



City of Gahanna

Q1 2012

Financial Report to Council

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Director of Finance

April 23, 2012

Revenue

Overview

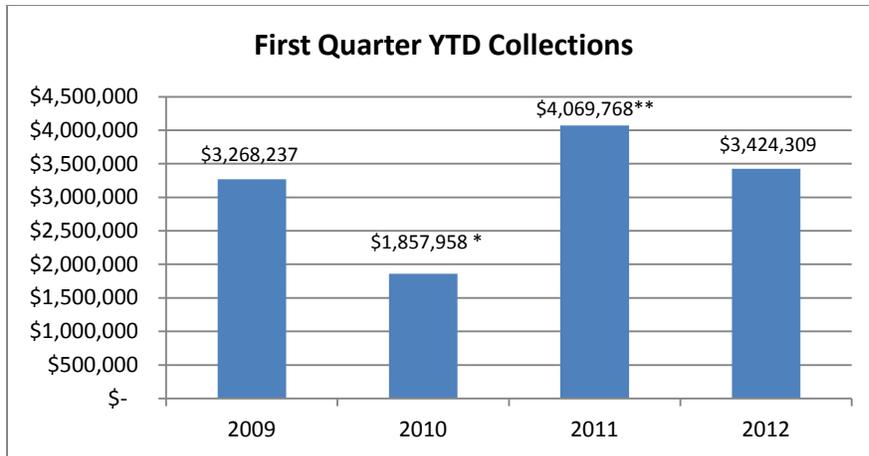
Through March 31, 2012, Gahanna collected \$5,796,199 in General Fund revenues from all sources on a cash basis. This amount represents 25.8% of our planned General Fund Revenue for 2012. This amount is 13.7% or \$918,178 less than our General Fund cash collections for the same period in 2011. More than half of this delta is attributable to an atypically large net profit tax return in early 2011 that was ultimately refunded in 2012.

Collections in all but three categories are nearly at or above 25% of planned revenue for the year. The three exceptions are *Fines, Fees, Licenses & Permits*, at 17% of planned collections for the year. This lag in collections is to be expected in this category because a large portion of this category is made up of recreation income, which picks up significantly in the summer months. *Interest and Investment Income* at 22% of planned collections, reflects the continuing drop in available yield available to the City's investment portfolio. Finally, the 13% of plan shown in *Other Taxes* reflects a delay in County distribution of the City's estate tax collections. This distribution was received in early April, after the end of the reporting period. The table below details each of the General Fund revenue categories and their performance compared to plan for the reporting period.

REVENUE CATEGORY	Q1 YTD	2012 PLAN	PCT OF PLAN
INCOME TAX	\$ 3,424,309	\$ 14,546,000	24%
REAL ESTATE TAXES	\$ 788,757	\$ 1,573,214	50%
FINES, FEES, LICENSES & PERMITS*	\$ 612,009	\$ 3,592,899	17%
LOCAL GOVERNMENT FUND	\$ 289,287	\$ 970,000	30%
GRANTS	\$ 278,095	\$ 123,000	226%
INTEREST & INVESTMENT INCOME	\$ 146,312	\$ 675,000	22%
MISCELLANEOUS INCOME	\$ 133,313	\$ 267,195	50%
OTHER TAXES	\$ 91,117	\$ 697,900	13%
TRANSFERS	\$ 33,000	\$ -	-
TOTAL	\$ 5,796,199	\$ 22,445,208	26%

Income Tax

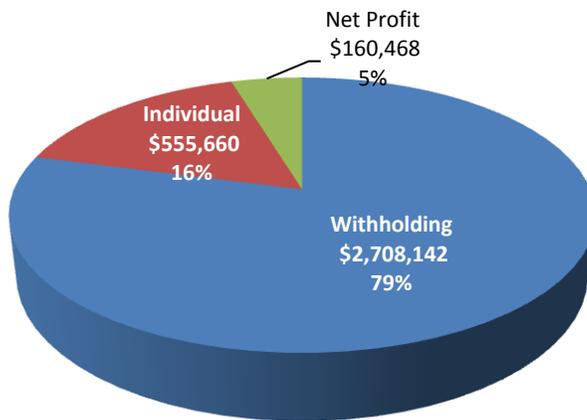
The local income tax remains Gahanna's largest source of revenue. In the first quarter of 2012, it made up 59% of total General Fund revenue. Year-to-date, Income Tax collections are at 24% of plan for the year. While it is difficult this early in the year to estimate the total income tax revenues, the first quarter data is promising. Withholding and Individual returns are up from the same period in 2011, which supports the idea that Gahanna's tax base has recovered from the 2008 financial crisis and is indeed growing. Data provided through the second quarter will provide a better gauge as the majority of the receipts from April 17th Tax Day collections will be reported at that time.



**includes 2 months of collections due to transition to RITA*

***Includes erroneous \$450K of net profit payment ultimately refunded in April 2012*

Gahanna collects income taxes in three categories: business withholdings, individual/resident returns, and net profit returns. The bulk of these collections, 79% in the first quarter, are from business withholdings. This underscores the City's dependence on the financial success of local businesses.



In the first quarter of 2012, both the withholdings and individual filings categories saw increases over 2011 levels for the same time period. These increases were 7% and 8% respectively. There was a decrease seen in net profit returns for the first quarter. This is attributable to atypically large net profit returns received in early 2011. Ultimately, after audit, it was determined that a large portion of these were due to be refunded to the taxpayer. The continued rise in withholding and individual filings indicates that there are more people paying income tax in Gahanna, people are earning more money and thus paying a larger amount in tax collections, or some combination of the two.

Real Estate Tax

Total real estate tax revenue for the first quarter of 2012 was \$788,757. This represents 50% of plan for the year. Since real estate tax distributions are received twice a year, this is on track with where we would hope to be. Collections are down approximately 5% over the same period last year. This is due to the decrease in property valuations implemented by the County that took effect this year. It should be noted that the City of Gahanna receives less than 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.

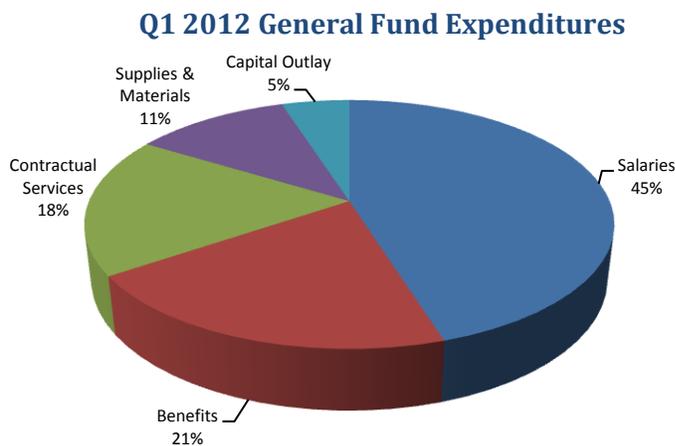
Local Government Fund

The City received Local Government Funds (LGF) totaling \$289,287 through March 31 2012. This amount is 30% of what is planned for the year. We are seeing LGF distributions come in higher than expected this year due to higher than expected general revenue collections at the state level. That said, Gahanna’s LGF collections have been significantly affected by reductions to the LGF allocation formula that were enacted as a part of the state’s most recent biennial budget. Our first quarter 2012 collections are 17% less than the same period in 2011. The result of the changes at the state level mean that, in 2012 and beyond, the City will be receiving approximately half of its historical LGF levels from before 2010.

Expense

General Fund expenditures for the first quarter of 2012 were \$4,966,658. Compared to total General

Fund appropriations of \$23,393,494 for the year, the City has spent 21% of appropriated funds.



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.

Capital Outlay

The revenue uncertainty created by the national economic downturn impacted the City’s investment in capital equipment and improvements. In the 2012 appropriations, only those General Fund capital expenses that would be 100% grant funded were planned for. In March of 2012, the administration introduced a Community Investment Plan to Council and the public, with the intention of re-investing past savings back into the community. This plan spans 2012 and 2013 and includes projects and purchases that will improve the City’s capacity to maintain and operate its existing capital infrastructure. The projects slated for 2012 will be requested as individual supplemental appropriations throughout the year, and those items slated for 2013 will be included in the 2013 appropriations request.

Fund Balance

All told, General Fund revenues exceeded expenses by \$829,540 in the first quarter of 2012. This amount contributed to the City's healthy unencumbered General Fund balance of \$14,259,264 as of March 31, 2012. The City has a mandatory requirement to set aside 25% of planned revenue as an emergency reserve. For 2012, this mandatory reserve amount is \$5,611,302. At the end of the first quarter, the General Fund balance exceeded that mandatory reserve by \$8,647,962.

Other Funds

While the General Fund is the largest of the City's funds, and is used as the primary source for governmental expenditures, Gahanna does maintain a number of other funds as well. The table below outlines each of the City's funds and the revenue and expenditure activity associated with each.

City of Gahanna Q1 2012 Fund Report

Fund	Fund Title	2012 Beginning Balance	Receipts-YTD	Expenses-YTD	Unexpended Fund Balance	Encumbrance	Unencumbered Fund Balance
101	GENERAL FUND	\$ 18,674,601	\$ 5,796,198	\$ 4,966,658	\$ 19,504,141	\$ 5,244,877	\$ 14,259,264
220	STREET	\$ 439,270	\$ 375,388	\$ 278,409	\$ 536,248	\$ 323,435	\$ 212,813
222	STATE HIGHWAY	\$ 138,910	\$ 25,635	\$ 29,692	\$ 134,853	\$ 16,667	\$ 118,186
224	TAX INCREMENT	\$ 2,950,201	\$ 713,294	\$ 411,870	\$ 3,251,625	\$ 99,927	\$ 3,151,697
225	LAW ENFORCEMENT TRUST	\$ 20,436	\$ 3,721	\$ -	\$ 24,157	\$ -	\$ 24,157
226	ENFORCEMENT & EDUCATION	\$ 37,050	\$ 750	\$ -	\$ 37,800	\$ -	\$ 37,800
227	PARKS & REC DONATION	\$ 2,980	\$ -	\$ -	\$ 2,980	\$ -	\$ 2,980
228	PERMANENT IMPROVEMENT	\$ 1,095,100	\$ 10,002	\$ -	\$ 1,105,102	\$ -	\$ 1,105,102
229	COURT	\$ 152,504	\$ 6,705	\$ 4,547	\$ 154,662	\$ 5,862	\$ 148,800
231	COUNTY PERMISSIVE	\$ 162,501	\$ -	\$ 4,700	\$ 157,801	\$ 100,381	\$ 57,420
232	CUL-DE-SAC MAINTENANCE	\$ 23,527	\$ -	\$ -	\$ 23,527	\$ -	\$ 23,527
235	FEDERAL LAW ENF SEIZURE	\$ 149,048	\$ 112,888	\$ 48,659	\$ 213,277	\$ 106,756	\$ 106,521
236	LAW ENF TRUST	\$ 4,733	\$ -	\$ -	\$ 4,733	\$ -	\$ 4,733
241	RIGHT OF WAY	\$ 220,000	\$ 15,000	\$ -	\$ 235,000	\$ -	\$ 235,000
249	FEMA	\$ 15,718	\$ -	\$ -	\$ 15,718	\$ -	\$ 15,718
325	CAPITAL IMPROVEMENTS	\$ 2,402,170	\$ -	\$ 68,055	\$ 2,334,115	\$ 541,086	\$ 1,793,030
326	PARK IMP & ACQ	\$ 246	\$ -	\$ -	\$ 246	\$ -	\$ 246
327	PARK	\$ 21,291	\$ 1,000	\$ -	\$ 22,291	\$ -	\$ 22,291
328	PARK-IN-LIEU OF FEES	\$ 49,980	\$ -	\$ -	\$ 49,980	\$ 180	\$ 49,800
329	COURT BUILDING	\$ 130,321	\$ 4,200	\$ -	\$ 134,521	\$ -	\$ 134,521
431	GENERAL BOND RETIREMENT	\$ 1,186,757	\$ 126,689	\$ 100,370	\$ 1,213,075	\$ -	\$ 1,213,075
435	SPECIAL ASSESSMENT GBR	\$ 22	\$ -	\$ -	\$ 22	\$ -	\$ 22
510	POLICE PENSION	\$ 885,321	\$ 130,693	\$ 207,099	\$ 808,915	\$ 12,876	\$ 796,039
515	POLICE DUTY WEAPON	\$ 4,581	\$ 861	\$ 399	\$ 5,043	\$ 4,701	\$ 342
530	PUBLIC LANDSCAPE TRUST	\$ 7,816	\$ -	\$ -	\$ 7,816	\$ -	\$ 7,816
580	VENDING MACHINES	\$ 4,793	\$ 8	\$ 1,569	\$ 3,232	\$ -	\$ 3,232
631	STORMWATER	\$ 1,958,631	\$ 250,718	\$ 233,380	\$ 1,975,970	\$ 127,638	\$ 1,848,332
651	WATER	\$ 3,343,460	\$ 1,303,157	\$ 2,252,262	\$ 2,394,354	\$ 2,208,254	\$ 186,100
652	WATER SYSTEM CAPITAL IMP	\$ 2,135,430	\$ 209,660	\$ 88	\$ 2,345,002	\$ 217,088	\$ 2,127,914
661	SEWER	\$ 9,334,676	\$ 1,223,430	\$ 2,754,997	\$ 7,803,110	\$ 4,092,253	\$ 3,710,857
662	SEWER SYSTEM CAPITAL IMP	\$ 3,661,045	\$ 150,893	\$ 92,828	\$ 3,719,110	\$ 484,051	\$ 3,235,059
750	RESERVE FOR SICK/VACATION	\$ 1,269,826	\$ -	\$ 4,426	\$ 1,265,400	\$ -	\$ 1,265,400
800	UNCLAIMED FUNDS	\$ 30,349	\$ -	\$ -	\$ 30,349	\$ -	\$ 30,349
835	SENIOR ESCROW	\$ 6,821	\$ -	\$ 1,381	\$ 5,440	\$ -	\$ 5,440
837	VETERANS MEMORIAL	\$ 9,253	\$ 291	\$ 315	\$ 9,229	\$ 2,177	\$ 7,052
850	REFUSE ESCROW	\$ 428,591	\$ 521,196	\$ 483,704	\$ 466,083	\$ 1,611,021	\$ (1,144,938)
860	DEVELOPERS ESCROW	\$ 436,230	\$ 14,650	\$ 8,854	\$ 442,026	\$ 59	\$ 441,967
870	TIZ REAL ESTATE ESCROW	\$ 63,487	\$ 41,785	\$ 73,402	\$ 31,870	\$ -	\$ 31,870
900	SELF INS WORKERS COMP FUN	\$ 113,275	\$ 38,104	\$ 105,375	\$ 46,004	\$ 30,410	\$ 15,594
	ALL FUNDS TOTAL	\$ 51,570,949	\$ 11,076,917	\$ 12,133,038	\$ 50,514,828	\$ 15,229,700	\$ 35,285,128

Conclusion

The rise in withholding and individual tax collections during the reporting period continue to indicate that portions of Gahanna's local economy are 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 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.

In the near-term 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.

Additional Resources

The Finance Department has posted this report along with numerous supporting documents to the Financial Publications portion of the City's website. These include both revenue and expenditure status reports for each account and fund, and a detailed listing of all budget transfers completed within the appropriations through the first quarter. These documents can be found in the *Quarterly Financial Reports* section at <http://www.gahanna.gov/departments/finance/financialpublications.aspx>