

20 YEAR PROJECTION

GENERAL & CAPITAL IMPROVEMENT FUNDS

20 Year Projection – Summary

- Focuses on
 - General Fund (main operating fund for the City)
 - Capital Improvement Fund (solely funded by the General Fund)
- Shows how each department draws on general revenue sources for operations (i.e. income tax, property tax, interest revenue etc.)
- Reflects using 100% of available fund balances of General and Capital Improvement Funds less emergency and litigation reserves.

General Assumptions

- This projection assumes no new assets; no new revenue sources; no major changes to staffing or benefit levels.
- 2012 to 2017 actual activity was used as a base time period to look at revenues and expenditures.
 - Why 2012 to 2017?
 - This time period is when recovery from the recession occurred and there were no major staffing changes during this five year period.
 - Income tax and property tax projections are the exception to the 5 year look back.
- 2018 consists of actual appropriations approved by Council plus encumbrances that were carried over from 2017 and estimated revenue from the 2018 budget book.
- 2019 to 2037 were projected as outlined on the next slides.

Expenditure Assumptions

- **Salaries - 2.5% Growth Based Upon:**

- Salaries will continue to grow by at least 2% and for negotiated employee contracts possibly more.
- Step increases across union groups vary in percentages as well as number of steps.
- Attrition does occur regularly resulting in positions going unfilled for a period of time creating some savings.
- There is no indication of major staffing changes in the future.
- Since 2012 salaries have increased 2.5% on average.

Expenditure Assumptions (Cont'd)

- **Employee Benefits**

- **Health Insurance – 0% Growth Years 1 – 5 and 4% Growth Years 6 – 20 Based Upon:**

- Medical and Rx insurance continues to rise and for most it is typical to see 10% to 12% increases year over year.
 - The City of Gahanna has been fortunate over the past few years as a member of the Central Ohio Health Care Consortium experiencing increases of only 1% to 4%.
 - The City has also entered into an agreement for a near-site medical center that is anticipated to result in significant reductions to the cost of providing this benefit.
 - To capture the potential reduction in cost for the near site clinic, the first five years of the projection remained flat with a 0% increase.
 - In comparison, if we projected a 4% increase for all 20 years that would be an increase of \$9.1million.
 - After the first five years it is anticipated that cost will begin to rise either for the near-site facility or increased claims costs as the cost of providing medical and Rx services will continue to rise. A 4% increase was applied to years six to twenty consistent with past increases.

Expenditure Assumptions (Cont'd)

- **Employee Benefits (Cont'd)**

- **Dental, Vision, Life Insurance, Employee Assistance Program Increase – 2% Growth Based Upon:**

- These benefits are a small part of the City's cost at approximately \$230K or .6%.
 - A 2% increase was applied based on the five year average actual increase.

- **Misc. Benefits (i.e. retirement contributions, workers compensation funding and Medicare taxes) – Percentage of Gross Pay.**

- These percentages are not anticipated to change including retirement contributions. OPERS and OP&F have discussed eliminating healthcare rather than increasing retirement contributions to meet any unfunded liabilities.

Expenditure Assumptions (Cont'd)

- **Material, Supplies & Contract Services – 4% Growth Based Upon:**
 - These are difficult to predict as it depends on current City initiatives and what happens to break or need replaced.
 - Inflation over the next five years is projected to be on average 2.4%.
 - The actual change for these costs since 2012 has been on average 4% per year.
 - The greater of the two, 4%, is what was applied to materials, supplies & contract services.

Expenditure Assumptions (Cont'd)

- **Capital Outlay**

- **For 2018**

- All capital approved by Council is included as the funding has already been committed through the budget process.

- **For 2019 to 2037**

- Departments provided a projection for maintaining our current capital assets (annual road paving, fleet replacement, playgrounds, etc.).
 - No new assets or additions to existing assets were included.
 - Resource constraints were not taken into account. The projections reflect the full amount required to maintain our currently owned assets at an acceptable level.

Revenue Assumptions

- **Income Tax Revenue – 3% Growth at the Current Rate Based Upon:**
 - The original projection was set at 2% growth per year at the current tax rate based on the 2018 rationale that looked at the past and considered forward economic indicators.
 - This smoothed the projection to a level that any peaks or valleys in the economy would not have a considerable impact on the projection in total.
 - For example: If a recession hits one year and we drop 6% and then during recovery the economy booms and we grow 8% it nets to 2% growth over the course of time.
 - Development completed an analysis of how long it would take to be completely built out economically and based on the property type what the revenue capacity would be. Anthony will discuss his analysis after this presentation.
 - This analysis reflects a best-case scenario of build-out in 14 years with approximately \$8 million in additional revenue over those 14 years or roughly \$570K a year.

Revenue Assumptions (Cont'd)

- **Income Tax (Cont'd)**

- Development's analysis did not take into consideration an economic downturn or employers leaving the City or downsizing.
- Looking at the past 10 years of actual data there has been a recession, an economic boom for the City and a major employer has left. Over this 10 year period income tax collections decreased by 7% at the peak of the recession and increased 20% at the peak of recovery and on average over this 10 year period increased 3%.
- As a result, the current 20-year projection was updated to take into consideration Gahanna's actual past, future financial indicators, and Development's best-case scenario future build-out by increasing the growth projection from 2% to 3% growth at the current tax rate.
- The 1% change from the original projection reflects \$6 million in additional income tax collections for a total of approximately \$14 million over the next 20 years or \$700K per year.

Revenue Assumptions (Cont'd)

- **Property Taxes – 1.5% Growth Based Upon:**

- Property values increased significantly during 2018 with the recent valuation.
- Property taxes are impacted by the economy and there will be peaks and valleys but property tax is not impacted as drastically as income tax.
 - The most recent five years, 2012 to 2017, were analyzed and this indicated a slight decrease of about .3%.
 - The County Auditor estimated a 13.4% increase for 2018 which equates to only \$200K in additional revenue.
- We looked to the past 10 years which included the recession, recovery and two re-appraisals. This reflected growth of 1.5% which was applied to the property tax projection.

Revenue Assumptions (Cont'd)

- **All revenue sources except income tax and property tax are the average five years of actual collections (2012 to 2017).**
 - This captures any recent fee changes that have occurred and for seasonal services, fluctuations that occur from weather events.

20 Year Projection General & Capital Improvement Funds

			Net (Cost)/Surplus	General Revenues				
	Est 20yr Expenditures *	Departmental Revenue	Departmental Net Cost	Income Tax (1)	Undesignated Property Tax	Other General Revenues	Total All Revenue	Total (Cost)/Surplus
General Fund Department								
Internal								
Finance	\$ 52,395,976	\$ 29,218,407	\$ (23,177,569)	13,885,644	1,207,443	966,151	45,277,645	(7,118,331)
Human Resources	15,837,240	6,281	\$ (15,830,959)	9,484,302	824,719	659,909	10,975,211	(4,862,029)
Information Technology	39,194,974	235,342	\$ (38,959,632)	23,340,652	2,029,615	1,624,022	27,229,631	(11,965,343)
Department of Law	10,666,551		\$ (10,666,551)	6,390,313	555,677	444,632	7,390,623	(3,275,928)
External								
Public Safety	309,979,266	5,259,756	\$ (304,719,510)	203,274,347	15,874,463	12,702,150	237,110,717	(72,868,549)
Public Service	186,607,905	29,388,019	\$ (157,219,886)	142,475,796	8,190,422	6,553,668	186,607,905	(0)
Parks & Recreation	148,320,170	32,440,577	\$ (115,879,593)	69,423,276	6,036,786	4,830,410	112,731,048	(35,589,122)
Planning & Development	45,757,749	184,721	\$ (45,573,028)	27,302,727	2,374,142	1,899,699	31,761,289	(13,996,460)
Council	17,082,613	1,143,546	\$ (15,939,067)	9,549,069	830,351	664,416	12,187,382	(4,895,231)
Office of the Mayor	26,244,035		\$ (26,244,035)	15,722,759	1,367,192	1,093,976	18,183,926	(8,060,109)
Mayor's Court	8,236,996	8,241,715	\$ 4,719	-	-	-	8,241,715	4,719
Other			\$ -					-
Debt Service **	9,941,354		\$ (9,941,354)	9,941,354			9,941,354	-
			\$ -					-
Total General, Capital & Debt Service	870,264,829	106,118,364	(764,146,465)	530,790,239	39,290,810	31,439,033	707,638,446	(162,626,383) (2)

* - Includes General Fund (less transfer to the capital improvement fund) plus Capital Improvement estimated expenditures.

** - Only the amount subsidized by the General Fund

(1) - The City's tax code section 161.081 requires the net proceeds received by the City for the reduced credit shall be expended for capital improvements and equipment for Safety, Streets and Stormwater maintenance until otherwise determined by City Council. Based on 2017 collections approximately 13% of total collections were from the reduced credit. Below is how the projection accounts for the legal use of this revenue.

Estimated Income Tax From Credit	69,003,000.00	(530,790,239 X 13%)
Portion of Credit to Public Service	48,285,617.00	Fully offsets department's cost
Remaining Credit to PD	20,717,383.00	

The City has also pledged income tax to secure the City's outstanding bonds. This is represented by the \$9,941,354 of income tax for debt service.

The remaining was allocated to the departments based on the percentage of total net cost. Below is the amount allocated:

Total Income Tax	530,790,239
Less Credit Estimate	(69,003,000)
Less Debt Service	(9,941,354)
Income tax allocated	451,845,885

18 Beginning GF Balance	23,848,271
18 Beginning Capital Improvement Balance	4,949,766
18 Litigation Reserve	(4,100,000)
18 Emergency Reserve	(7,142,978)
Fund Balance Available	17,555,059
Est Funding Shortfall	(145,071,324)
Per Year Funding Shortfall	(7,253,566)

(2) Below is a breakdown of the total cost should there be no use of Fund Balance:

Capital Maint	96,638,344	All including 1X approved for 2018
Operational	65,988,039	
	162,626,383	
Operational Includes - Salaries & Benefits; Materials & Supplies; Contract Service; Debt		

Capital Maint Per Year	4,831,917	60%
Operational Per Year	3,299,402	40%
	8,131,319	

20 Year Summary Projection General & Capital Improvement Funds

	Total All Revenue	Est 20yr Expenditures *	Total (Cost)/Surplus
General Fund Department			
Internal			
Finance	45,277,645	\$ 52,395,976	(7,118,331)
Human Resources	10,975,211	15,837,240	(4,862,029)
Information Technology	27,229,631	39,194,974	(11,965,343)
Department of Law	7,390,623	10,666,551	(3,275,928)
External			-
Public Safety	237,110,717	309,979,266	(72,868,549)
Public Service	186,607,905	186,607,905	(0)
Parks & Recreation	112,731,048	148,320,170	(35,589,122)
Planning & Development	31,761,289	45,757,749	(13,996,460)
Council	12,187,382	17,082,613	(4,895,231)
Office of the Mayor	18,183,926	26,244,035	(8,060,109)
Mayor's Court	8,241,715	8,236,996	4,719
Other			-
Debt Service **	9,941,354	9,941,354	-
			-
Total General, Capital & Debt Service	<u>707,638,446</u>	<u>870,264,829</u>	<u>(162,626,383) (2)</u>
		18 Beginning GF Balance	23,848,271
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