is anticipated this will increase by 63% however this is still below pre-pandemic levels.
- Based on County Auditor estimates local government funding is expected to be 13% more than 2021 creating an overall 10% increase to intergovernmental revenue.
- Our investment advisors prepared and investment income analysis based on current withholdings, expected rate increases and inventory of investment available for items maturing. There is expected to be a 26% increase.
- The increase in fines and fees and charges for services is related to the movement of activities from the special funds to the general fund as discussed previously. Excluding this, both revenue sources are relatively flat with less than 1% growth expected for charges for services and 2.5% expected for fines and fees.
- In total revenue for the general fund is anticipated to increase by less than 1% or \$169 thousand after excluding the reclassification of activities.

Appropriations

- As a service organization, salaries and benefits make up the majority of General Fund appropriations or 67%. An 8% increase is anticipated for salaries and benefits based on the following requests for 2022:
 - A portion of this increase \$563,000 or 41% is related to the movement of activity from the special funds to the general fund.
 - The remaining 59% or \$798,000 is for the following:
 - USW increase of 3% based on the negotiated agreement expiring at the end of 2022.

- 2% increase for FOP and FOP/OLC employees for contracts expiring at the end of 2021. This is not official and will be negotiated.
- 2% increase for non-union employees that are not part of the compensation study.
- 40 non-union employees were identified in the compensation study as requiring an adjustment based on supervisory compression, shift in the pay scale and market driven adjustments based on specific job classifications. This averaged a 6% increase in pay rates for these employees.
- There is a request to add 9 new FT employees, 1 PT employee and move 1 employee from PT to FT. A portion of this cost will be offset by reducing PT staff by 3 employees. Page 34 and 55 for more details.
- The second largest appropriation is contract services. An increase of 28% is expected based on the following:
 - A portion \$876,000 or 68% is from the movement of special revenue activities.
 - The remaining \$400,000 or 32% is for the following:
 - Technology services for the new work order and asset management system, time keeping and scheduling systems, website re-design, lifecycle replacements.
 - Increase in professional development resulting from increased staffing including the addition of supervisory staff requiring management training.
 - Increase in recruitment cost including civil service testing and marketing to attract the most qualified candidates.
 - Recreation programming increases for Price Road anticipated to open in the fall.
 - Parks & Recreation master plan refresh.
 - Costs related to the new emergency communications center.

- Increased cost for communication services including website re-design.
- Remaining appropriations are anticipated to remain relatively consistent to 2021. The increase in materials and supplies is directly related to the special revenue movement and excluding the reclassification is actually a decrease of \$51,000.

Fund Balance Impact

- I would also like to note that for 2021 the plan was to use \$1.8 million of fund balance. However, based on updated revenue estimates it appears we will end 2021 with a surplus of \$665 thousand.

Capital Maintenance & Improvements

- As mentioned previously the Administration is currently in the process of refreshing the City's strategic plan and creating the first Capital Improvement Plan for the City. These plans will include amongst other things a plan for the City's facilities.
- For the 2022 budget request the Administration analyzed the Capital Needs Assessment to identify projects that are within the current strategic plan, high priority projects, and other projects that while not in the strategic plan or a high priority would provide a meaningful improvement to residents or will improve economic growth.
- The 2022 request includes \$7.7 million for capital maintenance for Government Funds and \$993,000 in capital maintenance for the Enterprise Funds.
- There is \$7.2 million in capital improvements requested for Governmental Funds and \$2.8 million for enterprise funds.
- More detail can be located in the Capital Improvement section of the budget book beginning on page 114.

ARP Funds

- More information on ARP Funds is located in the Special Revenue Funds section of the book beginning on page 187.