



City of Gahanna

Q3 2012

# Financial Report to Council

Jennifer Teal  
Director of Finance

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## Overview

The purpose of this report is to provide Gahanna City Council, residents and interested parties an overview of the City's General Fund through the third quarter of 2012. Overall, the General Fund's performance through September 30, 2012 has been positive. Revenues have exceeded estimates in most categories, and expenses are well within appropriated amounts.

## Revenue

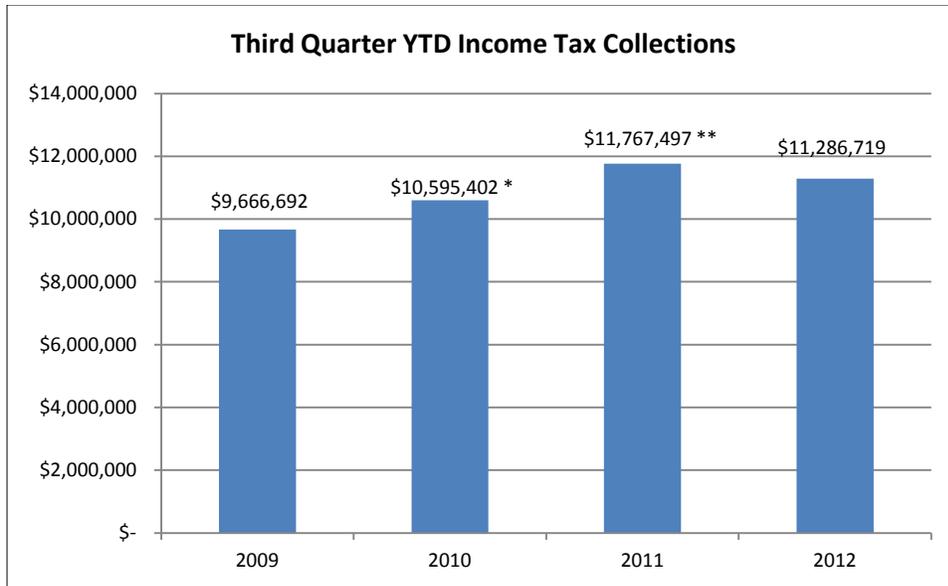
Through September 30, 2012, Gahanna collected \$18,853,841 in General Fund revenues from all sources on a cash basis. This amount represents 84% of our planned General Fund Revenue for 2012. This amount is 5% or \$1,041,698 less than our General Fund cash collections for the same period in 2011. If not for an extraordinarily large net profit filing from 2011 that was refunded in 2012, General Fund revenue would be approximately \$172,000 or 0.8% less than the same time last year.

With the exception of Interest & Investment Income, collections in all General Fund revenue categories are above 75% of planned revenue through the third quarter. The table below details each of the General Fund revenue categories and their performance compared to plan for the reporting period.

REVENUE CATEGORY	Q3 YTD	2012 PLAN	PCT OF 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	\$ -	-
<b>TOTAL</b>	<b>\$ 18,853,841</b>	<b>\$ 22,445,208</b>	<b>84%</b>

## Income Tax

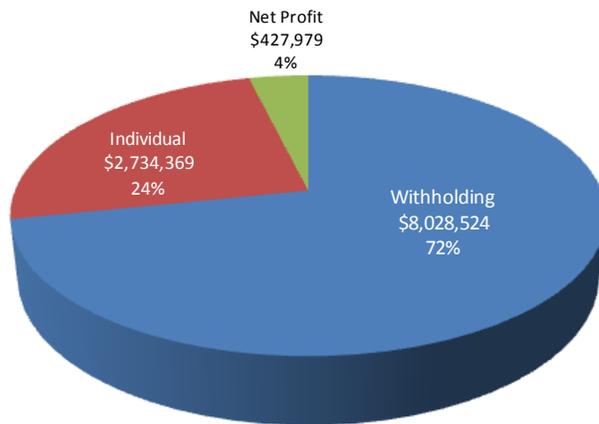
The local income tax remains Gahanna's largest source of revenue. In the third quarter of 2012, it made up 60% of total General Fund revenue. Year-to-date, income tax collections are at 78% of plan for the year. While it is always challenging to predict the total income tax revenue for the year, the third quarter data is promising. Withholdings are up 9% from the same period in 2011, which supports the idea that Gahanna's tax base has recovered from the 2008 financial crisis and is stabilizing.



*\*includes one less month of collections due to transition to RITA*

*\*\*Includes erroneous \$435K net profit return 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, 72% through the third quarter, are from business withholdings. This underscores the City's dependence on the financial success of local businesses.



Through the third quarter of 2012, employer withholdings increased 9% over the same time period in 2011. This rise in withholding indicates that there are more people working in Gahanna and paying income tax, people are earning more money and thus paying a larger amount in tax collections, or some combination of these two scenarios.

Individual returns decreased 2% from 2011 levels for the same time period. There was also a significant decrease seen in net profit returns for the third quarter. This is attributable to two extraordinarily large net profit returns received in early 2011. Ultimately, after audit, it was determined that a large portion of one of these returns, \$435,000, was due to be refunded to the taxpayer. This refund took place in April 2012.

### Real Estate Tax

Total real estate tax revenue for the third quarter of 2012 was \$1,648,120. This represents 105% of planned revenue for the year. Collections are down approximately 5% over the same period last year.

This reduction is attributable to a 6% reduction in the assessed values in the City based on Franklin County’s recent property revaluation process. The real estate tax is distributed twice a year to the City by Franklin County. The second half distributions were received in August so no further revenue is expected in this category in 2012.

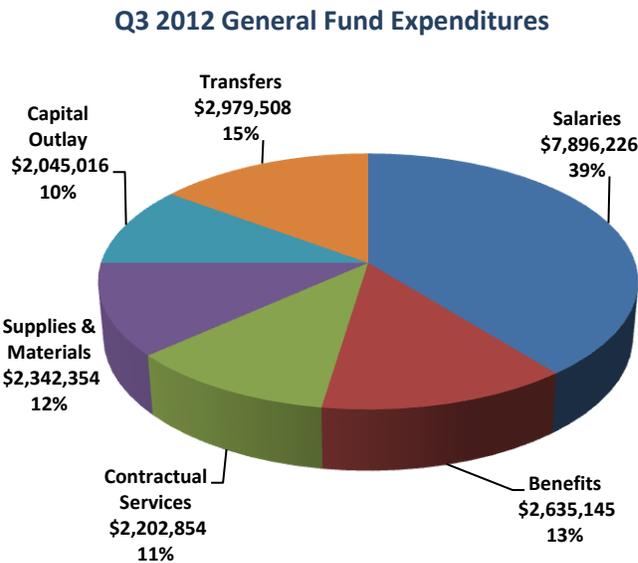
It should be noted that the City of Gahanna receives less than 3% of the real estate taxes paid by Gahanna property owners. The remainder is distributed between other publicly funded organizations such as the Gahanna-Jefferson school district, Mifflin and Jefferson townships, the Columbus Metropolitan Library system, Metro Parks and the Columbus Zoo.

### Local Government Fund

The City received Local Government Funds (LGF) totaling \$790,891 through September 30, 2012. This amount is 82% of what was initially planned for the year. LGF distributions are coming in higher than expected this year due to improvement to general revenue collection at the state level. That said, Gahanna’s LGF collections have been significantly affected by a phased reduction to the LGF allocation formula that was enacted as a part of the state’s 2010 biennial budget. Once the phased reduction is complete in 2013, the City will receive approximately half of its historical LGF revenue from before 2010, a reduction of approximately \$825,000 per year.

### Expense

General Fund expenditures for the third quarter of 2012 were \$20,101,102. Compared to total General Fund appropriations of \$31,790,048 for the year (which includes initial and supplemental appropriations



as well as budget authority from prior year encumbrances that were carried forward into 2012), the City has spent 63% of appropriated funds. In total, just over half of the City’s General Fund spending has focused on the salaries and benefits of City employees so far in 2012.

This is to be expected, as Gahanna City government is ultimately a service organization, with its primary focus being to deliver services to the residents and businesses of Gahanna. These services include public safety, engineering and maintenance of public infrastructure, community and economic development and

parcs and recreation. In 2013, the City began reinvesting in capital assets and infrastructure through its adoption of the Community Investment Program (CIP). So far in 2012, the City has expended over \$2 million on capital outlay in the General Fund and transferred another \$2.8 million to the capital improvement fund for projects included in the CIP.

## Fund Balance

All told, General Fund expenses exceeded revenues by \$1,247,261 through the third quarter of 2012. The resulting unencumbered balance of the General Fund is \$13,514,951 as of September 30, 2012.

The City has a mandatory requirement to set aside 25% of the year's planned General Fund revenue as an emergency reserve. For 2012, this mandatory reserve amount is \$5,611,302. At the end of the third quarter, the General Fund unencumbered balance exceeded that mandatory reserve by \$7,903,649.

## 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 following table outlines each of the City's funds and the revenue and expenditure activity associated with each.

### City of Gahanna Q3 2012 Fund Report

Fund	Fund Title	2012 Beginning Balance	Receipts-YTD	Expenses-YTD	Unexpended Fund Balance	Increase / (Decrease) in Unexpended Fund Balance	Encumbrance	Unencumbered Fund Balance
<b>101</b>	<b>GENERAL FUND</b>	<b>\$ 18,674,601</b>	<b>\$ 18,853,841</b>	<b>\$ 20,101,102</b>	<b>\$ 17,427,339</b>	<b>\$ (1,247,261)</b>	<b>\$ 3,912,388</b>	<b>\$ 13,514,951</b>
220	STREET	\$ 439,270	\$ 1,168,683	\$ 656,906	\$ 951,047	\$ 511,777	\$ 242,009	\$ 709,038
222	STATE HIGHWAY	\$ 138,910	\$ 74,529	\$ 46,480	\$ 166,959	\$ 28,049	\$ 8,959	\$ 158,000
224	TAX INCREMENT	\$ 2,950,201	\$ 1,928,295	\$ 880,387	\$ 3,998,109	\$ 1,047,909	\$ 144,341	\$ 3,853,768
225	LAW ENFORCEMENT TRUST	\$ 20,436	\$ 277,711	\$ 36,646	\$ 261,502	\$ 241,065	\$ 42,302	\$ 219,200
226	ENFORCEMENT & EDUCATION	\$ 37,050	\$ 2,194	\$ -	\$ 39,244	\$ 2,194	\$ -	\$ 39,244
227	PARKS & REC DONATION	\$ 2,980	\$ -	\$ -	\$ 2,980	\$ -	\$ -	\$ 2,980
228	PERMANENT IMPROVEMENT	\$ 1,095,100	\$ 20,490	\$ -	\$ 1,115,590	\$ 20,490	\$ -	\$ 1,115,590
229	COURT	\$ 152,504	\$ 23,706	\$ 11,641	\$ 164,569	\$ 12,065	\$ 6,668	\$ 157,901
230	STORM WATER MANAGEMENT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
231	COUNTY PERMISSIVE	\$ 162,501	\$ -	\$ 4,700	\$ 157,801	\$ (4,700)	\$ 148,381	\$ 9,420
232	CUL-DE-SAC MAINTENANCE	\$ 23,527	\$ -	\$ -	\$ 23,527	\$ -	\$ -	\$ 23,527
233	COMMUNITY DEVELOPMENT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
235	FEDERAL LAW ENF SEIZURE	\$ 149,048	\$ 127,155	\$ 142,210	\$ 133,993	\$ (15,055)	\$ 17,603	\$ 116,390
236	LAW ENF TRUST	\$ 4,733	\$ -	\$ -	\$ 4,733	\$ -	\$ -	\$ 4,733
241	RIGHT OF WAY	\$ 220,000	\$ 15,100	\$ -	\$ 235,100	\$ 15,100	\$ -	\$ 235,100
249	FEMA	\$ 15,718	\$ -	\$ -	\$ 15,718	\$ -	\$ -	\$ 15,718
325	CAPITAL IMPROVEMENTS	\$ 2,402,170	\$ 2,782,680	\$ 494,049	\$ 4,690,801	\$ 2,288,632	\$ 501,046	\$ 4,189,756
326	PARK IMP & ACQ	\$ 246	\$ -	\$ -	\$ 246	\$ -	\$ -	\$ 246
327	PARK	\$ 21,291	\$ 15,500	\$ -	\$ 36,791	\$ 15,500	\$ -	\$ 36,791
328	PARK-IN-LIEU OF FEES	\$ 49,980	\$ -	\$ -	\$ 49,980	\$ -	\$ 180	\$ 49,800
329	COURT BUILDING	\$ 130,321	\$ 14,810	\$ -	\$ 145,131	\$ 14,810	\$ -	\$ 145,131
431	GENERAL BOND RETIREMENT	\$ 1,186,757	\$ 463,125	\$ 691,692	\$ 958,190	\$ (228,566)	\$ -	\$ 958,190
435	SPECIAL ASSESSMENT GBR	\$ 22	\$ -	\$ -	\$ 22	\$ -	\$ -	\$ 22
510	POLICE PENSION	\$ 885,321	\$ 656,911	\$ 656,911	\$ 885,321	\$ -	\$ 12,876	\$ 872,445
515	POLICE DUTY WEAPON	\$ 4,581	\$ 1,061	\$ 1,434	\$ 4,208	\$ (373)	\$ 3,666	\$ 542
530	PUBLIC LANDSCAPE TRUST	\$ 7,816	\$ -	\$ -	\$ 7,816	\$ -	\$ -	\$ 7,816
580	VENDING MACHINES	\$ 4,793	\$ 35	\$ 1,569	\$ 3,259	\$ (1,534)	\$ -	\$ 3,259
621	PARKING GARAGE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
631	STORMWATER	\$ 1,958,631	\$ 742,796	\$ 621,778	\$ 2,079,649	\$ 121,017	\$ 382,745	\$ 1,696,903
651	WATER	\$ 3,343,460	\$ 4,235,907	\$ 5,004,502	\$ 2,574,864	\$ (768,595)	\$ 2,426,831	\$ 148,033
652	WATER SYSTEM CAPITAL IMP	\$ 2,135,430	\$ 500,574	\$ 339,614	\$ 2,296,390	\$ 160,960	\$ 75,293	\$ 2,221,097
661	SEWER	\$ 9,334,676	\$ 3,559,927	\$ 5,913,526	\$ 6,981,078	\$ (2,353,598)	\$ 3,648,653	\$ 3,332,424
662	SEWER SYSTEM CAPITAL IMP	\$ 3,661,045	\$ 313,565	\$ 424,046	\$ 3,550,565	\$ (110,480)	\$ 311,189	\$ 3,239,376
750	RESERVE FOR SICK/VACATION	\$ 1,269,826	\$ -	\$ 48,354	\$ 1,221,472	\$ (48,354)	\$ -	\$ 1,221,472
800	UNCLAIMED FUNDS	\$ 30,349	\$ -	\$ -	\$ 30,349	\$ -	\$ -	\$ 30,349
835	SENIOR ESCROW	\$ 6,821	\$ 380	\$ 1,381	\$ 5,820	\$ (1,001)	\$ -	\$ 5,820
837	VETERANS MEMORIAL	\$ 9,253	\$ 1,014	\$ 1,402	\$ 8,865	\$ (388)	\$ 1,735	\$ 7,130
840	LANDFILL ESCROW	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
850	REFUSE ESCROW	\$ 428,591	\$ 1,465,558	\$ 1,456,529	\$ 437,620	\$ 9,029	\$ 638,196	\$ (200,576)
860	DEVELOPERS ESCROW	\$ 436,230	\$ 37,750	\$ 43,705	\$ 430,275	\$ (5,955)	\$ 990	\$ 429,285
870	TIZ REAL ESTATE ESCROW	\$ 63,487	\$ 106,086	\$ 146,804	\$ 22,769	\$ (40,719)	\$ -	\$ 22,769
900	SELF INS WORKERS COMP FUN	\$ 113,275	\$ 127,230	\$ 164,907	\$ 75,598	\$ (37,677)	\$ -	\$ 75,598
	<b>ALL FUNDS TOTAL</b>	<b>\$ 51,570,949</b>	<b>\$ 37,516,613</b>	<b>\$ 37,892,273</b>	<b>\$ 51,195,289</b>	<b>\$ (375,660)</b>	<b>\$ 12,526,051</b>	<b>\$ 38,669,238</b>

## **Conclusion**

As 2012 comes to a close, the Administration is finalizing its five-year revenue and expense forecast for the General Fund as well as its 2013 Appropriations recommendations. State reductions to multiple revenue sources along with economic volatility in tax collections and investment earnings will pose significant challenges to the City in 2013 and beyond. These declining revenues and anticipated increases in the cost to maintain the City's aging assets and infrastructure will make it critical for the City to manage its available resources conservatively and maintain accountability and transparency to the public.

## **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 third quarter.

These documents can be found in the *Quarterly Financial Reports* section at <http://www.gahanna.gov/departments/finance/financialpublications.aspx>