



# City of Gahanna

## Meeting Minutes

### Finance Committee

Office of the Clerk of Council  
200 South Hamilton Road  
Gahanna, Ohio 43230

*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*

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Monday, March 24, 2014

Council Committee Rooms

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#### Immediately Following Committee of the Whole

#### ROLL CALL:

**Present** 5 - Jamie Leeseberg, Karen J. Angelou, Michael Schnetzer, Stephen A. Renner, and Thomas R. Kneeland  
**Absent** 2 - Brian D. Larick, and Ryan P. Jolley

#### ADDITIONAL ATTENDEES:

Jennifer Teal, Anthony Jones, Karl Wetherholt, Joann Bury, Matt Holdren, Dottie Franey, Sue Wadley, Clerk McWilliams, Niel Jurist, City Attorney Ewald, Press

#### DISCUSSION ITEMS

**DOC-0137-2014** 3-24-2014 Finance Documents

**Attachments:** [3-24-2014 Finance Report](#)  
[Discussion Questions](#)  
[Gahanna GFOA Risk Workbook](#)

#### 1. RESERVE POLICY

Teal went through Government Finance Officers Association (GFOA) risk model; filled it out based on our many conversations; wanted to answer any questions; walk through what it came up with and talk about what we do next; there are some additional considerations to talk about after that; most important place is the vulnerability to extreme events; Franklin County Emergency Management has done a very robust risk assessment; when you look at their top disasters and consider which ones apply to Gahanna, these are the ones that require consideration; those are risks in discussing with Gen. Williams, that are identified there; included some data from County's assessment; in every part of this workbook, they ask you to identify and assess all your risks and talk about how they are mitigated; how

important is it for your entity to retain reserves to help your community deal with these risks; kept Gahanna in perspective; probabilities still are not that high; put us at a 4 based on our conversations; next tab was revenue source stability; how stable are our sources; real estate tax is very stable; has been declining slightly but we have a tremendous amount of lead time; decreases seen have been very small; not nearly same scope or size as income tax; charges for service is a very big component to revenue but we can completely control that; we can control the expenses and revenue; can not offer that service; mitigates that risk substantially; struggle with income tax because of recession; all years since 2000 have had 2% growth from year to year; stable growth in the big picture; fears with regards to this source is that our top 25% of employers would pose a severe short term shock to our revenue system; don't see it being a long-term shock because we do see those facilities being back-filled; do still have some lead-time; other component of risk there is the tax abatement scenario; many are rolling off in the next couple of years; adds to concern of stability; not in long run but certainly year to year; looking at Gahanna in context of how we generally perceive our economic stability, rated a 3 in that area because in the big picture we're not incredibly high or low; perceived the rest of these as having less importance; looking at expenditures that we would use reserves to pay for; all told, could see scenarios where we could up front some costs; can't see us using reserves for that; rated that a 2; next area is leverage; are there outside forces that could force us to spend reserves; pension liability or debt service, sick and vacation payouts are some examples; rated that as a 2; liquidity was do we have cash flow issues; don't identify any liquidity risk; rated that as a 1; other fund dependency came into funding our capital improvement fund; street and state highway funds; could call upon general fund for assistance; didn't see the emergency reserve being the first place we'd look; street and state highway overtime supplemental would be the kind of thing this might be speaking to; rated that a 3; growth risks were asking questions about investments that would be paid off later; didn't see the fund going in that direction; do have identified potential infrastructure investments; rated that a 2; finally, capital projects; do we have high priority capital improvement that doesn't have a fund source; still don't see us using emergency reserve to fund regular capital needs; rated that as a 2; that tallies up to a 19; 19 encourages us to have a total reserve of 17-25%; validated exactly what we are doing; have some additional caveats; our score stayed at a 19; could correlate the score with a number; any questions about all of this.

Leeseberg said we keep talking about limited land available; we are going to run out of growth; can we realistically expect that growth and for how long. Teal said when we identified that we have close to 300 remaining acres left; hitting built out completely would happen far outside our forecast window; seeing the way we have recovered from

recession strongly; don't have a medium term concern about that; do need to look at this again in 10-15 years; will have plenty of warning; we are agile with expenditures and revenue streams. Angelou said growth doesn't only mean new growth; reinvestment growth can be more expensive. Teal said when we are prioritizing where to spend excess reserves, that certainly comes into play. Schnetzer said in brainstorming the first rough draft, we talked about putting in a review schedule. Kneeland said talked about emergency reserve and excess reserves; from an emergency reserve perspective, we are talking about replenishing those funds as well. Teal said we have been hesitant to spend excess reserves until we see a bigger plan; hope this process gets the policies there and a targeted conversation about one time expenses. Kneeland said we have a quantified use case and rationale behind it. Teal said next step was sending this to our financial advisor, Brad Sprague at Prism; he spoke about Moody's and their ratings; spoke about the City's strengths and how they would change if we moved from 25 to 20%; doesn't think lowering the balance would lower us in the ratings but they would look at us more closely; did point out that strong management and a low debt burden helps with our rating; our structural balance is important; creating a model where our ongoing annual revenue covers our ongoing annual expenses. Leeseberg said if the lowered amount does cause them to look more carefully at us, they would see this close management; would reflect positively. Teal said we made a great impression on our Moody's credit representative; Schnetzer has quantified the risk of pushing from 25 to 20%; possible it would push us down from AA1 to AA2; could fully stand behind keeping our reserves at 25%; still within our risk model; particularly because long-term sustainability plan calls for bonding a few key items like Detroit Street rebuilds. Schnetzer said impetus behind reaching out to Sprague was to get this information; asked them to run Gahanna as is; this takes some guesswork out of where we stand; refers to data provided to Council; get a raw number of 2.51; Gahanna comes out to an A1; our strengths are on left side of sheet and weaknesses on right side of sheet; asked to have our numbers run if we did go down to a 20% balance; did take us down a number; would also change a couple other things; only bringing this up so no one is surprised if we continue in this direction; if we spend excess reserves, maybe we do that after bonding; we could formally have a 20 or 25% balance but in practice have it be much higher. Teal said we can't afford additional debt service 3 years from now; so what does the bond rating get us; those decisions about potential use of reserves have to be very deliberate. Leeseberg asked what does going from a AA1 to a AA2 do. Schnetzer said it is negligible. Teal said as a City we have moved back and forth; just now appropriately categorizing our operating cost. Schnetzer said this currently shows us as not having structural balance over 5 year look-back. Teal said a good example would be the year we bonded Creekside; we booked

the bond proceeds and expenditures in 2 different years; that is an example where the data would make it look like we didn't have a structural balance; now we do a better job of appropriately categorizing those expenditures. Schnetzer asked if you can explain away those anomalies. Teal said yes; it is very hands-on; this points out that we are sensitive; we aren't so good that a change can't hurt us; our credit ranking is still sensitive to how much money we have in the bank; also in a very privileged position to be talking about being taken down from the second highest rating in the nation to the third. Leeseberg said his concern would only be why get more debt when you have money in the bank. Schnetzer said our 5 year plan does include some sort of small bond issue. Leeseberg said one of Jolley's questions in an email is there a way to borrow from a proprietary fund. Teal said legally yes, don't know that the City's proprietary funds have that excess; there are things we've never had to think about that are allowed. Franey said we have tried to tighten up what we are charging; base it on actually what we need; since it is based on something we can withhold, we never want to take advantage of that; have tried over the years to really tighten it up. Holdren stated we need to be competitive with utility rates. Angelou said there is a period of history where the rates were raised where the City subsidized the residents and did not pass rate increases on. Kneeland said it was evident that Columbus was going to maintain their rate structure. Schnetzer said with respect to reserve policy; could have a rough draft at next meeting; do we have a general consensus. Renner said case has been well made to leave it as is. Leeseberg said have no desire to move it down unless we have something specific to spend it on. Teal said if the model had spit out something different, would say let's think about something other than 25%; after much discussion, think 25% makes a lot of sense; a lot better from a policy standpoint not to change it just because you can but solidify what you have. Angelou said it is a more conservative approach. Kneeland said once we have that number and can have that separated, going to need to place remaining fund somewhere. Teal said next steps in larger planning process are ongoing; other piece is prioritization of capital projects; identifying the intent of City for those funds; how do we prioritize them. Kneeland said at some point we'll see revenue shift to where we're on the upside but we need to be cognizant of that so the carryover does not go from year to year; have some kind of policy or process of how much that fund can grow. Teal said in long run that is something a good stable community might have in place; we are in an unusual position because we have an excess reserve and an operating shortfall; there will be a draft for next meeting.

## Working Documents -

**FIN DOC**

## RESERVE POLICY

**Attachments:** [RESERVE POLICY](#)  
[SIPOC - 2-24-2014](#)  
[Reserve Policy Clips and Samples](#)  
[Rating Methodolgy Attachment](#)

**DOC-0055-2014**

## Reserve Policy Discussion Notes

**Attachments:** [Staff responses for reserve policy discussion 2 24 14 \(3\)](#)

**Jayme Maxwell, CMC, Reporting**