



2015 Q1 Financial Report to Council

Jennifer Teal

MAY 7, 2015

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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 finances for the first quarter of 2014. It focuses on the General Fund, which is the primary operating fund for the City. The data provided in this report is unaudited and shown on a cash basis, as collected or expended through March 31, 2014.

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 throughout the year.

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

City of Gahanna, Ohio
 General Fund Comparative Statement
 For the Quarter Ending March 31, 2015

	Budgeted Amounts		Q1 Actual	Q1 Percent		2014 Actual	Difference	Percent
	Original	Q1 Final		Received/Expended				
Revenues								
Income Tax	17,389,100	17,389,100	3,829,758	22%	3,772,721	57,037	2%	
Property Taxes	1,612,000	1,612,000	-	0%	769,413	(769,413)	-100%	
Fines & Fees	1,519,800	1,519,800	430,616	28%	417,988	12,628	3%	
Recreational Income	1,288,300	1,288,300	284,522	22%	200,139	84,383	42%	
Local Government Fund	730,000	730,000	187,499	26%	176,650	10,849	6%	
Other Taxes	503,500	503,500	99,071	20%	238,928	(139,857)	-59%	
Interest & Investment Income	475,000	475,000	95,387	20%	71,179	24,208	34%	
Licenses & Permits	427,400	427,400	103,845	24%	98,020	5,825	6%	
Admin/Service Charges	420,300	420,300	102,902	24%	109,870	(6,968)	-6%	
Grants	45,000	45,000	4,592	10%	11,596	(7,004)	-60%	
Other	148,800	148,800	52,140	35%	18,636	33,503	180%	
Total Revenues	24,559,200	24,559,200	5,190,331	21%	5,885,140	(694,808)	-12%	
Expenditures								
Personal Services	15,029,515	15,094,175	3,354,833	22%	2,972,642	382,191	13%	
Supplies & Materials	5,058,522	5,059,779	764,141	15%	634,892	129,249	20%	
Contractual Services	4,986,293	4,924,899	820,718	17%	912,830	(92,112)	-10%	
Capital Outlay	2,819,716	2,826,566	89,438	3%	101,274	(11,836)	-12%	
Total Expenditures	27,894,046	27,905,419	5,029,130	18%	4,621,638	407,492	9%	
Excess of Expenditures over Revenues	(3,334,846)	(3,346,219)	161,201		1,263,502	(1,102,300)	-87%	
Other Financing Sources (uses)								
Transfer In	1,440,200	1,440,200	707,144	49%	-	707,144	#DIV/0!	
Transfer Out	(2,566,550)	(2,566,550)	(2,017,550)	79%	-	(2,017,550)	#DIV/0!	
Total Other Financing Sources (uses)	(1,126,350)	(1,126,350)	(1,310,406)		-	(1,310,406)	#DIV/0!	
Net Change in Fund Balance	(4,461,196)	(4,472,569)	(1,149,205)		1,263,502	(2,412,707)	-191%	
Fund balance January 1	17,436,252	17,436,252	17,436,252		18,609,140	(1,172,888)	-6%	
Prior Year Encumbrance Appropriated	3,257,556	3,257,556	3,257,556		-			
Fund balance at March 31	16,232,612	16,221,239	19,544,603		19,872,642	(328,039)	-2%	
Reserved For Encumbrance	6,230,402	6,230,402	6,230,402		5,497,133	733,269	13%	
Reserved For Emergency	6,567,000	6,567,000	6,567,000		6,411,010	155,990	2%	
Unreserved Fund Balance	3,435,210	3,423,837	6,747,201		7,964,499	(1,217,298)	-15%	

General Fund Revenue

- General fund revenue collections are 21% of planned. All accounts, except grants and property tax, are at 20% of planned or higher. Property taxes for the first quarter of 2015 have not been received from Franklin County due to a change to their property tax system. The first settlement was just received May 5, 2015. We are not anticipating any further delays related to their new system. Grants may be lagging in collection due to eligibility requirements and requests for grant funding reimbursements.
- General fund revenues compared to 2014 have decreased by 12% or \$694,808. This is mainly due to the delay in property tax revenues from the County and the phase out of the estate tax reported as other taxes.

General Fund Expenditures

- General Fund expenditures are 18% of planned. All accounts except personal services are below 20% of planned. Capital outlay is only 3% of planned. Most projects are completed after the first quarter when weather is more conducive.
- General Fund expenditures compared to 2014 have increased by 9% or \$407,492. This is mainly due to personal service expenditures which have increased as the result of final negotiations with the United Steelworkers and changes to the full-time and part-time salary ordinances which included modest increases for employees within these classifications. Although the changes were effective for 2014, final approval and processing of these pay increases did not occur until after the first quarter of 2014.

General Fund Other Financing Sources and Uses

- Transfers in and out are at 49% and 79% of planned. Transfers out include a \$1,997,550 transfer to the Capital Improvement Fund.
- Transfers were not made during the first quarter of 2014 explaining the variance when comparing 2015 to 2014.

General Fund Fund Balance

- Fund balance has decreased \$328,039 compared to 2014 which is the result of the above changes to revenues, expenditures and transfers. Before transfers the net change is a surplus of \$161,201 indicating operating expenditures are within our means for the first quarter of 2015. Excluding the planned transfer to the Capital Improvement Fund, the General Fund would have experienced an overall surplus of \$848,345.
- Unreserved fund balance has decreased due to the above, as well as, an increase to outstanding encumbrances which is reported as reserved for encumbrance. The emergency reserve, reported as reserved for emergency, has increased slightly due to an increase in planned General Fund operating expenditures from 2014 to 2015.

Additional General Fund Information

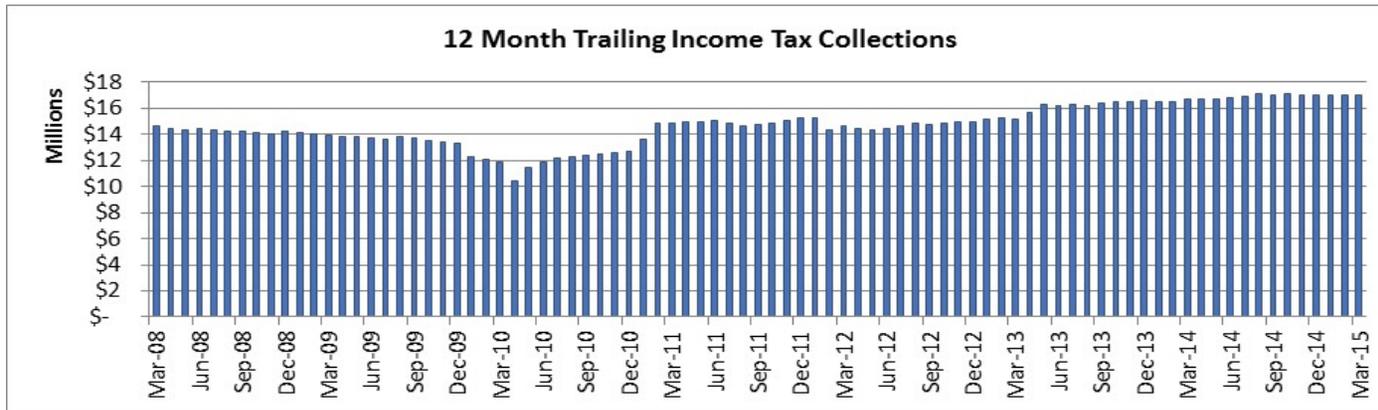
Income Tax

The Income Tax remains Gahanna's largest source of revenue. Through the first quarter of 2015, it made up 65% of total General Fund revenue. On a cash basis, income tax collections were at \$3.8M for the year.

Gahanna collects income taxes in three categories: business withholdings, individual/resident returns and net profit returns. The bulk of these collections, 83% for 2015 YTD, are from business withholdings with 9% coming from individual returns and 8% coming from net profits. The following table shows the distribution of income tax among these three categories compared to 2014.

Income Tax Type	2014 YTD (\$M)	2015 YTD (\$M)	Difference (\$M)	Pct Change
Withholding	\$ 2.98	\$ 3.13	\$ 0.15	5.0%
Individual	\$ 0.53	\$ 0.34	\$ (0.19)	-35.3%
Net Profit	\$ 0.26	\$ 0.31	\$ 0.05	17.6%
Total	\$ 3.77	\$ 3.78	\$ 0.01	0.2%

Among other tools, the City uses a 12-month trailing trend to analyze income tax revenue. This takes into account the seasonal nature of income tax collections by using the previous 12 months of revenue at any given point in time and comparing an entire year of receipts. This method also shows what the expected year-end revenue estimate would be if the remaining months in a given calendar year perform similarly to the year before. This method of modeling income tax revenue is conservative, and is used to ensure a high probability of meeting or exceeding the forecast—rather than plan for revenues that are unlikely to be attained.



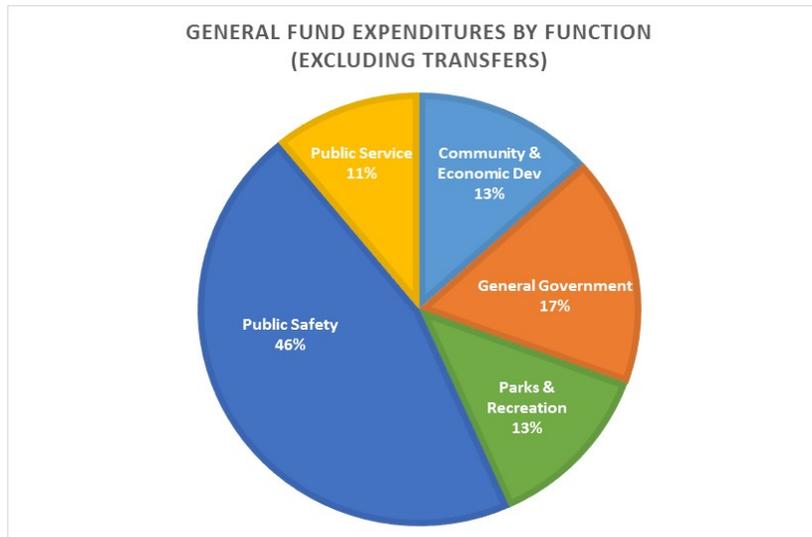
The above indicates a stabilization of income tax revenue for 2015 as planned. We expected a modest increase of approximately 2% for 2015. Based on the financial statements on page 2 we are on track to meet our target for 2015.

Individual returns continue to decrease when compared to the prior year. This is related to quarterly estimated income tax payments and our decision to not enforce the requirement to pay these quarterly payments as aggressively as we have in the past due to pending litigation.

Expenditures by Function

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 parks and recreation. Public Safety makes up the largest portion of the City's expenditures.

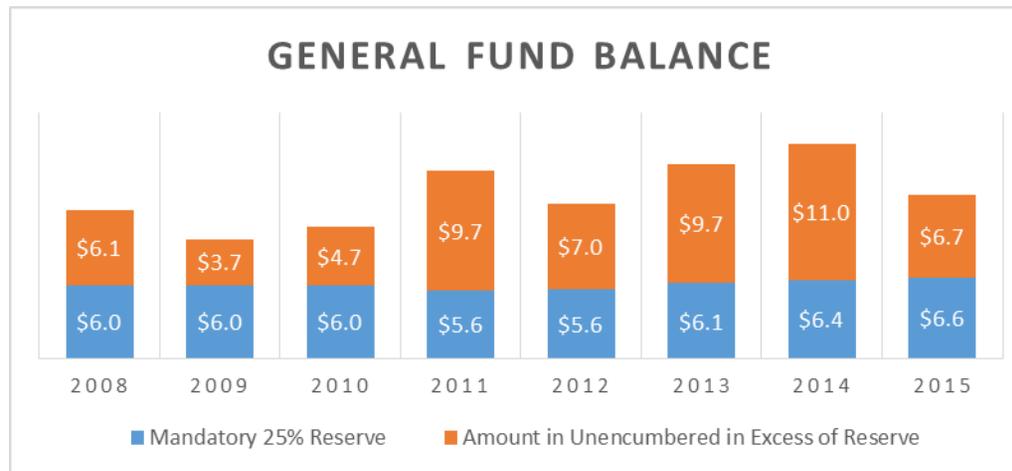
General Fund Expense Type	Authorized	Actual YTD	Pct YTD	2014 YTD	Difference	Pct Diff
Community & Economic Dev	\$ 4,331,040	\$ 667,701	15%	\$ 571,974	\$ 95,727	16.7%
General Government	\$ 3,945,910	\$ 869,725	22%	\$ 861,125	\$ 8,600	1.0%
Parks & Recreation	\$ 4,151,936	\$ 642,005	15%	\$ 553,478	\$ 88,527	16.0%
Public Safety	\$ 10,688,660	\$ 2,298,389	22%	\$ 1,982,791	\$ 315,599	15.9%
Public Service	\$ 4,787,874	\$ 551,309	12%	\$ 652,271	\$ (100,961)	-15.5%
Transfers	\$ 2,566,550	\$ 2,017,550	79%	\$ -	\$ 2,017,550	#DIV/0!
Total	\$ 30,471,969	\$ 7,046,680	23%	\$ 4,621,638	\$ 2,425,042	52.5%



General Fund Balance

The City has a mandatory requirement to set aside 25% of the year's planned General Fund revenue as an emergency reserve. For 2015, this mandatory reserve amount is \$6.5M based upon planned operating expenditures. At the end of the third quarter, the General Fund unencumbered balance exceeded that mandatory reserve by \$6.7M.

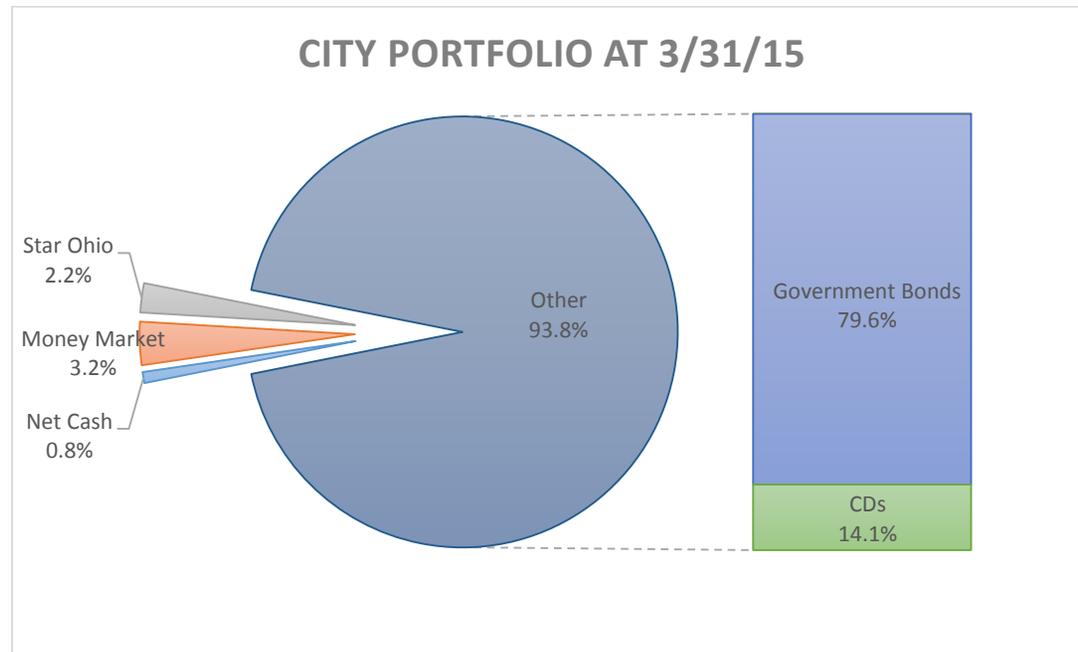
The calculation of the General Fund balance is a snapshot in time of the total revenue, expenses, current encumbrances and savings of the City. It can vary greatly based on the timing of transactions. However, the City has consistently maintained its mandatory 25% emergency reserve, with excess reserves to spare. The chart below shows ending reserves totals for the General Fund over time.



Investments

The City's cash, while accounted for separately by fund, is pooled and invested in accordance with the City's Investment Policy and Ohio Revised Code. Unless otherwise restricted, all interest earnings are credited to the General Fund.

The City maintains its liquid cash in "checking" style accounts at US Bank and Huntington. It invests short- to mid-term funds at Star Ohio, and the remainder is invested in longer term holdings. The chart below details the breakdown of the City's \$50.5M portfolio as of March 31, 2015.



The City's investment portfolio is structured to mature relatively evenly over time. The chart below details the maturity distribution of the City's portfolio as of March 31, 2015. As the graph below reflects many securities with a stated maturity beyond 2 years have call dates during 2015. These funds will be invested appropriately to ensure a smooth cash flow.



As of March 31, 2015, the average duration of the City's investment portfolio was 2.97 years and the average yield to maturity of the City's holdings was 1.02%. By comparison, Star Ohio annualized yield at that same time was 0.05%.

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 through March 31, 2015.

**City of Gahanna
Q1 2015 Fund Report**

Fund	Fund Title	2015 Beginning Balance	Receipts-YTD	Expenses-YTD	Encumbrance	Unencumbered Fund Balance
101	GENERAL FUND	\$ 20,693,808	\$ 5,897,475	\$ 7,046,680	\$ 6,230,402	\$ 13,314,200
220	STREET	\$ 461,066	\$ 397,413	\$ 689,354	\$ 210,216	\$ (41,090)
222	STATE HIGHWAY	\$ 171,788	\$ 27,198	\$ 39,441	\$ 42,322	\$ 117,224
224	TAX INCREMENT	\$ 2,073,286	\$ 5,979	\$ 1,054,286	\$ -	\$ 1,024,978
225	LAW ENFORCEMENT TRUST	\$ 101,697	\$ 30,000	\$ 9,038	\$ 7,724	\$ 114,935
226	ENFORCEMENT & EDUCATION	\$ 27,072	\$ 787	\$ -	\$ -	\$ 27,859
227	PARKS & REC DONATION	\$ 2,980	\$ -	\$ -	\$ -	\$ 2,980
228	PERMANENT IMPROVEMENT	\$ 1,130,401	\$ -	\$ -	\$ -	\$ 1,130,401
229	COURT	\$ 215,908	\$ 10,832	\$ 10,583	\$ 7,355	\$ 208,801
231	COUNTY PERMISSIVE	\$ 129,970	\$ -	\$ 40,794	\$ 36,023	\$ 53,153
232	CUL-DE-SAC MAINTENANCE	\$ 23,527	\$ 7,000	\$ -	\$ -	\$ 30,527
235	FEDERAL LAW ENF SEIZURE	\$ 111,154	\$ 136,664	\$ 15,065	\$ 10,300	\$ 222,453
236	LAW ENF TRUST	\$ 4,733	\$ -	\$ -	\$ -	\$ 4,733
237	AG PEACE OFFICER TRAINING	\$ -	\$ 4,560	\$ -	\$ -	\$ 4,560
241	RIGHT OF WAY	\$ 357,787	\$ 15,000	\$ -	\$ -	\$ 372,787
249	FEMA	\$ -	\$ -	\$ -	\$ -	\$ -
325	CAPITAL IMPROVEMENTS	\$ 4,998,210	\$ 1,997,550	\$ 372,688	\$ 2,557,461	\$ 4,065,611
326	PARK IMP & ACQ	\$ 246	\$ -	\$ -	\$ -	\$ 246
327	PARK	\$ 158,791	\$ 46,466	\$ -	\$ -	\$ 205,257
328	PARK-IN-LIEU OF FEES	\$ 68,477	\$ -	\$ -	\$ -	\$ 68,477
329	COURT BUILDING	\$ 202,268	\$ 6,802	\$ -	\$ -	\$ 209,070
431	GENERAL BOND RETIREMENT	\$ 1,233,995	\$ 587	\$ 92,143	\$ 1,909,918	\$ (767,480)
435	SPECIAL ASSESSMENT GBR	\$ 22	\$ -	\$ -	\$ -	\$ 22
510	POLICE PENSION	\$ 885,786	\$ 218,942	\$ 218,942	\$ -	\$ 885,786
515	POLICE DUTY WEAPON	\$ 14,557	\$ 3,423	\$ 6,696	\$ 5,804	\$ 5,480
530	PUBLIC LANDSCAPE TRUST	\$ 7,816	\$ -	\$ -	\$ -	\$ 7,816
580	VENDING MACHINES	\$ 1,610	\$ -	\$ -	\$ -	\$ 1,610
631	STORMWATER	\$ 2,217,097	\$ 458,953	\$ 188,327	\$ 175,712	\$ 2,312,012
651	WATER	\$ 4,135,782	\$ 1,545,694	\$ 1,254,035	\$ 4,018,192	\$ 409,248
652	WATER SYSTEM CAPITAL IMP	\$ 2,814,389	\$ 191,216	\$ 120,561	\$ 1,113,474	\$ 1,771,570
661	SEWER	\$ 3,194,627	\$ 2,037,173	\$ 1,790,076	\$ 3,589,841	\$ (148,117)
662	SEWER SYSTEM CAPITAL IMP	\$ 3,573,194	\$ 556,726	\$ 935,970	\$ 497,187	\$ 2,696,762
750	RESERVE FOR SICK/VACATION	\$ 678,214	\$ -	\$ 6,175	\$ -	\$ 672,039
800	UNCLAIMED FUNDS	\$ 30,397	\$ -	\$ -	\$ -	\$ 30,397
835	SENIOR ESCROW	\$ 5,958	\$ -	\$ -	\$ 384	\$ 5,574
837	VETERANS MEMORIAL	\$ 8,526	\$ 25	\$ -	\$ 2,204	\$ 6,347
850	REFUSE ESCROW	\$ 413,916	\$ 470,070	\$ 462,071	\$ 1,721,749	\$ (1,299,834)
860	DEVELOPERS ESCROW	\$ 436,646	\$ 53,631	\$ 8,762	\$ 108,580	\$ 372,935
870	TIZ REAL ESTATE ESCROW	\$ 5,679	\$ -	\$ 4,944	\$ -	\$ 735
900	SELF INS WORKERS COMP FUN	\$ 251,252	\$ 53,839	\$ 121,333	\$ 29,827	\$ 153,930
	ALL FUNDS TOTAL	\$ 50,842,632	\$ 14,174,005	\$ 14,487,963	\$ 22,274,676	\$ 28,253,998

Conclusion

Based on the financial results for the first quarter of 2015, the City is successfully implementing the sustainable operating model (SOM). The SOM was developed through an unprecedented cooperation between the administration and Council to develop a plan that maintains the City's existing core infrastructure and assets at a professionally appropriate level; and maintains operating costs within current revenue resources. In other words, the City will not rely on one-time windfalls, accumulated savings, or short-term cost-cutting measures to balance the operating budget. Use of accumulated savings or one-time windfalls will be determined based on the administration and Council's prioritization of enhancements and the potential return on investment to the community.

With the stabilization of revenue sources and the City's implementation of the SOM, it is expected that the City will continue to experience positive financial results through the remainder of 2015.