

Budget Development Process

Expenditures:

Salaries and Benefits – This is prepared by the Finance Director as follows:

- Projections for salaries and benefits are based on current staffing levels and input from departments about staffing changes. There were no staffing changes requested for 2018.
- The requested staffing levels are then assigned the appropriate wage rate based on union contracts and employee ordinances to calculate an annual salary based on 2,080 hours per year. This is also where a request is made to Council to increase non-union employee rates and if applicable the addition/removal of staff. If a union contract is ending before the New Year starts the last known increase is used to project forward.
- Longevity is based on actual staffing levels, actual years of service and longevity rates within the union contracts or employee ordinances.
- Overtime, shift differential and other items that are based on need and scheduling are based on trend adjusted for any unusual spikes from weather events or other unanticipated events that may not occur every year.
- Medicare, workers compensation and retirement contributions are based on a percentage of gross pay as established by federal and state laws. These percentages are applied to the gross pay calculated in the previous steps. Any known changes to these percentages are included.
- Medical insurance is projected based on the industry average increase (for 2018 this ranged between 10% - 15%) and is tweaked before approval by Council based on known rate changes and changes to the level of coverage. The consulting firm used by the consortium provides these industry averages as part of rate setting for the consortium.
- Dental, vision, and life insurance and the employee assistance program are multi-year rates or contracts. For dental and vision a 5% bump every other year has been used based on average increases in the past. However, same as medical insurance this is adjusted based on known rate changes and changes to coverage before approval. Life insurance and the employee assistance program rates have not changed in quite some time so these remain flat and would be adjusted before approval based on a notification of rate changes.

Other Operating – Each department prepares their requests and submits to finance for compilation.

- For 2018, departments were tasked with keeping other operating expenditures within the three year average actual spend unless there was a valid reason to request more.
- A request for more than the three year average was considered valid if it was based on known increases in service or pricing or a known new item such as the addition of the near-site clinic or the new web-site maintenance cost.
- Requests for increases that were not considered valid were in case of emergency requests. It is impossible to plan for the unknown and when something unanticipated arises this is a perfectly legitimate reason to go to Council for a supplemental appropriation.

Capital Maintenance (SOM, maintaining what we have but no additions or improvements)

- This is pulled directly from the Capital Needs Assessment.

One-Time Capital Improvements (New additions or improvements)

- Each department was asked, if they had to choose, which projects from the Capital Needs Assessment would they want funded if all of them could not be. The estimated cost is pulled directly from the Capital Needs Assessment adjusted for any known changes.

Revenue:

General Revenues – Income, property and other taxes, interest earnings, anything not generated specifically by a department for services they are providing. These projections are prepared by the Finance Director as follows:

- Income taxes – This is based on economic indicators and what is occurring locally with economic development. Some economic indicators are unemployment rate for the state and Gahanna from the Ohio Labor Market website; new construction; new home purchases; retail sales basically all indicators are reviewed from multiple sources to determine if there is indication of economic growth or decline. Some of these sources are the quarterly report from the State of Ohio Office of Budget and Management, economic sessions at conferences or lunch and learns, federal bureau of labor and statistics, etc. Current projects for the City's economic development are also taken into consideration. For example a new business is coming or a current business is expanding or if known, a business is leaving. Trend is also taken into consideration. For example, economic indicators are all positive and over the past three years we've experience 4% growth. It would be anticipated this would continue.
- Property taxes – This is based on information from the County Budget Commission. The Budget Commission estimates the City's valuation and anticipated collections. Council accepts this by passing a resolution accepting the tax rates and amounts as certified by the County Budget Commission.
- Interest earnings - This is based on trend over the past three years adjusted for any indication of rate changes based on consultation with our investment advisor.
- Local Government Funds – The County Auditor provides an estimate of the allocation of Local Government Funds for each subdivision.
- Lodging Tax - This is strictly based on trend over the past three years.
- Any other revenue – Miscellaneous items such as refunds or settlements are strictly based on trend over the past three years adjusted for anything unusual. For example, the City receives a large refund on a purchase and this type of purchase is not typical or the refund would not typically be received but something out of the ordinary caused it to happen.

Departmental Revenue – Charges for Services, License Permits and Fees, anything a department collects based on fee schedules established for services they are providing.

- Each department is responsible for estimating what they will bring in. Their estimation is a combination of trend analysis and known increases to fee schedules. Other things taken into consideration would be changes to a contract for services such as the School Resource Officers or reduction in number of camp days or locations.

Finance compiles all of the requests and estimates into one master document to determine if operating expenditures will exceed on-going revenue resources. If it does, individual departmental meetings are held to determine areas that can be adjusted as follows:

- Operational expenditures are reviewed. Each line is analyzed for possible reduction.
- Revenue estimations are reviewed to determine if an adjustment can be made based on new information.
- Requests for additional staffing, if applicable, is re-visited.
- Capital maintenance items are reviewed individually to determine if adjustments can be made.

Once balanced, all one-time requests are laid in to determine the impact on fund balance. The Finance Director and Mayor meet to discuss the one-time request, impact on fund balance and any changes he would like made to capital and operational requests. These changes are run through and reviewed.

The final step is a meeting with the Mayor, Finance Director and Department Director to do a final review of the numbers to:

- Discuss the Mayor's changes to the one-time and operational requests.
- Make sure the Department is comfortable with the final numbers and that nothing appears to have been missed throughout the process.

Any final changes from this meeting are run through and the final draft numbers are sent out one more time to each department and the Mayor to identify any final changes and/or errors. Once all changes are made, it is used to produce the budget book. The budget book is delivered to Council for consideration and ultimately final approval of the appropriation ordinance that establishes the legal authority for the City to encumber and expend funds.