

City of Gahanna

Meeting Minutes

Finance Committee

200 South Hamilton Road
Gahanna, Ohio 43230

Michael Schnetzer, Chair
Karen J. Angelou
Merisa K. Bowers
Nancy R. McGregor
Kaylee Padova
Stephen A. Renner
Trenton I. Weaver

Jeremy VanMeter, Clerk of Council

Monday, November 7, 2022

City Hall, Council Chambers

Immediately following the regular Council meeting on November 7, 2022

A. CALL TO ORDER:

Councilmember Michael Schnetzer, Chair, called the meeting to order at 7:52 p.m. The agenda for the meeting was published on November 4. All members were present for the meeting. There were no additions or corrections to the agenda.

B. DISCUSSIONS:

1. FY 2023 Budget Presentation

2022-0311

2023 City of Gahanna Proposed Budget

Chairman Schnetzer asked Mayor Jadwin if she had an opening remarks before turning to Joann Bury, Director of Finance, to present on the budget. Jadwin thanked Director Bury for all of her work these past several months and thanked all the directors. They have had multiple meetings throughout the course of the last two months. The budget process actually begins in June. She said what the City is about to propose to the Committee tonight, the decisions and the requests that are being made, was not made lightly. They have been evaluated and vetted multiple times.

Director Bury reviewed the agenda. She would first talk about the factors that influenced the 2023 budget. She will discuss the General Fund request and what impact that has on General Fund balance. Then, they will look at a five-year view for the General Fund and move on to the request for the Public Safety, Parks & Recreation, and Public Service funds. Those are the operational funds that receive 25 percent of the income tax. She will then move on to the Capital request, which receives 75 percent of the income tax. She will talk about some upcoming initiatives that will be occurring in 2023

that will impact future budgets. Lastly, she will talk about the next steps for the 2023 budget.

The main factors that influenced the 2023 budget include the historically high inflation and energy costs. The Federal Reserve has been passing policy like crazy, increasing those interest rates, trying to slow that inflation, but it is having an impact on the 2023 budget. The largest impact is for our fleet services and those parts and materials that are needed to keep our fleet maintained. Another big impact is utilities across the board, including the fuel cost for our fleet. We have the development of the citywide capital improvement plan. With 2023 being this transition year from the capital needs assessment (CNA) to that capital improvement plan (CIP), it will incorporate various plans across the city. With organizational changes, as part of the budget process every year, Bury explained they meet with departments, talk about how they are organized, what staffing vacancies they have, and whether there are some new positions that they may need. With that, Bury said there are some organizational changes that Council will see in the budget book. Regarding the local economy, there are discussions about recession, but Bury does not think that is going to slow the City's economic growth much. There is the mega project just north of the city (Intel). She believes that is going to keep economic growth going. It may slow slightly from beginning of project, but she does not see that slowing down considering the economic growth that we are currently in. Regarding the labor force, we continue to see low unemployment and more job openings than there are eligible employees to fill them. To address that, the one thing the administration looked at is how the City can be more competitive as it negotiates contracts. This also involved looking at the amendments to the unclassified compensation program, making sure that the City could attract and retain human capital.

Regarding the General Fund and looking at our revenue, 72 percent is income tax. This is still our largest source of revenue for the General Fund, followed by real estate taxes and then interest and investment income. Looking at what we are expecting for 2023 is a 9 percent increase compared to the 2022 budget. She said a majority of that is going to be the income tax as discussed and the economic growth we are experiencing right now. This is followed by investment income. So, with the changes to the interest rates, the City was able to keep its investment portfolio short duration during the low interest rate environment for two years or less. Now the City is going to have the ability to take advantage of the rising interest rate. Bury is projecting a \$1.2 million increase to investment income. With the income tax increase, Council will see throughout the book that is discussing a 3 percent increase and then see larger increases looking at that compared to 2022. This is all based on the way in which the City projects income tax. When moving into the 2022 budget, Bury said they planned for zero growth on income tax. She noted that we knew we had some anomalies with 2021 with net profits that probably was not going to be sustainable moving into 2022. We also knew that we were experiencing some economic growth. They were not quite sure at that point whether the economic growth was going to offset what we were going to

expect to see on the drop with net profit. She shared that as we move through the third quarter of 2022, we are actually seeing a 4 percent increase realized. So, this actual data through the third quarter of 2022 is used to project for 2023. Since we are not planning on using these additional resources, there was no reason to go back and amend the City's projection for 2022. When you are looking in the book and seeing that 30 percent increase, she noted you are going to see a larger increase compared to the budget because of the fact she is using actual experience to project 2023 income tax into the future. Moving on to expenditures, Bury said that as a service organization, our largest expenditures are salaries and benefits and contract services. Looking at what we could expect in the General Fund compared to 2022, the administration is planning a 10 percent increase. The majority of this is related to the unclassified compensation program and the union pay increases that have already been negotiated. There is one final contract to negotiate. The administration is projecting an increase for that one as well. There are some organizational structure changes and some new positions. On pages 10 and 33 of the budget book, this lays out that new organizational structure. Under the "All Funds Summary," there is a sub header called Salaries and Benefits. This gives an outline of those changes, the new positions that are being requested. The second largest increase that is being planned for the General Fund is in materials and supplies, which is purely driven by inflation and high energy costs. This includes fuel purchases for our fleet as well as parts and materials. What impact is all of this going to have on the General Fund balance? Bury explained that the administration is planning revenue of about \$29.7 million. They are planning expenditures to be about \$30.1 million. This constitutes a use of about \$413,000 or 1.86 percent of fund balance. In terms of how this aligns with our fund balance policy, she noted how the City is calculating the emergency reserve in accordance with that policy. Looking at our total appropriations of about \$30.1 million and backing out debt service appropriations to come up with our operating appropriations of \$29.6 million, 25 percent of that is a little bit north of \$7.4 million. So, the City will be setting aside \$7.45 million for our emergency reserve. Where does that project to leave us as far as unreserved and unassigned fund balance? She said we have \$21.7 million, which includes the planned use of \$413,000. Backing out the emergency reserve leaves us about \$14.3 million of unreserved, unassigned fund balance. How many months of operations does that look like? Taking the \$29.6 million of our operating appropriations and dividing that by 12 for one month, multiplied by two gives us \$4.9 million. This means we have an excess of \$9.3 million above the two months of unreserved fund balance that is required by policy. Focusing on just the \$14.3 million, that is equivalent to approximately six months of operations. This makes up about three times of what is required by policy.

Looking at the last four to five years of what has happened with General Fund balance, in 2017, the City started with about \$24.7 million. Bury said the City had planned on using \$1.7 million. The City actually ended up using \$857,000, leaving \$23.8 million. So, we used 3 percent and \$845,000 less than what we were projecting. Moving into 2018 (before Issue 12 and before we had a dedicated source for capital), we started the year with about \$23.8 million and

planned to use \$5.8 million. The City actually used \$5.1 million or 21 percent. The City was still using less than anticipated. Moving into 2019, which was the year of the income tax lawsuit settlement, the City was planning on returning money until that settlement came through. The use of fund balance was already planned. If Council could recall, Bury noted we had about \$4.1 million sitting in a General Fund reserve for the litigation and then issued the \$5 million in bonds to pay the \$9.1 million lawsuit. The City ended up using about \$1.6 million. Had the lawsuit not occurred, though, the City would have returned about \$2.4 million. In the end, the City used about 9 percent of fund balance that year. Then, 2020 came with the pandemic. There was various forecasting to try and determine what we could actually expect from the pandemic. We ended up coming back and reducing our planned revenue and in turn requested that Council reduce appropriations until the City could figure out what all of it meant. We had planned on returning a little bit more than \$1 million and ended up returning about \$3.1 million, or about 18 percent of fund balance. As we moved into 2021, there were still a lot of uncertainties. We were not sure what the pandemic was going to cause as we moved through the future. The City still kept on working on all those forecasts. There was a lot of information out that said recovery would not be until well into 2023. The City still planned to lose revenue. In 2021, the administration had requested to use about \$1.5 million. However, in 2021 the City ended up rebounding on income tax quicker than originally thought. This was all net profit driven. There were still uncertainties moving into 2022. In that particular year Bury noted a return of a little over \$4 million to General Fund balance or 20 percent. In sum, over that five-year period, we started with \$24.7 million and ended up pretty much almost where we began at \$24.2 million. Looking into the future, what does the five-year forecast look like for the General Fund? She noted that it is a pretty good picture. Considering that the City is not in the business to make money, but in the business of returning taxpayer dollars in the form of services. She pointed to the graph for the five-year projection being right about where we are expenditure wise. This shows that we are setting our levies and charges for services at a responsible amount. We are doing what we are supposed to do. We are returning those taxpayer dollars in the form of services.

Moving on to the special revenue funds, Bury started with Public Safety. This fund is expecting an 8 percent increase in revenue, mainly driven by income tax. She noted that Council will see 3 percent in the budget book, but it looks a little bit higher when compared to the budget. The administration did not adjust the 2022 budget. There is also going to be an increase in charges for services. This is associated with the school resource officers (SRO) program. It is purely driven by actual wages and benefits. Since there was an increase to police officers' salaries, there will also be an increase to the charges that we are charging the schools for the SRO program. Bury added that we also have an opportunity to possibly provide some additional services where the City could charge for services. Council will see that when going through the new request for positions that are within the budget book. On the expenditure side, the City is expecting about a 17 percent increase. A majority of that is coming from salaries and benefits. Again, the union contract called

for increased wages. This is where the administration is expecting a lot of the increase and then also with some new positions. She referred again to page 33. Anything that is not funded by the General Fund within that summary has the name of the fund next to it, so Council will be able to see what is actually being requested from these special funds. She noted the City is also expecting an increase in transfers out. This is to offset the police pension. We have property tax that covers a portion of police pension, but it is all inside millage, so it does not cover the full amount. This is a transfer that is needed to cover the remainder of the police pension that the property taxes do not cover. This is a percentage of wages. So, since their wages are going up, pension expenses are also going up. Therefore, the transfer needs to go up.

As we move on to the Parks & Recreation Fund, Bury said we are expecting a 21 percent increase there. A lot of their increase is related to charges for services. They are expecting an increase across all programs for charges for services. Camps had the largest increases. The Department believes there is some capacity for additional programming which will bring in additional revenue. The income tax projection is an increase. Bury said we are seeing a little bit of a higher percentage there as had already been discussed. Additionally, the percentage being allocated to Parks & Recreation is a little bit higher for 2023 compared to 2022. On the expenditure side, the administration is expecting a 26 percent increase, which is all salaries and benefits driven for the most part. Looking at the approved unclassified compensation program increase, we have some reclassifications of some positions. With the seasonal wages and workforce, it has been a problem over the last few years getting those seasonal positions fully staffed. The City is hoping with some increase in rates that it will be able to attract some additional seasonal employees. Bury said this is a combination of a hopeful increase in workforce along with those increases in rates.

For the Public Service Fund, Bury is expecting a 23 percent increase, which is related to income tax. There is a slight increase in the allocation going to the Public Service Fund. On the expenditure side, the administration is expecting about a 31 percent increase. In this case, the majority of that increase is coming from contract services. What is driving that is a request for expenditures to enhance the street rating program. This was touched on briefly when we went over the capital improvement plan presentation. The other driver is a stormwater analysis that is planned. In addition, as that department becomes staffed, as it is bringing new people onboard, there is an expectation that we will need additional engineering services from third parties.

In looking at the capital request and talking through how that was developed, Bury reminded that the City is working on developing its first CIP. So, 2023 is transitioning from capital needs assessment to the CIP. As part of that, the administration took a step back and analyzed what projects it currently has outstanding, what stage they are in and how long it might be for completing those projects. Then, they looked at what we actually have capacity to do for 2023 based on staffing levels and knowing what the City has to finish as far

as projects that are still outstanding in 2022. The CIP is planned to come to Council for adoption in the first quarter of 2023. In future budget years, the CIP's first year will serve as the following year's capital budget request. There will be processes to have it reviewed and amended periodically. Council would at least annually adopt that as part of the budget process to set the next year's capital budget. Councilmember Angelou said she found something about a capital improvement fund and brought this to Mayor Jadwin. It was in 2017. Is this going to be very different from that because it was the same capital improvement fund? Bury responded that the capital needs assessment really was not a plan. It was an inventory of everything that was outstanding that the City knew it had to do capital wise. A big portion of that was that we lacked the funding for capital. It was more of an assessment of everything that needed to be done throughout the city. With the capital improvement plan, it will go a step further. It will outline all those projects and then attaching the resources to it. Those projects were also not properly staged in the capital needs assessment, so the CIP will provide for proper staging of design through construction and completion. So, it will have a lot more information and tie in other resources to properly phase those projects over the appropriate amount of time. Looking at revenue for the Capital Improvement Fund, the largest is the income tax. Again, Council will see 3 percent in the budget book, but it is actually a little bit higher compared to what was originally planned for 2022 based on what we are experiencing through the end of the third quarter. On the expenditure side, Bury said administration is expecting a 56 percent reduction for almost \$6.5 million being the request. However, she said there is going to be about \$19 million of projects that need to be completed through the remainder of 2022 into 2023. So, through 2023 we are actually looking at about \$25 million worth of projects. We have the street rebuild and asphalt overlay planned for \$4.1 million, park and trail asphalt overlay for \$225,000, sidewalk maintenance for \$250,000, the fiber growth and redundancy for \$400,000, continued design work on Big Walnut Trail Section 8 for \$175,000, potential for land acquisition at \$200,000 and the Price Road House renovation of \$98,000. She noted on the revenue side, there is intergovernmental revenue planned for \$98,000. This is a grant offset for the Price Road House renovation. Additionally, the administration has planned pool and park maintenance of about \$465,000. Equipment replacement at \$585,000 for the PD vehicles, general fleet, police radios, and then just general service and parks type equipment.

Councilmember Schnetzer asked with the bullet pointed items for capital outlay, how many, if any, were already appropriated? Bury responded that there was Big Walnut Trail Section 8 money that was appropriated in 2022, so this is a continuation of that design work. The Price Road House also had some additional funding that was planned. She believed it was 2021 and 2022. So, this is following up on additions to that project to get that completed. Everything else is pretty much continued maintenance programs.

Councilmember Weaver asked what the potential land acquisition was. Bury stated that it could be that we have identified parcels to continue the City's facility plan. It could be that we have an opportunity to take advantage of some

land for development. She said this is having a place maker within the budget, in case those land purchases should arise, and the City could take advantage of them with the funds already appropriated. Weaver confirmed that at this point, there is nothing specific.

Vice President Bowers said she is excited to see this [capital outlay] allocation generally. She asked if Bury could talk a little bit more about the pool maintenance specifically. Bury said she would confer with Director Ferrell and be ready to answer that at the next Committee.

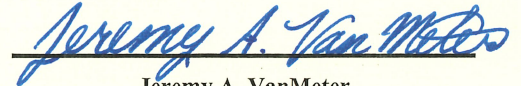
With respect to 2023 initiatives that the City will be undertaking that will impact future budgets, Bury explained that we have the strategic plan that is still being worked through, the capital improvement plan, the facilities plan, land use plan, economic development plan, and Parks Master Plan. Additionally, she said we have facilities programming. This is a little bit different than the facilities capital plan. The facilities capital plan involves acquiring those facilities or the land to build. We also need a plan to operate them. This particular item is looking at once we acquire something, how are we going to operate it in the most responsible and cost-effective manner? We have the safety and risk program that is going to be coming in 2023. We also have the continued evaluation of the Creekside area. These are the high priority initiatives that will be ongoing in 2023 that Council will see impacting future budget requests.

Bury reviewed that the next steps for the 2023 budget include public comment. Council will send out notification of when public comment will be permitted. For questions from Council, Bury asked if these could be submitted to the Finance chair by close of business on the Wednesdays before Committee. The finance chair will deliver those to Bury by noon on Friday before Committee. The administration will then address those questions over the remaining Committee meetings. She noted there is potential for an additional public comment, possibly on December 5, 2022. Council will send out notification for those. Bury said administration will bring forward proposed changes prior to adoption. The goal will be for Council to approve the Appropriation Ordinance by December 19, 2022.

President Renner clarified if the chair expected this Wednesday to be the first submittal of questions. Schnetzer said if everyone has an appetite to have Finance Committee discussion on Monday, he is certainly willing to go through questions and cull any duplicates, group them by topic, and get them to the administration if Council is amenable to this process. Renner said he supported this. He thought this is the most efficient way to do this. Renner thanked Schnetzer for doing this as he has done in previous years. Schnetzer asked if there was any objection from City Attorney. Schnetzer said these would be submitted by e-mail and would not be a discussion or any back and forth. It would simply be Council gets their questions to Schnetzer, he groups them, and then passes them on to the administration. No objection from the City Attorney. With that, Schnetzer said he looked forward to seeing everyone back for Finance Committee on Monday, November 14, 2022.

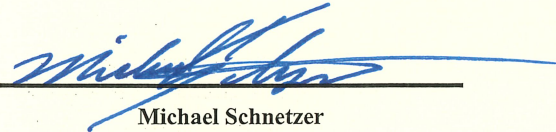
C. **ADJOURNMENT:**

With no further business before the Finance Committee, the Chair adjourned the meeting at 8:24 p.m.



Jeremy A. VanMeter
Clerk of Council

*APPROVED by the Finance Committee, this
21ST day of Nov. 2022.*


Michael Schnetzer