

City of Gahanna  
2015 Budget Message

Members of Council,

As your Mayor, I am pleased to present to you the Administration's 2015 Budget request for your review and consideration. This budget was developed as a part of a year-long effort to forge a path to long-term sustainability for the City of Gahanna—an effort marked with an unprecedented level of collaboration and sharing with Council, City staff and our citizen stakeholders.

This memo will outline the environment, issues and strategies that guided development of the 2015 budget request. This introductory budget message will focus on the City's primary operating budget, including the City's General Fund and Capital Improvement Fund. It will focus on the City's fiscal environment, financial forecast and strategic framework for developing the budget.

**Factors Influencing the 2015 Budget Development**

The Great Recession of 2008 and our two failed attempts at increasing General Fund revenue through an income tax levy are the primary reason behind the need for this focus on sustainability. While some of our revenue streams have recovered, and indeed flourished, since the recession, many have not. The chart below shows the difference between Gahanna's General Fund revenue collection in 2007 (a fairly typical pre-recession year) and our estimates for 2015. While there has been a substantial increase in income tax collections between 2007 and 2015, most other revenue streams that the City historically relied upon have diminished.

General Fund Revenue Source	2007		2015 SOM Est.		Change Since 2007	
INCOME TAX	\$ 14,580,160	50%	\$ 17,389,100	68%	\$ 2,808,941	19%
REAL ESTATE TAXES	\$ 1,719,826	6%	\$ 1,612,000	6%	\$ (107,826)	-6%
FINES & FEES	\$ 999,443	3%	\$ 1,519,800	6%	\$ 520,357	52%
TRANSFERS	\$ 1,921,200	7%	\$ 1,440,200	6%	\$ (481,000)	-25%
RECREATIONAL INCOME*	\$ 626,926	2%	\$ 890,200	3%	\$ 263,274	42%
LOCAL GOVERNMENT FUND	\$ 1,624,049	6%	\$ 730,000	3%	\$ (894,049)	-55%
OTHER TAXES	\$ 719,804	2%	\$ 503,500	2%	\$ (216,304)	-30%
INTEREST & INVESTMENT INCOME	\$ 2,517,956	9%	\$ 475,000	2%	\$ (2,042,956)	-81%
ADMINISTRATIVE/SERVICE CHARGES	\$ 481,136	2%	\$ 433,100	2%	\$ (48,036)	-10%
LICENSES & PERMITS	\$ 420,454	1%	\$ 427,400	2%	\$ 6,946	2%
MISCELLANEOUS INCOME	\$ 703,772	2%	\$ 136,000	1%	\$ (567,772)	-81%
GRANTS	\$ 2,899,578	10%	\$ 45,000	0%	\$ (2,854,578)	-98%
<b>Total</b>	<b>\$ 29,214,302</b>	<b>100%</b>	<b>\$ 25,601,300</b>	<b>100%</b>	<b>\$ (3,613,002)</b>	<b>-12%</b>

The greatest reductions in our operating revenues are a direct effect of the recession. Grant revenue to the City has diminished because State and Federal funding sources have shrunk and may have matching requirements that the City cannot provide. Interest and Investment Income has taken a sharp drop both because we have less cash to invest and because the return on the types of investments that the City can make have dropped drastically. The Local Government Fund was cut in

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half by the State legislature in their last biennial budget cycle as a way for the state to reduce its overall budget.

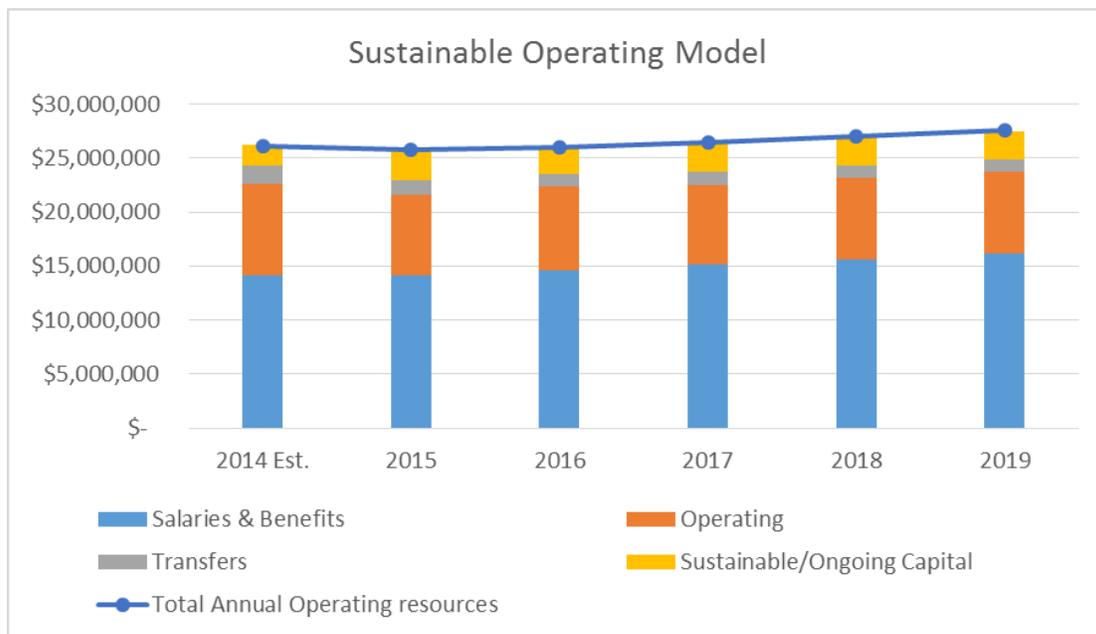
This fundamental shift in our revenue environment has forced us to look closely at what we consider to be our City’s core services. The natural and appropriate short-term response to the recession was to reduce or eliminate funding for capital investment and equipment lifecycle replacements. This is an approach that can be sustained for a year or two, but it cannot become a long-term strategy without consequences.

**Sustainable Operating Model**

The 2015 budget request has at its foundation the concept of *Sustainability*. Throughout 2014, staff honed what we call the Sustainable Operating Model (SOM). The SOM is built upon two key ideas:

- 1) We will maintain the City’s existing core infrastructure and assets at a professionally appropriate level; and
- 2) Ongoing operating costs must be able to be paid for using ongoing revenue sources. That is, we will not rely on one-time windfalls, accumulated savings, or short-term cost-cutting measures to balance our operating budget.

The SOM is a five-year plan for General Fund funded City operations. The 2015 portion of the SOM is the core of the Administration’s 2015 budget request. This plan combines information from our historical trends, future revenue and expense projections and our five-year Capital Needs Assessment to determine a sustainable ongoing level of operations for the City. The revenue forecast includes conservative growth estimates, which average 1-2% per year.



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The expenditure forecast is based upon 2014 operating levels as a base, with conservative increases for salaries, benefits, and other operating expenses. Long-term savings have been achieved by reducing overall staffing from pre-recession levels, backfilling full-time positions with part-time staff where feasible, and reducing or eliminating programs and services that are not deemed core to the City's operations.

The SOM includes steady annual funding for sustainable operating capital expenditures. Sustainable operating capital is defined as those capital projects and items that are needed to sustain current operations. For example, annual road paving and maintenance programs, vehicle and equipment replacement programs and technology lifecycle replacements are categorized as Sustainable Operating Capital. The table that follows details the Sustainable Operating Capital included in the 2015 budget request.

Category	Division	Planned Capital Improvement	2015 Request
<b>General Fund</b>			
Sustainable Ongoing	Parks & Recreation	Creekside Park and Plaza Repairs	220,000
Sustainable Ongoing	Parks & Recreation	Golf Cart Replacement Program	30,000
Sustainable Ongoing	Public Safety	Police Facility Maintenance and Upkeep	75,000
Sustainable Ongoing	Public Safety	Police Radio Replacement Program	75,000
Sustainable Ongoing	Public Service	General Fund (Except Police) Equipment Replacement	300,000
Sustainable Ongoing	Public Service	Police Vehicle Replacement Program	400,000
Sustainable Ongoing	Technology	Physical Server Lifecycle Replacement	32,500
<b>Total, General Fund</b>			<b>1,132,500</b>
<b>Capital Improvement Fund</b>			
Sustainable Ongoing	Parks & Recreation	Park & Golf Course Annual Paving	60,000
Sustainable Ongoing	Parks & Recreation	Play Elements & Surfacing Replacement	60,000
Sustainable Ongoing	Public Service	Asphalt Overlay*	917,000
Sustainable Ongoing	Public Service	Street Lights at Intersections	20,000
<b>Total, Capital Improvement Fund</b>			<b>1,057,000</b>
<b>County Permissive Fund</b>			
Sustainable Ongoing	Public Service	Asphalt Overlay*	190,000
<b>Total, County Permissive Fund</b>			<b>190,000</b>
<b>TOTAL, GOVERNMENTAL FUNDS</b>			<b>2,379,500</b>

\*Asphalt overlay program to be partially paid by County Permissive Tax fund in 2015.

In addition to the operating capital projects that are included in the 2015 budget request, the SOM includes a placeholder for annual debt service payments cover the bonding of two operating capital projects that would be good candidates for bond financing. These include completing 1/3 of the City's remaining Detroit street rebuilds (\$4.5M) and completing sections 4 and 8 of the Big Walnut Trail (\$3.4M). The City's 2007 outstanding bonds are a likely candidate for refunding so it would be ideal to combine these three initiatives into a single bond issuance in 2015. The Administration will bring forward a proposal for this bond financing package in early 2015.

By providing steady annual funding for these ongoing capital needs, the City will be able to proactively manage and minimize the operations and maintenance costs that would be required to service aging infrastructure.

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**Long-Term Plan for One-Time Resources**

While the SOM does not rely on one-time savings or windfalls to pay for the operational needs of the City, it does not address the need for funding for one-time capital improvement projects and other strategic one-time initiatives. In conjunction with the year-long collaborative process undertaken with Council this year, the Administration has developed a long-term plan for funding high priority one-time projects using one-time resources.

Finance staff estimate that the City will begin 2015 with \$14.5 million in one-time resources. This is made up from the anticipated unencumbered, unappropriated balances of the General Fund (\$10.2M), Permanent Improvement Fund (\$1.1M) and Capital Improvement Fund (\$3.2M). Note that the General Fund Emergency Reserve of \$6.4 million is not included in this total.

The Administration's budget request includes a plan to allocate these funds in a way that prioritizes job creation and critical infrastructure needs. \$2.2M in one-time expenditures is included in the 2015 budget request. Capital projects that are proposed for 2015 are either currently underway, needed to reduce ongoing operating expenses, or are the result of valuable partnerships that leverage the City's funds to receive far greater benefit than would otherwise be possible.

The plan includes three strategic operating expense items as well, the net operating loss for operating the City's pool facilities in 2015 while a thorough analysis of future options is undertaken, funding for a strategic plan that involves substantial community and Council involvement, and funding for emergency lock down safety supplies to enhance building security in the event of an active shooter scenario.

In addition to 2015 expenditures, the plan includes holding \$1.6M of the one-time resources to complete one in-progress capital project later in the planning period, partnering with Columbus to widen Morse Road from Hamilton to Trellis.

This plan also includes holding \$3M of the one-time resources aside until the completion of the currently ongoing economic development strategic plan to invest in job creation and economic growth. It also includes holding aside \$4.1M per the direction of Council as a litigation reserve related to a tax case that the City is currently appealing.

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**Long-Term Plan for One-Time Resources**

**One-Time Capital Expenses (2015)**

Hunters Ridge Pool Boiler Replacement	\$ 18,000
Creekside Parking Garage Electrical Separation Project	\$ 84,000
Golf Course Fuel Tank Replacement	\$ 100,000
Hamilton Rd Central	\$ 728,000
Morse Rd Columbus Project - Hamilton - Trellis Ln	\$ 150,000
Safe Routes to Schools Phase II	\$ 159,000
Dual Core Network Switches	\$ 100,000
GNET Fiber Network Growth & Redundancy	\$ 26,000
Carpenter Road Culvert Replacement	\$ 281,550
US 62 Resurfacing	\$ 350,000
<b>Subtotal, One-Time Capital Expenses</b>	<b><u><u>\$ 1,996,550</u></u></b>

**One-Time Operating Expenses (2015)**

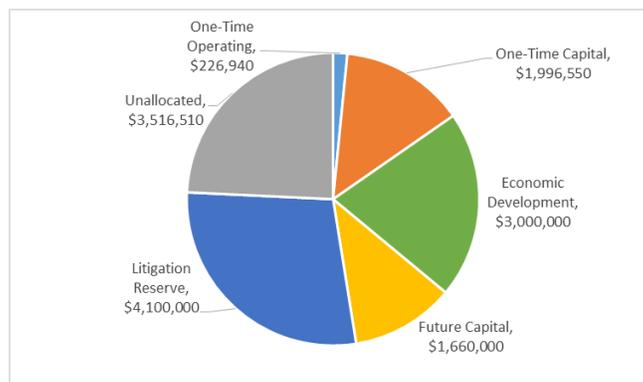
Annual Net Operating Loss--Pools	\$ 91,940
Strategic Plan	\$ 100,000
Emergency Lockdown Safety Supplies	\$ 35,000
<b>Subtotal, One-Time Operating Expenses</b>	<b><u><u>\$ 226,940</u></u></b>

**Hold for Future One-Time Expenses (2016-2019)**

Morse Rd Columbus Project - Hamilton - Trellis Ln	\$ 1,660,000
Economic Development/Jobs Growth	\$ 3,000,000
Litigation Reserve	\$ 4,100,000
<b>Subtotal, Hold for Future</b>	<b><u><u>\$ 8,760,000</u></u></b>

**Total used/reserved** **\$ 10,983,490**

**One-time Resources Remaining** **\$ 3,516,510**



The work of Council and the Administration over the coming years will be to maximize the City's return on investment for the remaining one-time resources by prioritizing their use for projects that will help grow the economic base of the City and improve its infrastructure. The 2015-2019 Capital Needs Assessment identified over \$60 million in general government one-time capital needs for

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Gahanna during this timeframe. Careful consideration for the use these funds will be necessary to ensure that they are put the best use for Gahanna’s future.

**Budget Overview**

In addition to the General Fund, the 2015 budget request includes the City’s special revenue, proprietary and agency funds as well. The total budget request for 2015, inclusive of all funds, is \$58.2 million. The table below provides a summary comparison by major fund type, including the General Fund. The information provided here and throughout the budget document includes the actual expenditures for 2012 and 2013, total appropriations for 2014 (inclusive of supplemental appropriations passed through October 15<sup>th</sup>) and the 2015 budget request.

**Total Appropriations Summary**

Fund Type	2014			
	2012 Actual	2013 Actual	Appropriated	2015 Request
General Fund	\$ 26,383,806	\$ 23,641,985	\$ 26,066,524	\$ 26,966,290
Special Revenue	\$ 6,815,869	\$ 7,288,992	\$ 8,323,475	\$ 7,680,480
Capital Improvement	\$ 559,432	\$ 1,609,326	\$ 1,862,411	\$ 2,725,550
Debt Service	\$ 2,053,629	\$ 11,786,336	\$ 2,013,080	\$ 1,999,700
Enterprise	\$ 16,302,110	\$ 13,690,440	\$ 19,069,643	\$ 18,632,900
Internal Service	\$ 169,891	\$ 188,983	\$ 229,400	\$ 229,500
<b>All Funds</b>	<b>\$ 52,284,737</b>	<b>\$ 58,206,062</b>	<b>\$ 57,564,534</b>	<b>\$ 58,234,420</b>

Capital outlay related to the SOM and five-year plan are responsible for the increases in the General Fund and Capital Improvement Fund for 2015. Special revenue expenditures will be down in 2015, largely due to reduced spending in the Streets Fund to keep it in line with available revenue, and reductions in capital outlay in the Permissive Tax and Federal Law Enforcement Seizure funds. Enterprise spending is planned to be down in 2015, largely due to reduced capital outlay in the Water System Capital Improvement Fund.

Overall City staffing is expected to remain similar to 2014. Two full-time positions that were vacated in 2014 were backfilled with part-time staff, one part-time position was eliminated and one full-time position that had been de-funded in 2014 is requested to be reinstated in 2015 using non-General funds.

**Strategic Framework and Performance Measurement**

This 2015 budget request, the SOM and our long-range capital plan have all been developed in accordance with the strategic framework that has been in place for many years, including the City’s Mission and Vision statements and the Critical Success Factors. These Critical Success Factors of Citizen Centricity, Innovation, Effective Communication, Economic Success and Smart Growth articulate the things that must go well in order for the City to be successful. In each of their respective narratives, department staff explain the linkages between their operations and these Critical Success

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Factors. Additionally, the project information sheets for each of the capital projects included in the budget request also indicate alignment with these factors.

In addition to explaining these linkages, each department's narrative section also includes performance measurement data that quantify their key activities. In 2015, the Administration will be working to strengthen its performance measurement program, better aligning measures with strategic objectives, setting internal targets and seeking industry benchmarks where appropriate.

**Conclusion**

The creation of our annual budget request document is always the culmination of a full year of hard work by the city staff, city council, and our city stakeholders. After the ballot initiative losses in 2013, city leadership made the commitment to citizens that we would come up with a sustainable operating plan that would allow us to do the very best we could with the valuable tax dollars that we currently had available to us. The document in your hand is the product of this work. I am extremely proud of the effort that the administrative staff, city council members and community member undertook in 2014 to make that promise a reality. I want to particularly thank the staff members from across the administrative team that volunteered to participate on the Budget Committee who worked collaboratively all year to create this plan. I also want to recognize the amazing team of Administrative Directors that I am blessed to work with, whose professionalism and managerial talent in local government make our team the envy of many communities. I especially wish to thank Directors Jennifer Teal and Tony Collins, who voluntarily stepped up their efforts after the loss of our assistant city administrator position. Both of these professionals took on a lot of additional work all year to guide us through this planning process.

While this budget does not include every product or service we as city leaders would *like* to provide to our citizens, I feel this budget gives citizens the core essentials we *must* have to continue to make Gahanna the place we are proud to call home.

In Service,

Rebecca W. Stinchcomb, Mayor