



City of Gahanna

2011 Year-End

Financial Report to Council

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Director of Finance

February 27, 2012

Overview

The purpose of this memo is to provide a brief synopsis of the City's financial performance in 2011, with a primary focus on the General Fund. This memo does not represent our official audited financial statements. Those documents are currently being compiled and reviewed. Rather, this document will seek to provide a general understanding of the City's revenues and expenditures in 2011, in comparison to plan and to the prior year.

Revenue

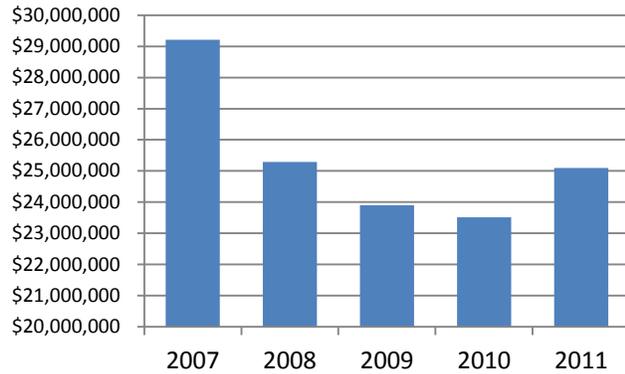
Through December 31, 2011, Gahanna collected \$25,095,862 in General Fund revenues from all sources on a cash basis. This amount exceeded our initial plan for 2011 by \$2,676,720 or 11.9%. This amount also exceeds our 2010 General Fund collections by \$1,581,012 or 6.7%.

Revenue exceeded plan in most categories, with the exception of Administrative/Service Charges, Recreational Income, and Interest and Investment Income. The table below details each of the General Fund revenue categories and its performance compared to plan for 2011.

Revenue Category	2011 Plan	2011 Actual	Variance
INCOME TAX	\$ 13,500,000	\$ 15,438,208	\$ 1,938,208
REAL ESTATE TAXES	\$ 1,714,852	\$ 1,735,137	\$ 20,285
LOCAL GOVERNMENT FUND	\$ 1,365,000	\$ 1,381,552	\$ 16,552
FINES & FEES	\$ 1,034,200	\$ 1,089,946	\$ 55,746
ADMINISTRATIVE/SERVICE CHARGES	\$ 1,302,675	\$ 1,078,498	\$ (224,177)
RECREATIONAL INCOME	\$ 1,053,748	\$ 991,694	\$ (62,054)
TRANSFERS	\$ 306,000	\$ 871,045	\$ 565,045
OTHER TAXES	\$ 499,305	\$ 721,316	\$ 222,011
INTEREST & INVESTMENT INCOME	\$ 1,130,000	\$ 668,402	\$ (461,598)
GRANTS	\$ 92,591	\$ 554,239	\$ 461,648
MISCELLANEOUS INCOME	\$ 115,871	\$ 213,277	\$ 47,406
LICENSES & PERMITS	\$ 304,900	\$ 352,549	\$ 47,649
TOTAL GENERAL FUND	\$ 22,419,142	\$ 25,095,862	\$ 2,676,720

Annual General Fund Revenue

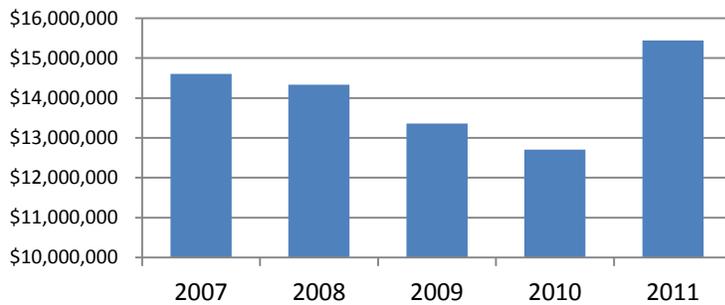
Looking at General Fund revenues over time, it is apparent that 2011 signaled the end, at least in the short-term, of the decreasing trend in local revenues associated with the national economic downturn. While revenues have not rebounded all the way to pre-recession levels, this significant increase over 2010 is certainly encouraging.



Income Tax

The local income tax remains Gahanna's largest source of revenue. In 2011, it made up 62% of total General Fund revenue.

Annual Income Tax Collections

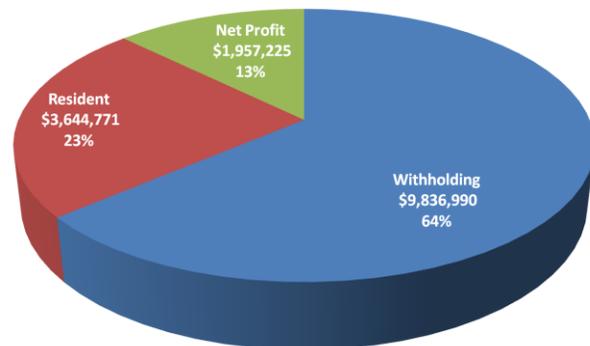


Income tax revenue reached an historic high in 2011, with total cash collections of \$15,438,208. This is \$1,938,208 or 14.4% more than the City planned for the year, and \$2,735,936 or 21.5% more than was collected in 2010¹.

Gahanna collects income taxes in three categories, business withholdings, individual/resident

returns, and net profit returns. The bulk of these collections, 64%, are from business withholdings. This underscores the City's dependence on the financial success of local businesses.

In 2011, all three categories of collection saw an increase over 2010 levels. Furthermore, of the taxes collected in 2011, less than five percent were attributed to prior years' liabilities. These two indicators suggest that the increase in tax collections can be attributed to an increase in the City's tax base. This can be attributed, in part, to RITA's enhanced enforcement efforts in 2011, which



¹ It should be noted that 2010 only included 11 months of cash collections of income tax due to the transition to the Regional Income Tax Agency (RITA). Even on an adjusted basis, however, 2011 collections would still exceed 2010 levels by over \$1.6 million or 11%.

have included an aggressive subpoena program for non-filers and reconciling the City's tax records against federal tax information.

Real Estate Tax

Total real estate tax revenue for 2011 was \$1,735,137. This represents a \$20,285 or 1.2% increase over plan. 2011 revenue was 4.3% less than what was received through 2010, or a reduction of \$79,835. As a part of the County's revaluation project for properties, the collective value of taxable property in Gahanna dropped 6% in 2011. This reduction will be seen in future distributions of real estate taxes in 2012 and beyond. It should be noted that the City of Gahanna receives just 3% of the real estate taxes paid by Gahanna property owners. The remainder is distributed between other publicly funded organizations such as the Gahanna-Jefferson school district, the township, the Columbus Metropolitan Library system, Metro Parks and the Columbus Zoo.

Local Government Fund

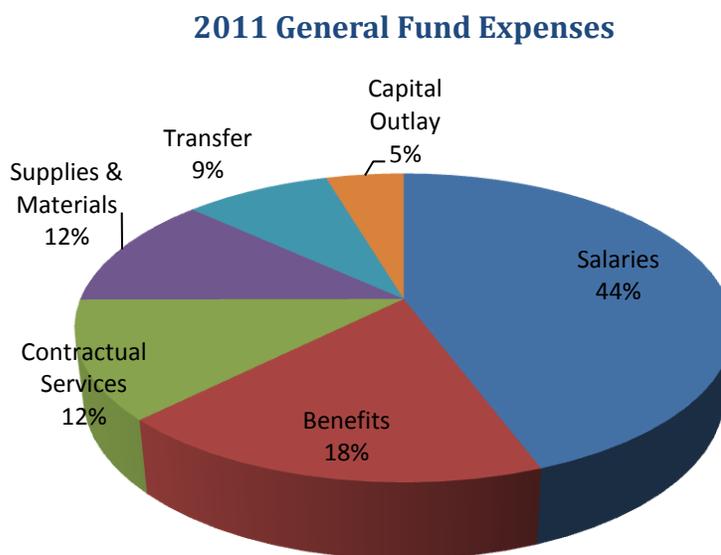
The City received Local Government Funds (LGF) totaling \$1,381,522 in 2011. This amount is \$16,552 or 1.2% higher than planned for the year and \$8,325 or less than one percent lower than 2010. 2012 marks the final year of the state's incremental reduction of LGF distributions to municipalities. As a result, in 2012 and beyond, the City will be receiving approximately half of its historical LGF levels from before 2010.

Appendix A provides a detailed revenue status report for all funds in 2011.

Expense

General Fund expenditures for 2011 totaled \$22,755,877. Compared to total appropriations of

\$25,712,206 for the year, the City spent \$2,956,329 less than was appropriated for the year. This spending is 1.8% lower than 2010.



In total, the bulk of the City's General Fund spending is focused on the salaries and benefits of City employees. This is to be expected, as Gahanna City government is ultimately a service organization, with its

primary focus being delivering services to the residents and businesses of Gahanna. These services include public safety, engineering and maintenance of public infrastructure, community and economic development and parks and recreation.

The breakout of General Fund expenditures by category are displayed below.

Expense Category	2010 Actual	2011 Actual	Variance
Salaries & Benefits	\$ 13,865,321	\$ 14,231,134	\$ 365,813
Contractual Services	\$ 2,797,776	\$ 2,821,404	\$ 23,628
Supplies & Materials	\$ 2,735,696	\$ 2,699,868	\$ (35,828)
Fund Transfers	\$ 892,158	\$ 1,960,701	\$ 1,068,543
Capital Outlay	\$ 2,882,661	\$ 1,042,770	\$ (1,839,891)
Total	\$ 23,173,612	\$ 22,755,877	\$ (417,735)

Personal Services

The additional expense associated with salaries and benefits in 2011 is primarily attributable to the Early Retirement Incentive (ERI) program that was offered to a number of departments. When the ERI program was developed, it was expected that the cost of these incentives would lead to higher expenditures in the year of offering, while recognizing nearly \$1.5 million in savings in future years. Ultimately, eight employees took advantage of the program, four of which were paid from the General Fund. This program ended December 31, 2011, so no further employees may elect to participate.

Capital Outlay

The revenue uncertainty created by the national economic downturn impacted the City's investment in capital equipment and improvements. In 2011, few capital projects or improvements were funded from the General Fund. Those that were, were largely funded by grant funds. Now that it appears that the City's revenue base has stabilized, the Administration will be working with council to develop a capital improvement plan that begins to restore capital investments in the community.

Appendix B provides a detailed expenditure status report for all departments and funds in 2011.

Fund Balance

All told, General Fund revenues exceeded expenses by \$2,339,985 in 2011. This amount contributed to the City's healthy unencumbered General Fund balance of \$15,267,635 at year-end. The City has a mandatory requirement to set aside 25% of planned revenue as an emergency reserve. In 2011, this mandatory reserve amount was \$5,585,888. At year-end, the General Fund balance exceeded that mandatory reserve by \$9,681,747.

Appendix C provides total revenues, expenses and fund balances for all City funds at year-end.

Expense Account Transfers

The 2011 Appropriations were passed as a summary appropriation as opposed to a detailed appropriation. At that time, the Director of Finance was given authorization to transfer appropriations

in an amount up to \$3,000 without the separate approval of Council. However, Council did request that a quarterly report be provided to detail the transfers made. Appendix D details the transfers made in 2011 at the discretion of the Finance Director.

Conclusion

The significant increase in tax collections for 2011 signals that Gahanna's local economy is recovering. While that news is encouraging, there are still looming revenue issues that will continue to impact the City in 2012 and beyond. The City's interest and investment earnings, which were once a significant source of revenue for the City, have dropped by approximately \$500,000 to nearly half of historical levels. With no expectation of interest rates increasing substantially in the near future, this will continue to remain an issue for the City. Additionally, 2012 will be the final year of Estate Tax in Ohio. While this particular source of revenue is not one that City has consistently relied upon, the loss of approximately \$300,000 in Estate Tax collections per year will certainly be felt.

As the City enters 2012 and beyond, maintaining a conservative fiscal approach will continue to be crucial for the City in order for Gahanna to provide excellent services to businesses and residents within available resources.