



City of Gahanna

Meeting Minutes

Finance Committee

200 South Hamilton Road
Gahanna, Ohio 43230

Michael Schnetzer, Chair
Merisa K. Bowers
Jamille Jones
Nancy R. McGregor
Kaylee Padova
Stephen A. Renner
Trenton I. Weaver

Jeremy A. VanMeter, Clerk of Council

Monday, October 14, 2024

City Hall, Council Chambers

Immediately following Committee of the Whole at 7:00 PM on October 14, 2024

A. CALL TO ORDER:

Councilmember Michael Schnetzer, Chair, called the meeting to order at 7:12 p.m, October 14, 2024. The agenda was published on October 11, 2024. All members were present for the meeting. There were no additions or corrections to the agenda.

B. DISCUSSIONS:

1. FY 2025 Operating Budget Presentation

[2024-0196](#)

2025 Budget Request Presentation & Fund Balances 10.14.2024

Senior Director Miranda Vollmer began the presentation on behalf of Mayor Jadwin and the directors, expressing excitement in presenting the 2025 budget. She extended thanks to Finance Director Joann Bury and Finance Manager April Kincaid for their patience, dedication, and efforts in assembling the budget requests.

This year, the budget schedule was updated. Director Bury presented the 2025 estimated revenues and planned expenditures by fund during this meeting. Senior Director Schultz will present the capital budget and Vollmer will present the 2025 staffing requests the following week on October 21, 2024. From there, the operating, capital, and staffing budgets will be presented by department every Monday through November 25, 2024. Public hearings are also scheduled, and it is requested that all comments and amendments be finalized at the December 2, 2024 meeting. This schedule allows Director Bury and her team adequate processing time to prepare for the final budget review and vote scheduled for December 16, 2024. No questions were raised regarding the schedule.

Overall Budget Assumptions

Joann Bury, Director of Finance, began her presentation by discussing the overall budget assumptions. She stated that continued economic growth and stability were anticipated for 2025. She noted several one-time initiatives in the 2024 budget, such as the strategic and economic development plans, code updates, staffing study and plan, and the construction of the new Civic Center. Many of these initiatives would be completed over multiple years, with changes anticipated beyond 2025. For the 2025 budget, no new one-time initiatives were requested-only maintaining current operations.

Bury then provided an overview of the impact on the fund balance across multiple funds, including the General Fund, Tax Increment Fund, and Special Revenue Funds. Moving from left to right on the document, she explained that the 2024 beginning unencumbered fund balance represented actual cash balances at the start of 2024, less any unencumbered balances or open purchase orders (POs). The revenue and expenditure budgets for 2024 included the original budget plus any amendments requested during the year. Bury noted that the model assumed collecting only the projected revenue and spending every dollar appropriated, though history has shown the City typically brings in more revenue and spends less. If all projections hold, the City will end 2025 with approximately \$69.7 million in unreserved fund balance. The planned revenues for 2025 totaled \$102 million, with expenditures projected at \$107 million, resulting in a request to use about \$5.3 million of unreserved fund balance. However, for the General Fund, planned revenues were higher than expenditures, with an anticipated \$1.4 million in excess revenue.

Chair Schnetzer inquired about breaking down the City's budget for better clarity, particularly for those viewing from home. He noted that when hearing large sums such as \$100 million, it might be helpful to distinguish between the General Fund, which is largely tax-supported, and Enterprise Funds.

Director Bury responded, confirming that this topic would be addressed shortly in the presentation.

President Bowers asked for clarification on the concept of "zero-based budgeting." She inquired whether Director Bury was familiar with this budgeting approach.

Director Bury explained that zero-based budgeting involves starting with zero for both revenues and expenditures, and building the budget based on current needs without considering historical data. She noted that this approach is not ideal for government budgeting, as historical financial data is critical in guiding future planning. Bury emphasized that while zero-based budgeting might work in other settings, it would not be a recommended approach for the City.

Budget Request Impact on General Fund Balance

Director Bury presented the impact on the General Fund balance for 2025 and how it aligns with the City's fund balance reserve policy. She explained that the City anticipates approximately \$35.6 million in General Fund

operations, with 25% of that equating to \$9 million as an emergency reserve, an increase of \$550,000 compared to 2024.

Director Bury then reviewed the projected 2025 fund balance, which is expected to end at \$27.7 million. After backing out the \$9 million reserved for emergencies, the unreserved fund balance would be \$18.7 million. This amount is about three times the minimum unreserved fund balance required by City policy, translating to a reserve covering over six months of operational costs. Additionally, there is \$12.7 million available above the minimum policy requirement.

President Bowers asked for clarification, noting that the City reserves \$9 million for emergencies and approximately \$6 million for two months of operations. Director Bury confirmed that this is correct, with the additional \$12.7 million equating to roughly four and a quarter month of operations on top of the required reserves.

City Revenue - Governmental Funds

Director Bury highlighted the citywide revenue from governmental funds. She explained that approximately 75% of the revenue comes from taxes, with 62% of that being income tax and 13% from property taxes and PILOT (Payments in Lieu of Taxes) payments. The remainder of the revenue comes from other sources, including interest and investment income, estimated by the City's investment advisors, Red Tree Investment Advisors, as well as charges for services, which are determined by individual departments based on their yearly needs.

Chair Schnetzer asked for clarification regarding the interest and investment income of \$6.8 million and whether this figure included earnings from fund balances in enterprise funds. Director Bury confirmed that it does include earnings from both governmental and enterprise funds. She noted that while the amount is currently high, it is expected to decline in the future, referring to it as a "short windfall."

City Revenue - Enterprise Funds

Director Bury provided an overview of the Enterprise funds, which cover stormwater, water, and sewer operations. She explained that 96% of the revenue for these funds comes from charges for services. These charges are primarily influenced by the rates set by the City of Columbus, as Gahanna purchases its water and sewer services from Columbus and delivers them to Gahanna residents and business owners. The rates are established to cover the cost of services from Columbus and meet the City's mandatory requirements for maintaining and improving the infrastructure that provides clean water and removes wastewater.

Director Bury also mentioned that the City is requesting to use a portion of the fund balance from these Enterprise funds strategically. This approach allows the City to manage rates without causing significant spikes by offsetting some of the costs with the existing fund balance.

Chair Schnetzer clarified, stating, "So we're buying down the rate a little bit," to which Director Bury confirmed.

Expenditures - All Funds

Director Bury presented an overview of the expenditures across all funds, noting that they total \$107 million. She explained that although the purposes of expenditures differ between proprietary and governmental funds, the types of expenditures are the same. The largest expenditures are in salaries, benefits, and contract services. Director Bury highlighted that contract services are higher than salaries and wages due to the inclusion of Enterprise funds. Specifically, about \$19 million is allocated to contract services, with approximately \$16.4 million (89%) due to the City of Columbus for water and sewer services.

Director Bury then provided a breakdown of how the City's resources are allocated: 71% of expenditures are going toward operations; 22% toward capital projects; and 7% toward debt service.

Additionally, she shared a breakdown of the expenditure categories: Approximately 61% of total expenditures are allocated to salaries, benefits, and contract services, which is expected given that the City is a service-oriented organization.

All Funds Revenue Change

Director Bury provided a comparison of the 2025 budgeted balances with the revised 2024 budget. She explained that while the current budget request shows a reduction of approximately \$59.8 million or 37%, this is due to the issuance of debt for the Civic Center (825 Tech Center Drive). Once the issuance and premium on that debt are removed, the projected revenue for 2025 shows an 11% increase, or about \$10.2 million.

Director Bury further clarified the variations seen in income tax projections. While a 5% increase is projected, actual results are incorporated as they are received. This causes the budget percentages to fluctuate slightly, depending on how actual revenues compare with budgeted numbers.

Councilmember Jones asked for clarification on how the budgeted revenue shows an 11% increase, and Director Bury reiterated that removing the one-time debt issuance for the Civic Center revealed the \$10.2 million increase.

President Bowers requested additional information regarding interfund transfers, which Director Bury explained as the movement of resources between funds for specific purposes. For example, funds are transferred into the bond retirement fund to cover debt service payments. The majority of these transfers come from revenue sources like the Street Fund, (Tax Increment Financing) TIF funds, and Capital Improvement funds, and are then directed to the Bond Retirement Fund to pay for debt service.

Director Bury further detailed that street revenue is often transferred to the Bond Retirement Fund to cover debt service for street projects, explaining that while the payments occur from the Bond Retirement Fund, the revenue may come from other appropriate funds, such as the street fund.

All Funds Expenditure Change

Director Bury presented the expenditures across all funds for the 2025 budget. She noted that while it appears there is a significant decrease in expenditures, this is primarily due to the capital outlay for the Civic Center project. The \$76 million allocated for the Civic Center in 2024 is not reappropriated in 2025, as those funds were already encumbered and will roll over into the next year. When excluding the Civic Center appropriations, there is an overall \$3.8 million increase in expenditures or 4% over 2024.

Salaries and benefits are projected to increase to cover wage increases for current employees as well as the addition of new staff. Senior Director Vollmer will provide more details on the staffing additions at the next Finance Committee meeting.

Regarding Capital Improvements, excluding the Civic Center, the budget requests \$11.5 million more for capital purposes, representing a 104% increase over 2024. Senior Director Kevin Schultz will provide further details on the capital requests in the upcoming Finance Committee session.

There is also an increase in transfers out, related to the new debt incurred for the Civic Center. In 2025, the new Debt Service payment for the 2024 bonds is set at \$3.9 million, with 99% of this amount coming from the Capital Improvement Fund.

General Fund Revenue

Director Bury provided an update on the General Fund revenue, projecting an increase of \$3.8 million, or 11%, for the upcoming fiscal year. Most of this increase is attributed to higher interest revenue, driven by recent high interest rates. However, she cautioned that these rates are already starting to decline, with the Federal Reserve having made its first rate cut by a half base point, and additional reductions are expected in 2025 and 2026, before rates normalize.

Vice President Weaver inquired about the possibility of refinancing the City's issued bonds, similar to how homeowners refinance mortgages when interest rates drop.

Director Bury explained that changes to the IRS (Internal Revenue Service) code, likely part of the 2017-2018 Tax Cuts and Jobs Act, removed the ability for governments to advance refund bonds. Previously, governments could take advantage of lower interest rates by issuing new debt at a lower rate and using the proceeds to pay off old debt through escrow. This practice, known as advance refunding, is no longer allowed for tax-exempt bonds. The only

option now available is current refunding, which allows refinancing of bonds that are maturing within the next 90 days. This option, however, is limited to those bonds nearing maturity, and refinancing other debt before it matures is not allowed without issuing taxable bonds, which are less attractive to investors and therefore do not offer the same interest rate savings. Director Bury noted that although some creative approaches to refinancing have been attempted, they have proven difficult to execute in a way that produces meaningful savings for the City.

General Fund Expenditures

Director Bury provided an overview of General Fund expenditures, which are projected to increase by \$2.2 million to \$3 million, or 7%. The majority of this increase is attributed to salaries and benefits, which will be further detailed by Senior Director Vollmer at the next Finance Committee meeting. Other increases in expenditures are relatively small.

President Bowers requested clarification on the transfer out, given the significant deviation in this category.

Director Bury explained that the transfer out includes funds for Debt Service and an additional \$500,000 transfer due to savings on health insurance. These savings are being reallocated to the Capital Improvement Fund for wellness initiatives at the new Civic Center. These initiatives include wellness equipment, stand-up desks, and weight room equipment, which will be further elaborated on by Director Vollmer. Additionally, \$215,000 is being transferred for wireless access points at 825 Tech Center Drive, originally an IT operating request. This expense was reclassified as part of the Capital Improvement Fund to capture all costs associated with placing the new Civic Center in operation.

Finally, Director Bury presented a breakdown of General Fund expenditures by department. Public Safety accounts for the largest portion, followed by the Finance Department, which manages citywide initiatives such as transfers out and liability insurance. Other significant areas of expenditure include Parks and Recreation and Public Service.

Income Tax Projection Assumptions

Director Bury presented an overview of income tax projections and the assumptions underlying them for the 2025 budget. Key assumptions included:

Employee Pay Increase: The projected average pay increase for employees working in Gahanna is 3%. This figure is based on a recent economic forecast indicating a decline from the current average of 4% due to the normalization of the job market. The unemployment rate and job supply have stabilized, reducing the pressure on wages.

Ortho One Operations: It is expected that Ortho One's operations will begin before the end of 2024, contributing to continued growth in the City's

economy.

Small Contraction Assumption: A small contraction of 0.3% was factored into the projections to account for potential unknown factors, such as companies leaving the area, job cuts, or stagnant wages. This adjustment was made to ensure a conservative estimate for income tax revenue.

Long-Term Projections: For the years 2026 to 2029, projected wage increases were scaled down slightly, reflecting a more cautious outlook for wage growth in future years.

Year-End Income Tax Revenue for 2024: Based on current trends and taking collections through the end of September into account, it is anticipated that 2024 will end with approximately \$24.4 million in General Fund income tax revenue. This equates to roughly \$1.6 billion in total wages.

Wage Increase Impact: With a 3% projected wage increase, this translates to approximately \$48.7 million in additional wages. Factoring in net new growth of about \$26.5 million, the total projected wage increase is approximately \$75.3 million.

Income Tax Calculation: Applying the City's 1.5% retained income tax rate, this results in an estimated increase of \$731,000. Combined with \$398,000 from net new growth, the total projected increase in income tax revenue for 2025 is \$1.1 million, bringing the City's projected 2025 income tax revenue to \$25.5 million.

Income Tax & Wage History General Fund

Director Bury provided historical wage data and its direct impact on income tax collections in Gahanna, highlighting the following key points:

Wage Trends in Gahanna (2018-2025): Director Bury displayed historical data showing the fluctuations in wages in the City since 2018. A significant 7% decline occurred in 2020 due to the COVID-19 pandemic. This was followed by a quick recovery in 2021. A slowdown was noted in 2022, followed by a strong rebound in 2023. As of 2024, wage levels appear to be stabilizing as they head into 2025.

Volatility of the Income Tax Base: The data underscored the volatility of Gahanna's income tax base, driven by external pressures outside of the City's control, such as economic downturns and cyclical changes. Historically, Gahanna experiences income tax base stress approximately every 10 years. A looming reduction in income tax revenue may be anticipated in future years as the economy follows this trend. For example, during the Great Recession (2007-2009), Gahanna experienced three consecutive years of sharp declines in income tax revenue, resulting in a total loss of almost \$2 million.

Projections and Conservative Planning: Due to the inherent volatility of the income tax base, future projections are set conservatively, particularly for the

outlying years, to account for possible fluctuations or economic downturns.

Wage-to-Income Tax Correlation: There is a direct correlation between wage levels and income tax collections. As wages decline, so does the income tax revenue collected by the City. Director Bury emphasized that to generate a \$1 million increase in income tax revenue, the City would need to achieve an increase of approximately \$67 million in new wages.

General Fund Five-Year Outlook

Director Bury reviewed the five-year financial projections for the city. Key points included:

Strong Financial Outlook (2025-2029): The City is projected to maintain a solid financial position over the next five years, with no anticipated need to use fund balance until 2027 or 2028. Fiscal Year 2025 does not require any use of the fund balance, and projections indicate continued revenue growth, although not as high in the later years of the period.

Projection Model: The five-year model incorporates current known factors and applies them to future years. Inflationary increases are accounted for, with an approximate 3% increase in most expenditures, including salaries and benefits. The model uses a three-year trend to predict future salary and benefit costs. A gradual decline in investment income is also factored in as rates normalize over time.

Future Considerations (2028-2029): By 2028 or 2029, the City may need to reassess its operations or financial resources. This could involve evaluating whether operations need adjustments or if revenue projections need to be revised based on economic trends at that time.

Special & Capital Revenue and Expenditures

Director Bury turned to the Public Safety, Parks and Recreation, Public Service, and Capital Improvement funds, noting changes in revenue. She explained that despite applying the same projection and assumptions for the Capital Improvement income tax, there was an 8% increase. This was determined by comparing planned versus actual figures through September, revealing a slightly higher percentage increase. Director Bury went on to discuss the three special revenue funds, each with varying percentage changes due to adjustments in allocations based on yearly needs. These changes reflect both the increase in revenue and the adjustments in allocation.

On the expense side, Director Bury highlighted the Public Safety Fund, noting that the salaries and benefits appeared higher. This increase was attributed to the timing of adding a fourth School Resource Officer (SRO) in 2024. Initially, the plan was to allocate for only a quarter of the year, but the current figures accounted for four SROs for the entire year, causing the percentage increase to seem larger. She also mentioned that the Public Service Department was still determining its staffing needs as new hires were brought in, explaining the

3% increase in the Capital Improvement Fund. Regarding the Capital Improvement Fund, Bury noted that, excluding the Civic Center, the increase was similar to what had been previously discussed, with the request being for a comparable or slightly larger amount than last year.

Vice President Weaver asked about the apparent outlier in the Public Service Fund's Contract Services. Director Bury responded, explaining that the difference was due to several one-time initiatives in 2024, such as trip mapping, transportation, and mobility studies. These projects were expected to extend into 2025, although no additional one-time initiatives were requested for 2025.

President Bowers inquired about the Public Safety Fund's Contract Services. Director Bury acknowledged that she would need to review the revised budget to provide an answer and promised to follow up via email. However, she speculated that the difference might be related to the planned hiring of a mental health clinician, which had shifted towards contracting services for mental health support. Bury noted that the City might be taking a different approach now, but she would confirm the details later. President Bowers confirmed that the issue would be revisited when the Public Safety budget was presented, with the possibility of further clarification during the next discussion. Chair Schnetzer recognized Chief Spence, nodding in agreement, corroborating Director Bury's recollection regarding the mental health services contract.

Concluding Remarks and Budget Calendar Review

Chair Schnetzer asked for any final questions or comments from the Council regarding Director Bury's operating budget presentation. Seeing none, he proceeded to revisit the budget calendar. Chair Schnetzer noted that the operating budget presentation was received that day and that on October 21, 2024, the Council would receive the staffing and capital portions of the budget in substantially the same format.

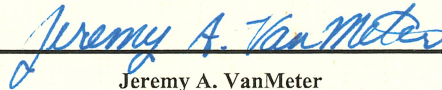
Chair Schnetzer asked Senior Director Vollmer if it was reasonable to expect the budget book to be available on that day. Senior Director Vollmer confirmed that they were working diligently to have it ready. Chair Schnetzer expressed appreciation and explained that, unlike in previous years, the budget was being reviewed department by department rather than as one large package, which allowed for a more manageable pace.

Chair Schnetzer then confirmed that the Council would reconvene on October 28, 2024, for another Finance Committee meeting, during which any questions for the Administration would be addressed. Senior Director Vollmer confirmed this timeline. Chair Schnetzer informed his colleagues that the Administration had requested all questions related to the discussions scheduled for October 28, 2024, be submitted by 9:00 a.m. on Friday, October 25, 2024. He proposed that Councilmembers submit their questions to him by 9:00 p.m. on Wednesday, October 23, 2024, so that he could compile and summarize them, combine any duplicates, and submit them by the requested deadline. He asked if the timeline was acceptable. Senior

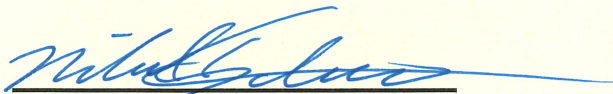
Director Vollmer indicated this was acceptable. Chair Schnetzer then concluded the discussion, stating that the next meeting would take place in a week, following the City Council Regular Meeting, October 21, 2024.

C. ADJOURNMENT:

With no further business before the Finance Committee, the Chair adjourned the meeting at 7:50 p.m.


Jeremy A. VanMeter
Clerk of Council

APPROVED by the Finance Committee, this
21ST day of *October* 2024.


Michael Schnetzer