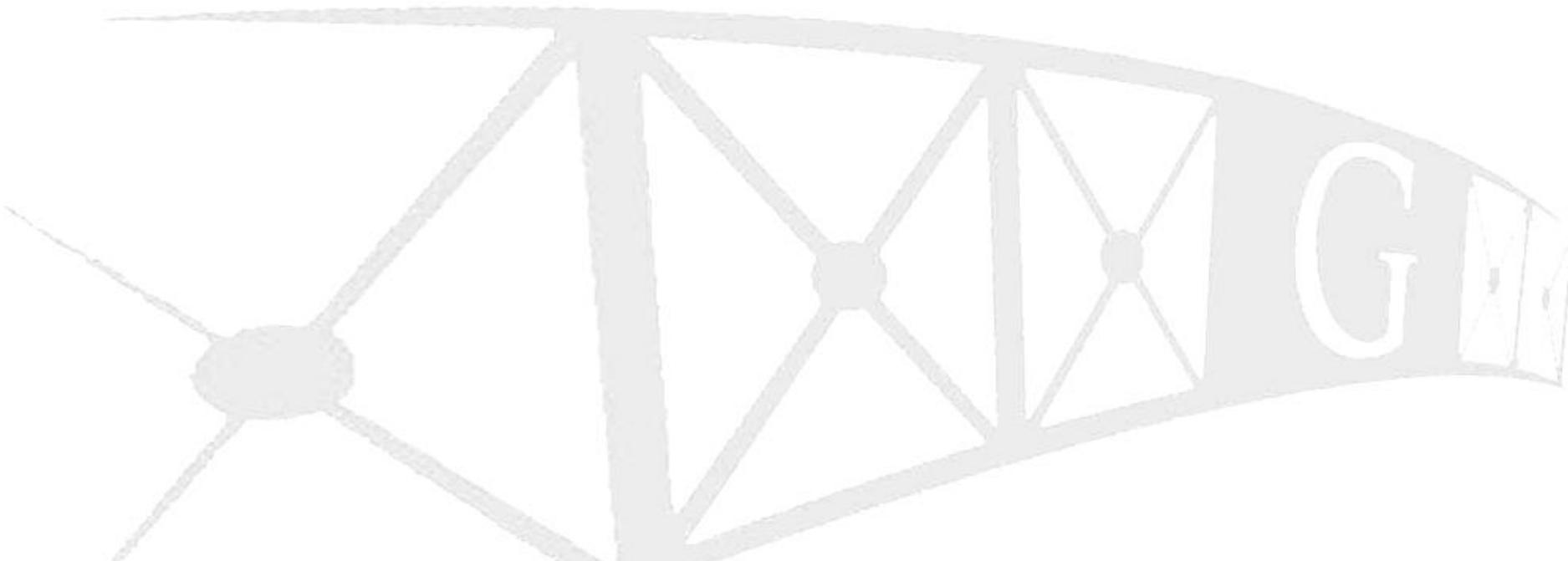




3rd Quarter Overview & Five-Year Forecasting

Finance Department
Presentation to Council
October 22, 2012



GENERAL FUND REVENUES & EXPENDITURES

General Fund Revenue

| Collected | Planned | Pct Collected |
|--------------|--------------|---------------|
| \$18,853,841 | \$22,445,208 | 84% |

| 2011 YTD | Variance | Pct Diff |
|--------------|---------------|----------|
| \$19,895,670 | <\$1,041,829> | <5%> |

Factoring out the large Net Profit filing from 2011 that was refunded in 2012, we would be \$172K or 0.8% down from the same time last year.

Revenue by Source

| Category | 2012 YTD | 2012 Plan | % |
|----------------------------------|----------------------|----------------------|------------|
| INCOME TAX | \$ 11,286,719 | \$ 14,546,000 | 78% |
| REAL ESTATE TAXES | \$ 1,648,120 | \$ 1,573,214 | 105% |
| FINES , FEES, LICENSES & PERMITS | \$ 2,951,996 | \$ 3,592,899 | 82% |
| LOCAL GOVERNMENT FUND | \$ 790,891 | \$ 970,000 | 82% |
| GRANTS | \$ 610,786 | \$ 123,000 | 497% |
| INTEREST & INVESTMENT INCOME | \$ 382,051 | \$ 675,000 | 57% |
| MISCELLANEOUS INCOME | \$ 607,416 | \$ 267,195 | 227% |
| OTHER TAXES | \$ 542,861 | \$ 697,900 | 78% |
| TRANSFERS | \$ 33,000 | \$ - | - |
| Total | \$ 18,853,841 | \$ 22,445,208 | 84% |

General Fund Expenses

| Expended | Appropriated | % Expended |
|--------------|--------------|------------|
| \$20,101,102 | \$28,842,978 | 70% |

| 2011 YTD | Variance | Pct Diff |
|--------------|-------------|----------|
| \$16,813,140 | \$3,287,962 | 20% |

*“Expended” includes \$2.8M transfer to
Capital Improvement Fund*

Excluding transfer, would be \$505K or 3% above 2011

General Fund-Summary

In the Third Quarter, General Fund expenses exceeded revenue by \$1.2 million

| | |
|-----------------|----------------------------|
| Revenue | \$18,853,841 |
| Expense | <\$20,101,102> |
| Variance | <\$1,247,261> |

If not for the \$2.8M transfer to the Capital Improvement Fund, revenues would have exceeded expenses by \$1.5 M.

General Fund Balance

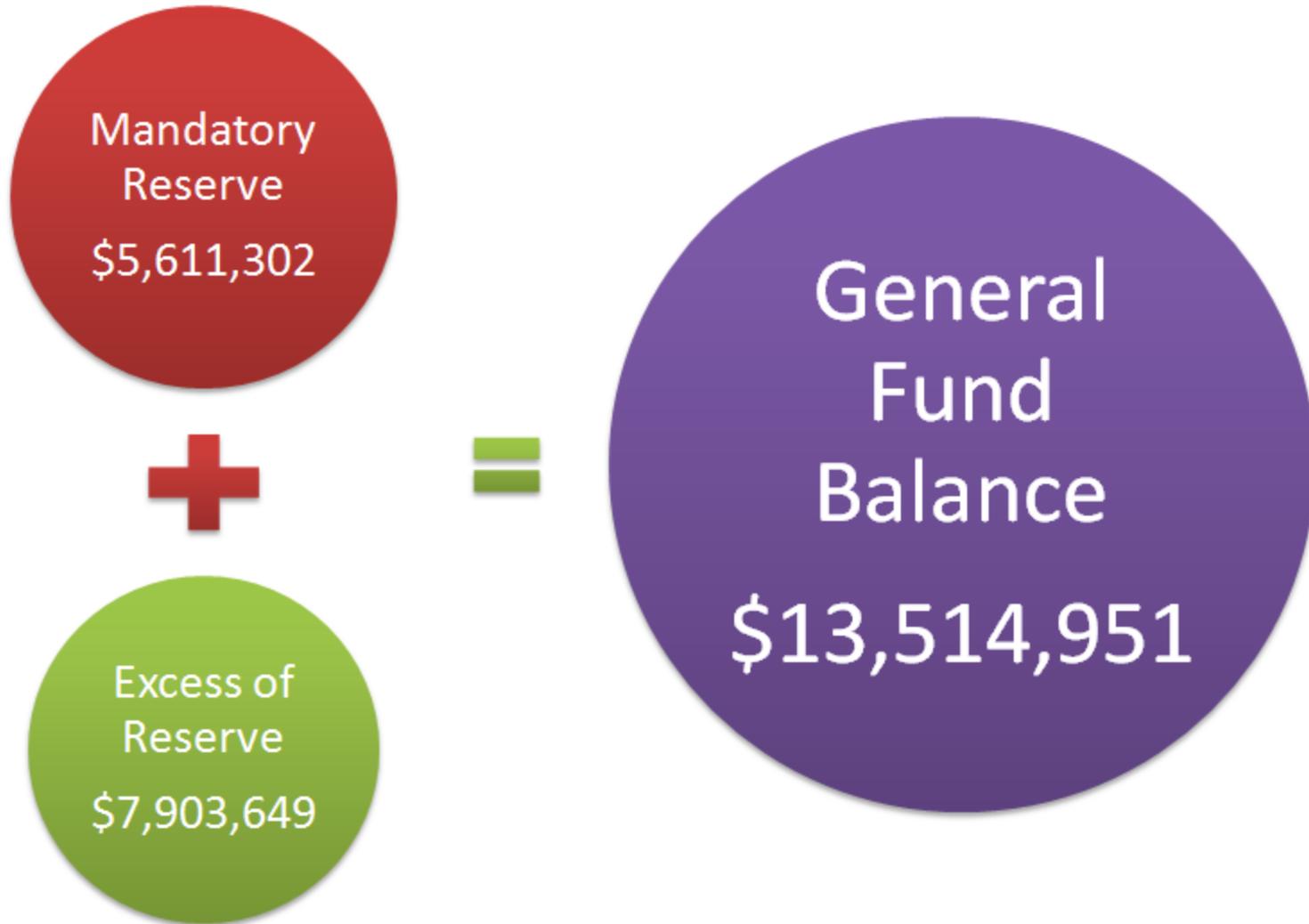
| | | | | | | | | |
|--|---|-----------------------------|---|---------------------------------|---|----------------------------|---|-------------------------------------|
| Beginning Fund Balance \$18,674,601 | + | YTD Revenue \$18,853,841 | - | YTD Expenditure \$20,101,102 | - | Encumbrance \$3,912,388 | = | Ending Fund Balance \$13,514,951 |
|--|---|-----------------------------|---|---------------------------------|---|----------------------------|---|-------------------------------------|

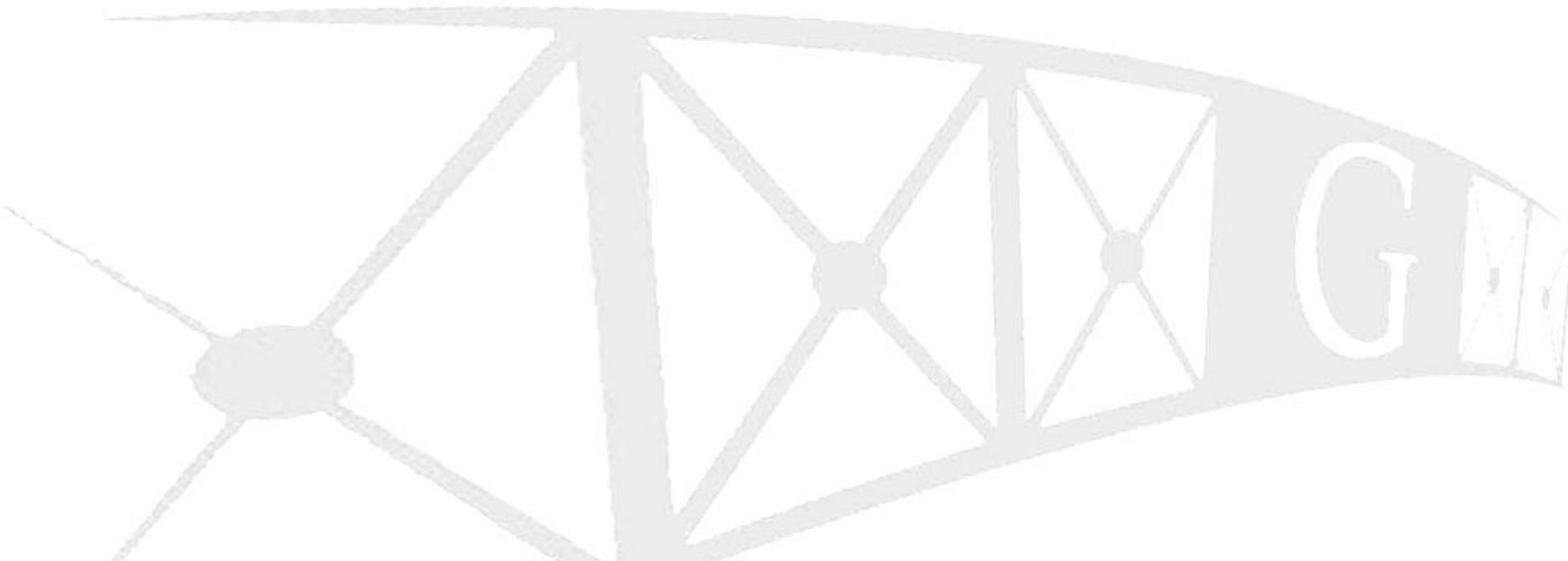
Q3 Unencumbered Fund Balance: **\$13,514,951**

Mandatory Reserve based on 25% of planned revenue: **\$5,611,302**

Balance in Excess of Reserve: **\$7,903,649**

General Fund: Ending Fund Balance





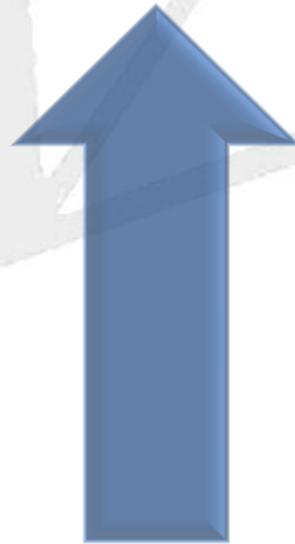
GENERAL FUND FIVE-YEAR FORECAST

Revenue Forecast

1. Estimate Year-End Performance
2. Identify Reductions and Trends
3. Develop 2013 Estimate for Appropriations
4. Apply Trends for 2014 - 2017

Revenue: 2012 Year-End Estimate

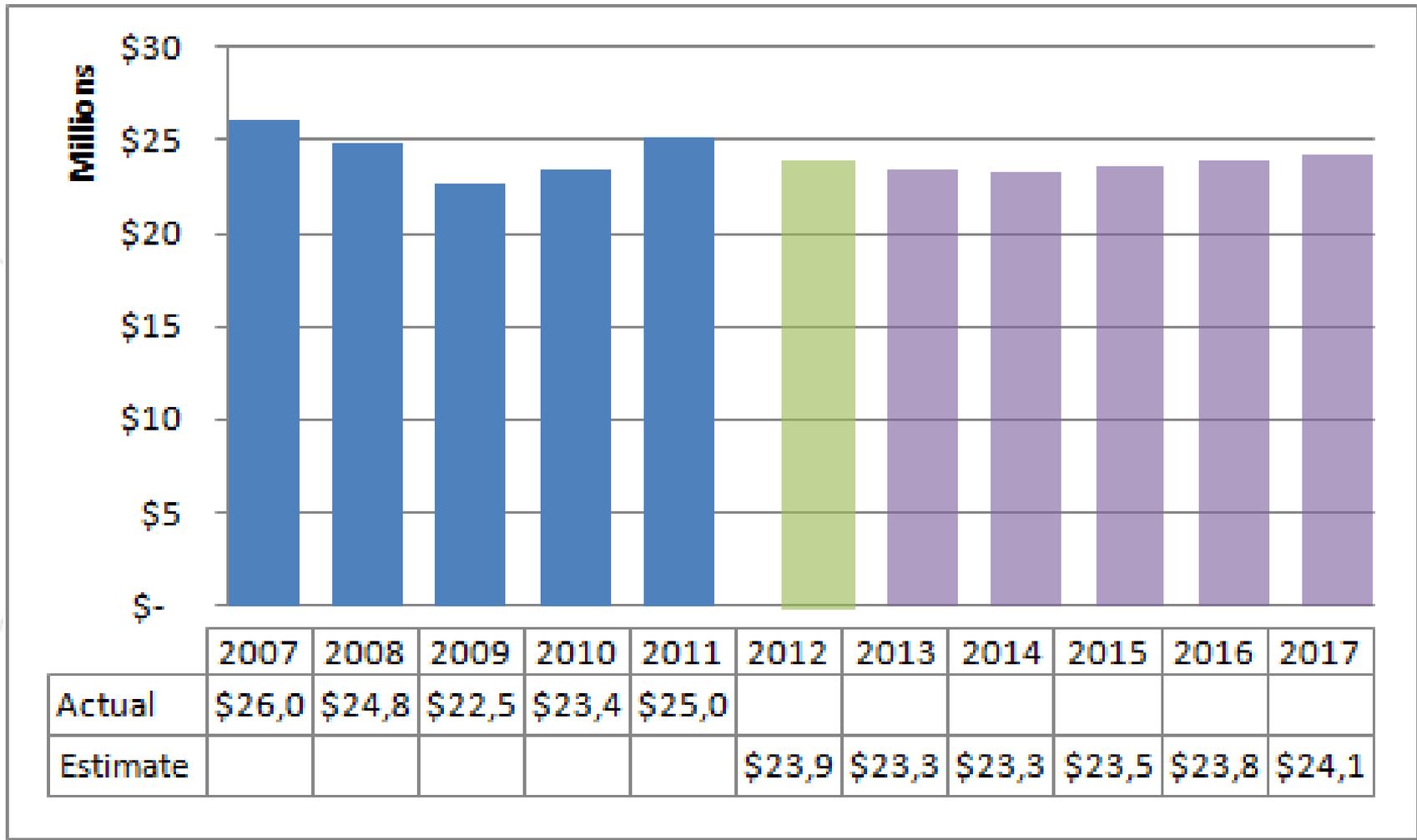
| 2012 Plan (Nov 2011) | YTD Receipts (10/15/12) | Revised Estimate | Variance | % Change |
|-------------------------|----------------------------|---------------------|----------|----------|
| \$22.4M | \$20.3M | \$23.9M | \$1.5M | 6.7% |



Increased by:

- One-time funds (Creekside, grants)
- Estate Tax
- Strong Summer

General Fund Forecast



Revenue Forecast

Focus on volatile/declining sources

Income Tax

Local Government Fund

Interest & Investment Income

Estate Tax

Property Tax

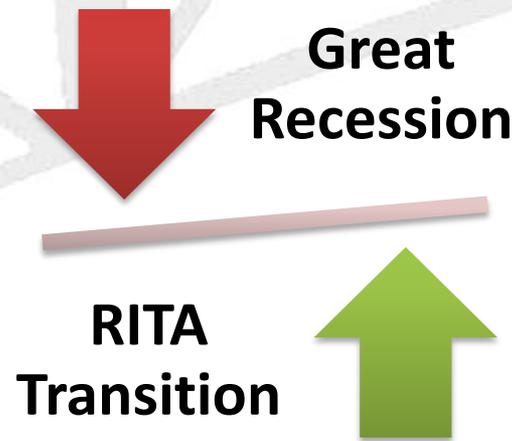
TIZ

Income Tax

Importance

Since 2000, has ranged between 50 – 65% of total General Fund Revenue

Uncertainty—What is the “New Normal”



Income Tax Analysis

12 Month Trailing Average

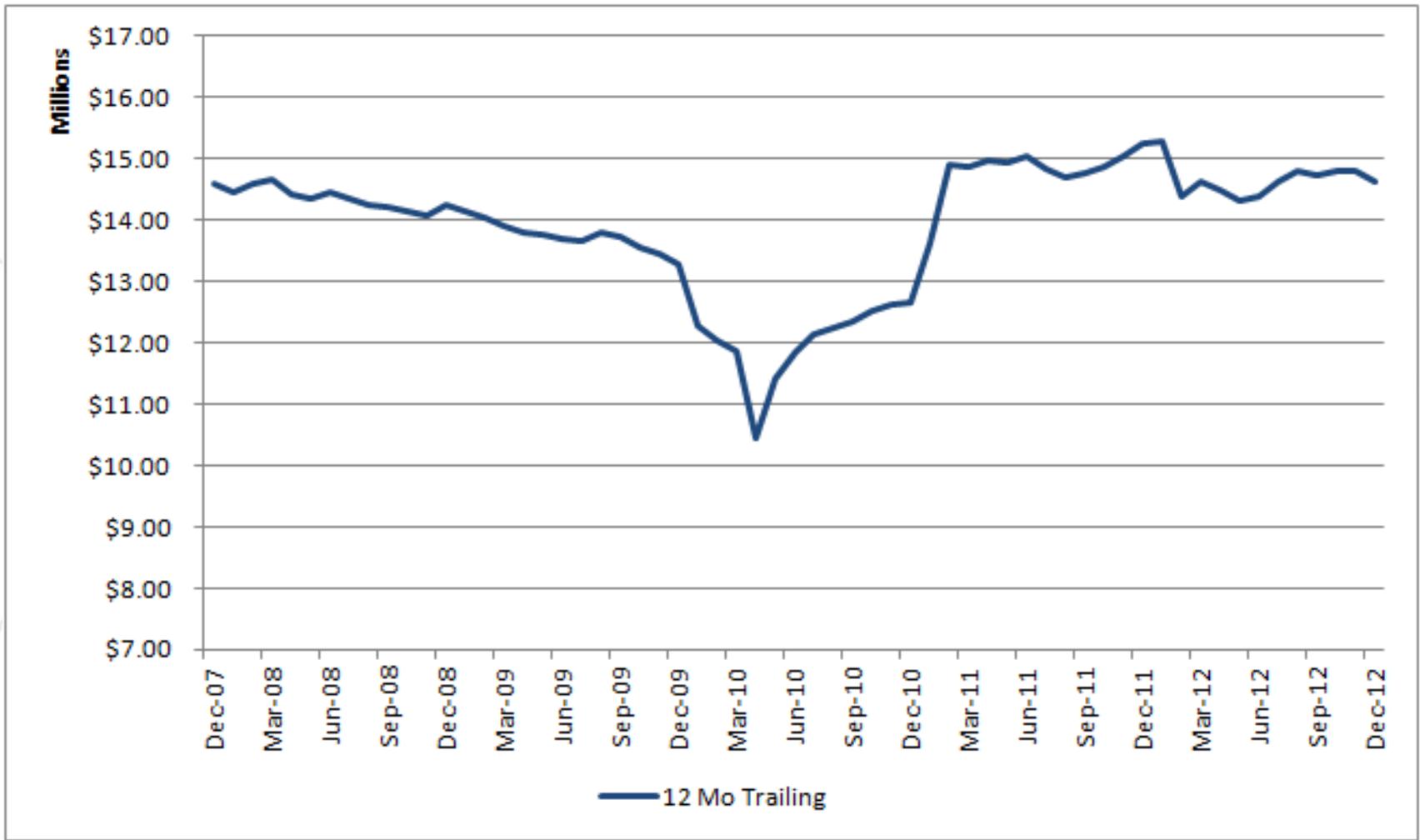
On a rolling basis, sum the most recent 12 months' income tax collections

Advantages:

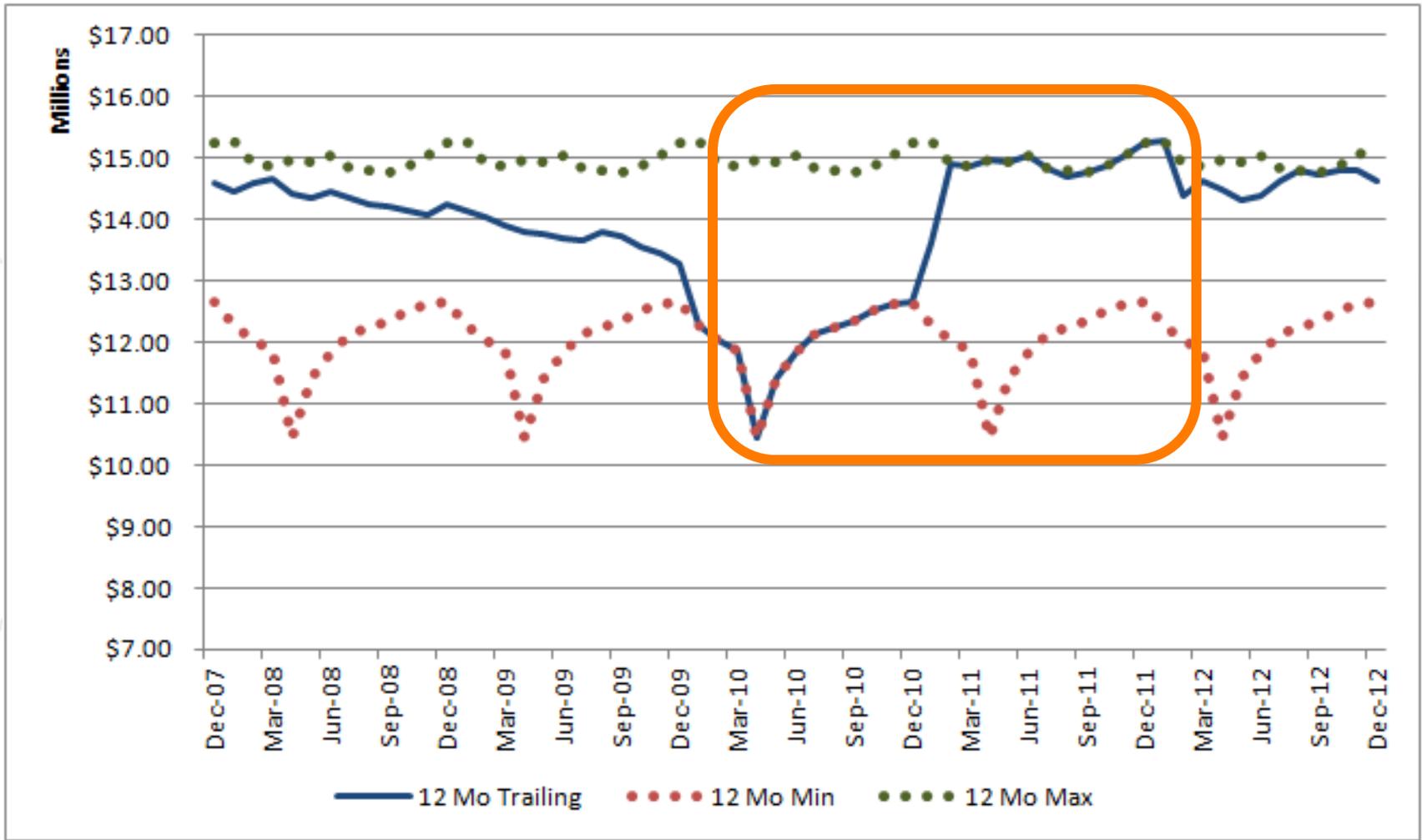
- More data points make trends easier to spot*
- Minimizes impact of outliers*

| 2011 | 2012 |
|------|-------------|
| | Jan |
| | Feb |
| | Mar |
| | Apr |
| | May |
| | June |
| | July |
| | Aug |
| | Sept |
| | Oct |
| | Nov |
| | Dec |

Income Tax Analysis



Income Tax Analysis



Income Tax Forecast

2012 = Base Year

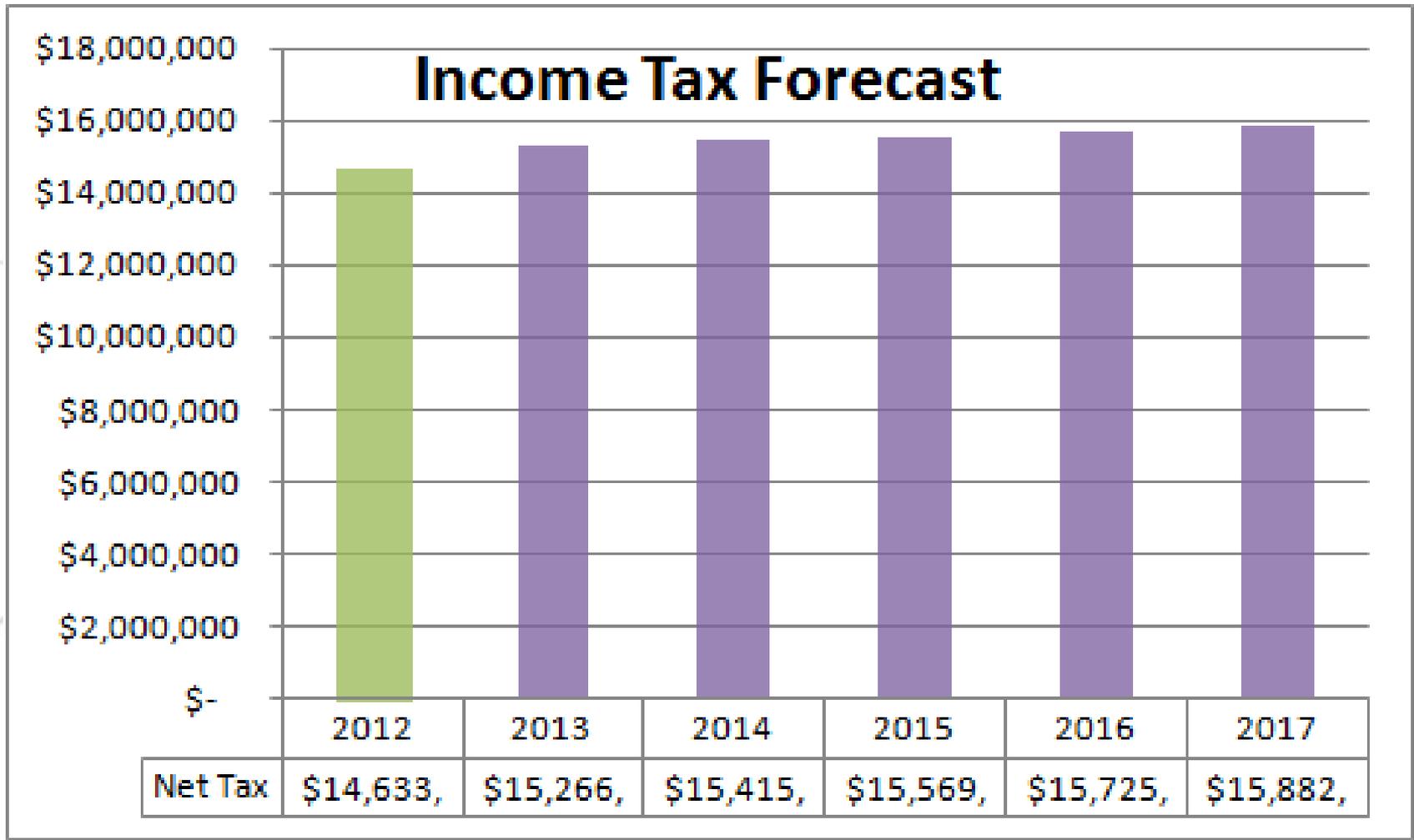
2013

Correct for 2011/2012 net profit anomaly
Anticipated COUG & Niagara withholdings

2013 – 2017

1% growth to base per year

Income Tax Forecast



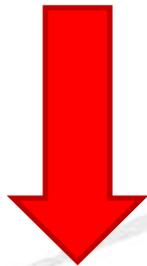
Local Government Fund

Formula Based Revenue Sharing from State

Fluctuates with State revenues

Cut by the State to balance State budget in 2010

2013 first year with full reductions in place



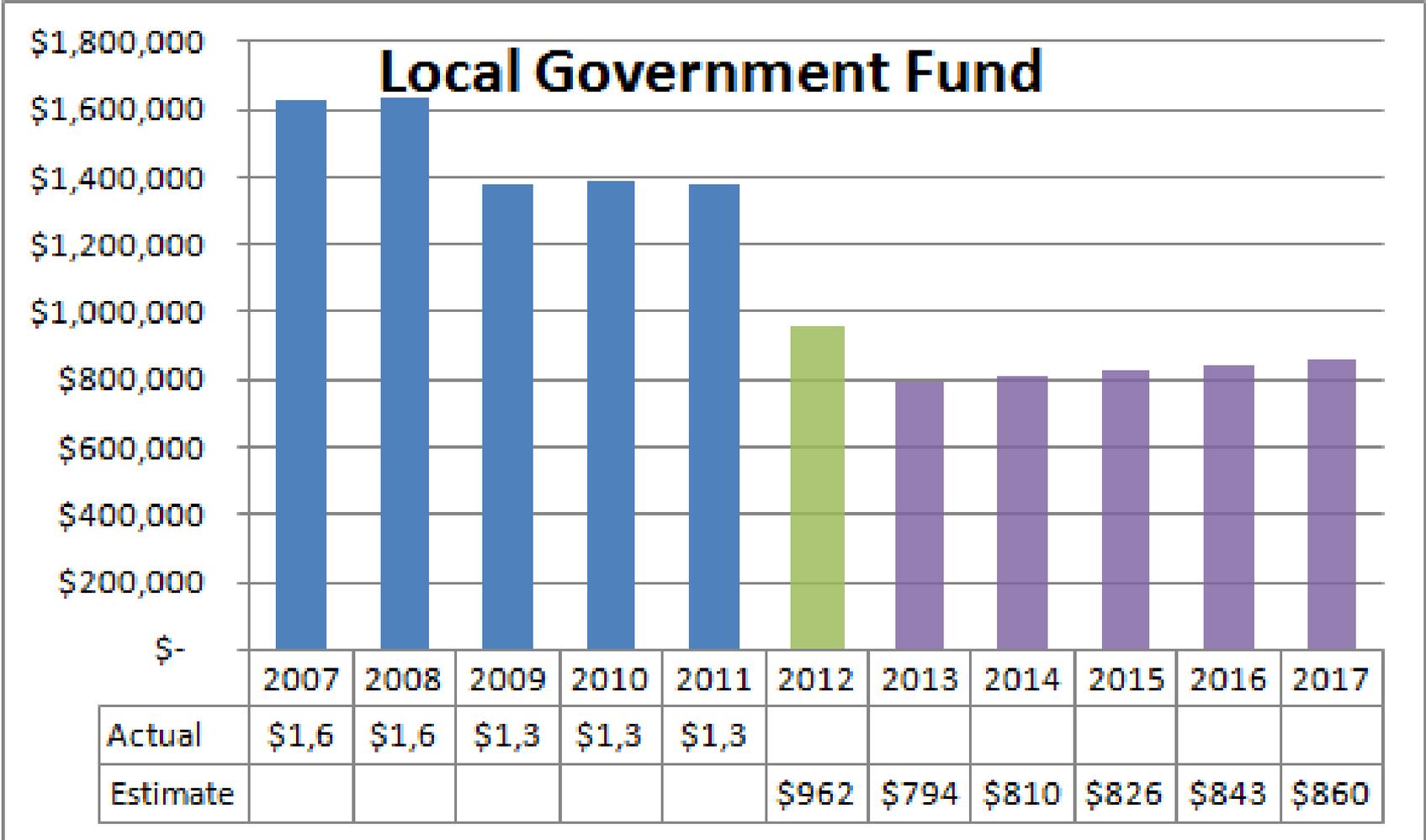
**Impact of State reductions
<\$825,000>/year**

LGF Reduction Schedule

By 2013, Gahanna's LGF allocation will be reduced by **50%**

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-----|-------------|-------------|-------------|-------------|
| Jan | 100% | 100% | 75% | 50% |
| Feb | 100% | 100% | 75% | 50% |
| Mar | 100% | 100% | 75% | 50% |
| Apr | 100% | 100% | 75% | 50% |
| May | 100% | 100% | 75% | 50% |
| Jun | 100% | 100% | 75% | 50% |
| Jul | 100% | 75% | 50% | 50% |
| Aug | 100% | 75% | 50% | 50% |
| Sep | 100% | 75% | 50% | 50% |
| Oct | 100% | 75% | 50% | 50% |
| Nov | 100% | 75% | 50% | 50% |
| Dec | 100% | 75% | 50% | 50% |

Local Government Fund Forecast



Interest & Investment Income

Earnings and Interest from City's ~\$50M Investment Portfolio

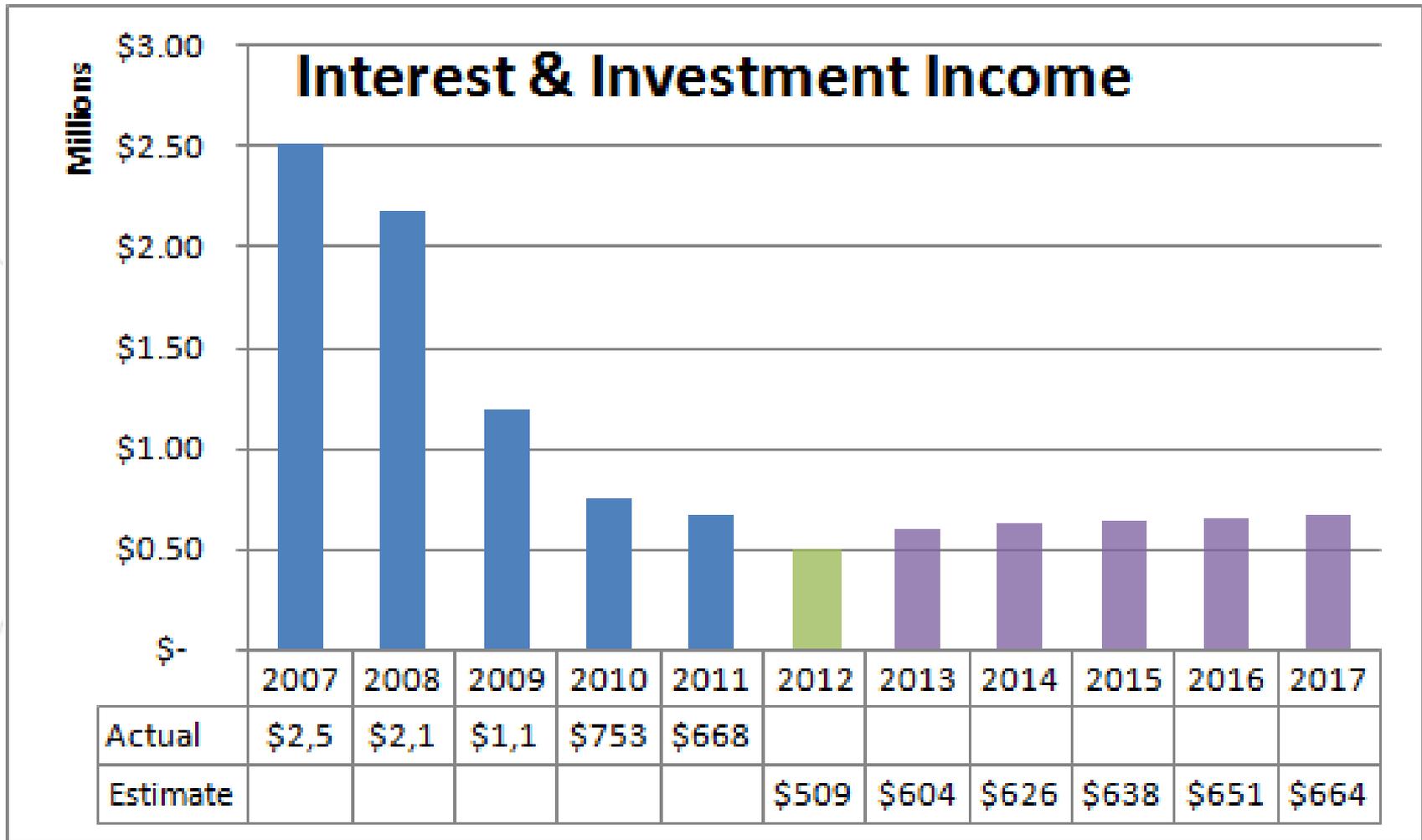
Great Recession led to drop in available interest rates for City investments

Historic Average \$1.7M/year



**Impact of reductions
<\$1.2 Million>/year**

Interest & Investment Forecast



Estate Tax

Tax on Estates of Deceased Residents

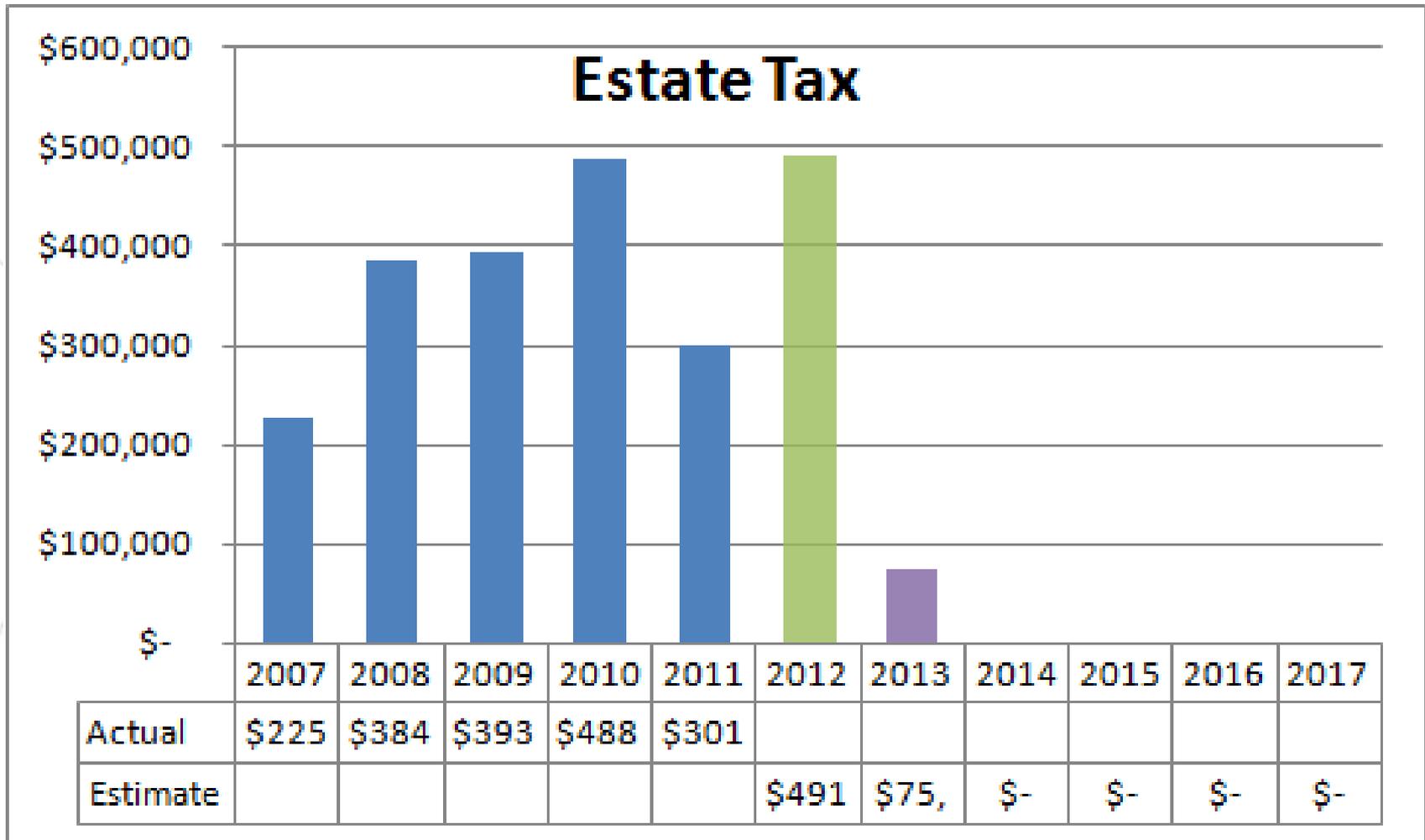
- State eliminated Estate Tax effective 1/1/13
- Average receipts of \$350,000/year
- Anticipate final cash distribution in early 2013



Impact of reductions

<\$350,000>/year

Estate Tax Forecast



Property Taxes

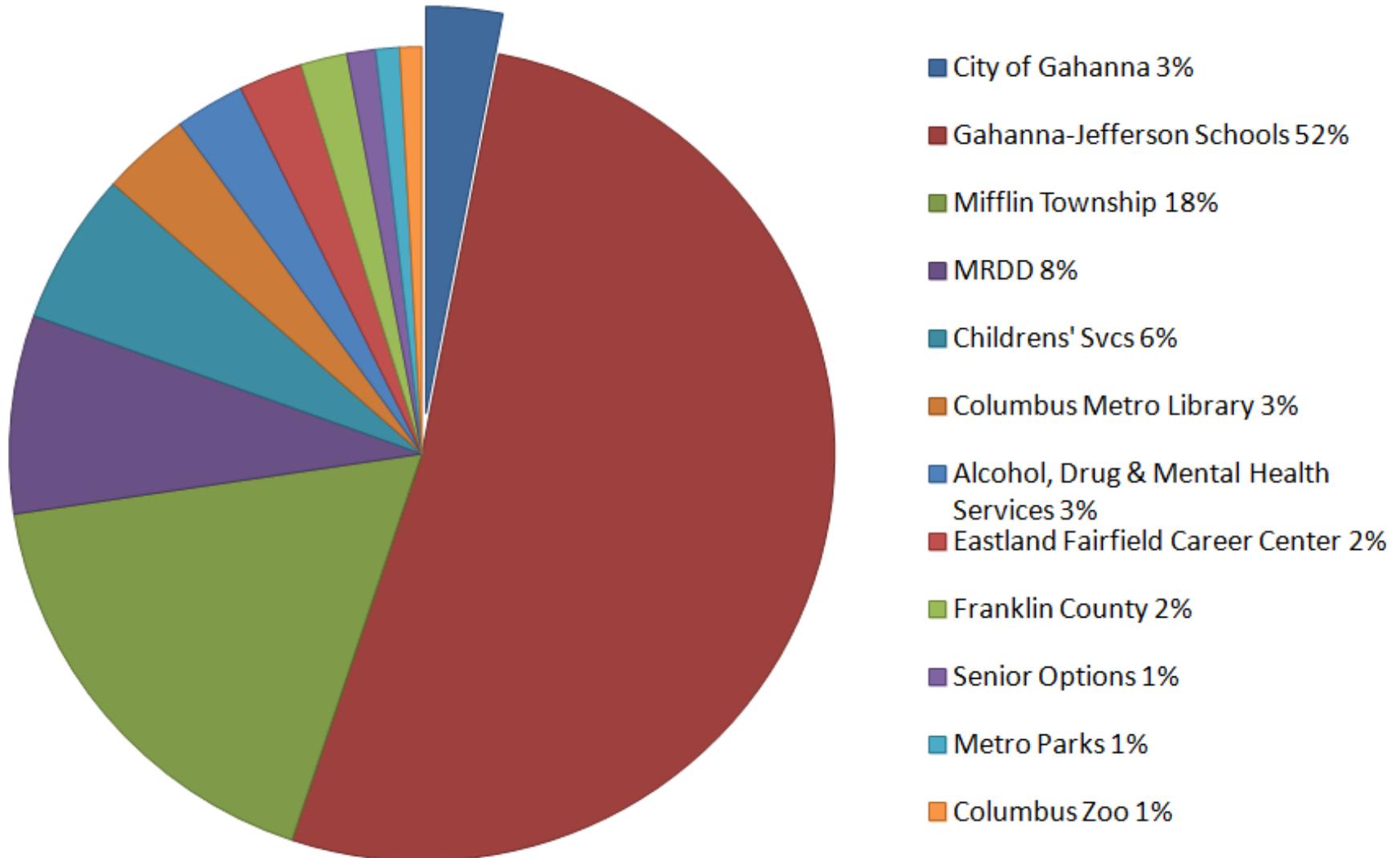
Tax on the Assessed Values of Real Property

- Gahanna receives **3%** of tax paid by residents
- 2011 Revaluation reduced assessed property values by 6% (\$100K/year)
- Tangible Personal Property Tax cut in 2009 (average ~\$70K/year)

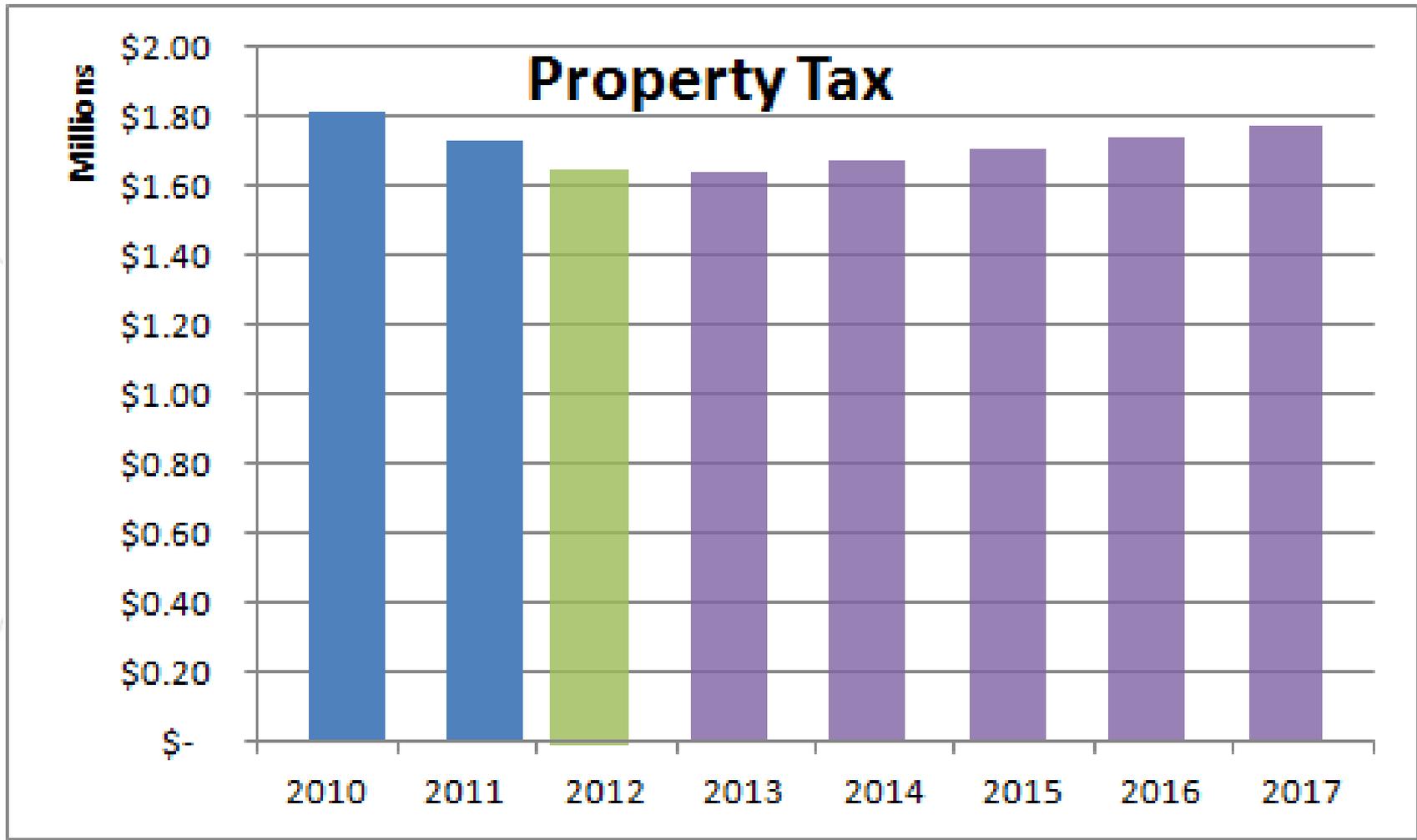


**Impact of reductions
<\$170,000>/year**

For a home valued at \$185,100, the City would receive \$118 out of a \$3,940 tax bill



Property Tax Forecast



TIZ TIF Payments

TIZ TIF Payments in Lieu of Taxes

- Industrial Zone (TIZ) TIF payments were used from 1979 to 2009 to pay for General Operating Expenses
- City used approx \$700K/year in 2000's to offset General Fund expenses



**Impact of reductions
<\$700,000>/year**

Summary of Revenue Reductions

The net impact of these changes to Gahanna's revenue sources is over **\$3 Million/year**

| Reduction Source | Impact |
|------------------------------|-----------------------|
| Local Government Fund | \$ (825,000) |
| Interest & Investment Income | \$ (1,200,000) |
| Estate Tax | \$ (325,000) |
| Property Taxes | \$ (170,000) |
| TIZ | \$ (700,000) |
| TOTAL | \$ (3,220,000) |

Expense Forecast

Operating Expenses

- Basis is 2013 Tax Budget
- Captures the “true” cost of current City operations-No pushing needs forward or cutting in the short-run at the expense of the long-term
- Includes anticipated contractual and reasonable market increases
- Includes maintenance costs previously captured as capital expenses

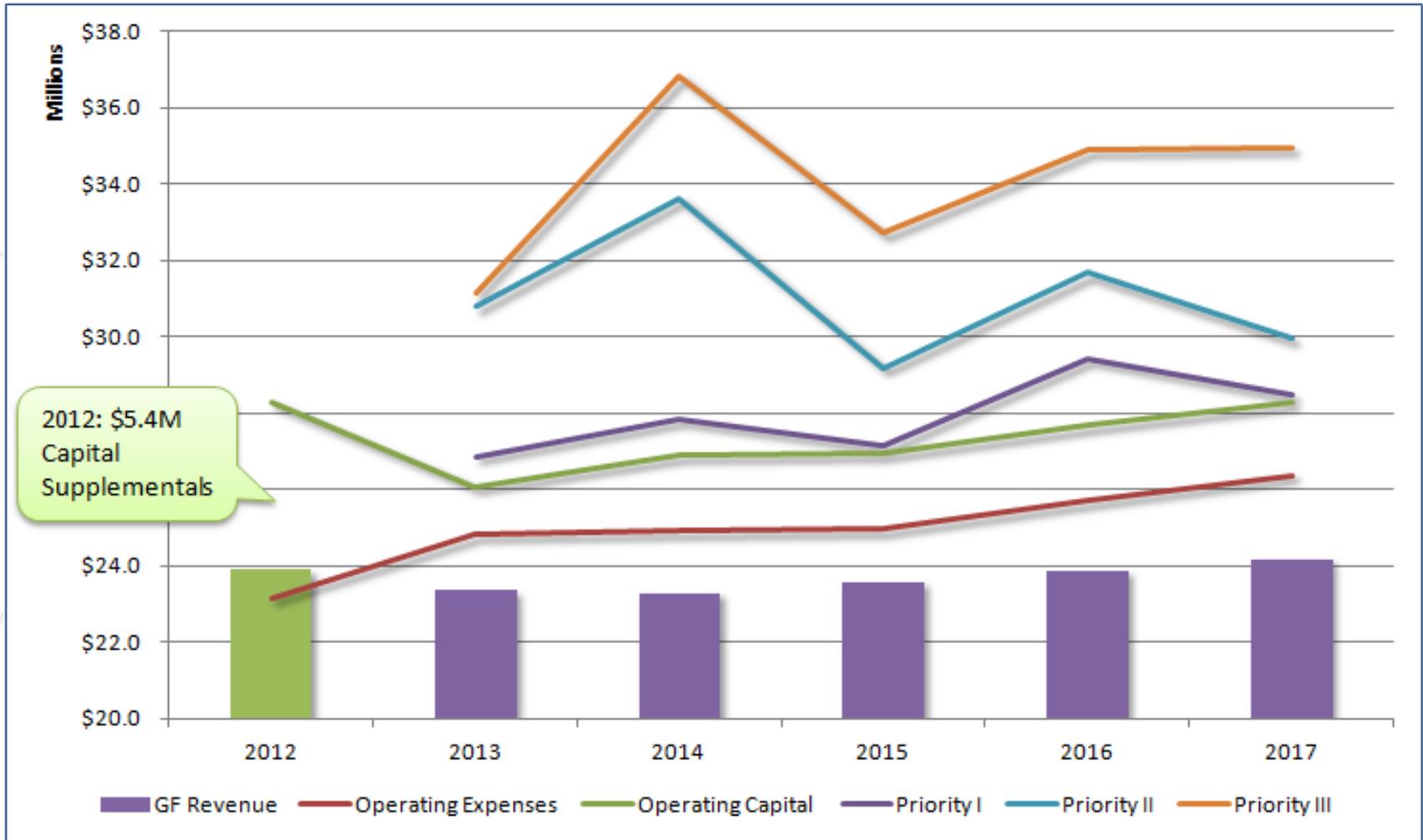
Operating Capital

- Identified in Capital Needs Assessment as items/investments required to operate and maintain current City operations

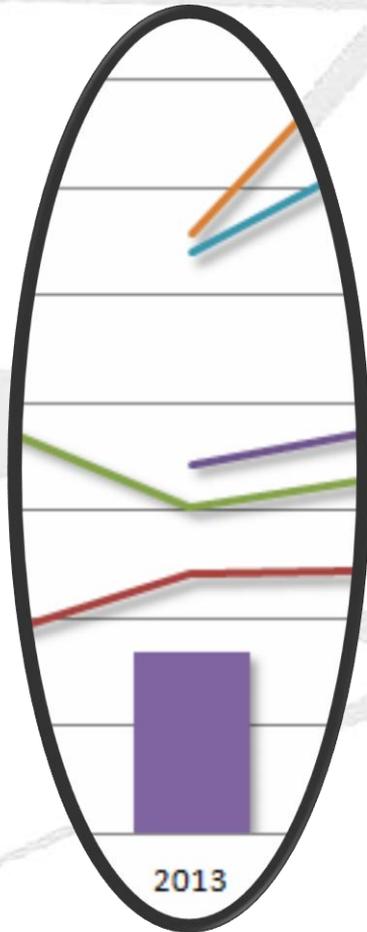
Priority I, II & III Capital Improvements

- Costs estimated in Capital Needs Assessment

Expense Forecast



2013 Expense Snapshot



Cumulative Shortfall

Priority III Cap: <\$6.1M>

Priority II Cap: <\$5.6M>

Priority I Cap: <\$3.1M>

Operating Cap: <\$2.7M>

Operating Exp: <\$1.5M>

Bridging the Gap

Historical methods = unsustainable

Zero out capital

Operating reductions

Deferred maintenance

Use of reserves

2013 Appropriations → Short-term solution

Long-term strategy needed



Salary
Survey

Citizen
Survey

Parks Master
Plan

Five-Year
Forecast

Long-Term
Capital
Planning

Budget Forum
Input

2013
Appropriation

Next Steps

Nov 2

- Appropriations Request to Council

Nov 13

- Appropriations Presentation

Nov / Dec

- Council Discussion
- Public Forum

Nov / Dec

- Staffing Study Report
- Resident Survey Report

Dec / Jan

- Long-Term Financial Strategy Presentation & Discussion

Jan 2

- Appropriations Vote

Feb

- Parks & Recreation Master Plan Report