



MUNICIPAL BUILDING
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To: Mayor, Members of Council and City Administrator

From: Jason Carr, CPA, Finance Director

Date: October 12, 2022

RE: 2023 Budget – Ordinance 2022-035

The following is a summary of appropriation amendments based on actual carryover fund balances and changes to estimated receipts:

Income Tax Revenues

Consistent with the mid-year forecast presented to Council, gross income taxes are projected to increase from \$17,641,645 to \$18,724,427, or 6% of 2022 budget estimates. Gross income taxes will be allocated accordingly:

Fund	Gross Income Taxes	Allocation
General	\$15,783,363	85%
Rainy Day	150,000	\$12,500 per month
Debt Service	929,021	5%
Capital Projects	1,862,043	10%
Total	\$18,724,427	

General Fund Balance Reserves

Based on conservative budgeting practices and managing expenditures, the Administration has been able to increase the City's General Fund balance. Below is a 5-year trend including projections for 2023:

Year Ended December 31,	2018	2019	2020	2021	2022	2023
Proj. Fund Balance	\$2,456,544	\$2,306,715	\$3,598,892	\$3,668,308	\$5,890,128	\$4,670,533
Actual Fund Balance	2,831,174	3,766,104	3,986,961	5,947,898	*8,465,651	N/A

*- Actual fund balance through September 30, 2022.

Fund balance is expected to decrease in 2023 based on increases to health insurance (budget projections provide for a 30% increase) as well as new operational costs associated with the Rarey's Port and Wert's Grove buildings. In addition and consistent with prior years, in order to avoid an underfunded carryover balance the budget must be prepared to only appropriate what is expected to be collected (estimated revenues) within the General Fund. However, the City is required to appropriate fund balance based on necessary transfers to other funds, such as Recreation and Golf. Please see the **Transfers** section for a summary of budgeted transfers out of the General Fund for 2023.

Debt Service Activity

The 2023 budget includes the following debt transactions:

Debt Description	2023 Debt Proceeds	2022 Debt Proceeds
Bond Anticipation Notes	\$1,500,000	\$1,800,000
Interfund Loans	0	2,200,000
Leases	251,735	64,514
Total	\$1,751,735	\$4,064,514

Debt Description	2023 Debt Retirement	2022 Debt Retirement
Principal	\$2,859,907	\$2,196,899
Interest	438,770	452,493
Total	\$3,298,677	\$2,649,392

Total debt service principal and interest costs increased from \$2,649,392 to \$3,298,677 based on bond anticipation note principal and interest totaling \$1,849,500, new Ohio Public Works Commission Loan payments for West Bixby Road Phase II of \$22,000, and new lease payments for a new Econoline Starcraft vehicle of \$17,780. This increase is off-set by the final payment associated with the Recreation Center in 2022 of \$1,167,188.

Specific to the outstanding bond anticipation note issued in 2022 totaling \$1,800,000 for golf course improvements and public works equipment, the 2023 budget (and future budgets) will include a payment of \$300,000 to *pay down principal each year until the debt is retired*.

Based on the approved 2022 interfund loan from the Debt Service Fund to the General Fund for interior buildout improvements for the Rarey's Port/Wert's Grove buildings, the 2023 budget *may require a change in the allocation of income taxes* for the retirement of outstanding debt paid from the Debt Service Fund.

Termination Fund

The City's Purchasing and Financial Policy established a methodology to provide funding for future retirements and severance payments. Ordinance 09-017 established the Termination Fund and purpose. Based on current estimates, the following is budgeted for future retirements:

Fund	2023 Budgeted Liability
General	\$161,635
Street	10,053
Recreation	0
Water	32,099
Sewer	6,420
Storm Water	6,420
Total	\$216,627

Each year the Administration will reconcile funding and related costs in order to determine the City is properly funded for future retirements. Changes also may be necessary during the year if employees leave service and are entitled to severance prior to projections. The 2023 budget includes estimates for known employees retiring in the General and Street Funds.

Salaries and Health Care Benefits

Significant changes to salaries are as follows:

Fund	2022 Budget	2023 Budget	Change	% Change
General	\$5,365,206	\$5,530,144	\$164,938	3%
Street	526,868	539,673	12,805	2%
Cemetery	13,691	14,037	346	3%
Senior Transportation	12,112	12,991	879	7%
Recreation	1,024,648	834,179	(190,469)	(19%)
Golf Course	680,129	688,007	7,878	1%
Senior Center	83,373	86,851	3,478	4%
Water	143,626	144,741	1,115	1%
Sewer	34,926	35,381	455	1%
Storm Water	255,631	261,928	6,297	2%
Total All Funds	\$8,140,210	\$8,147,932	\$7,722	0%

The budget for salaries includes an assumed increase in wages of 4.5%, however, this is subject to change once employee evaluations are completed. The change in the Recreation Fund is attributed to the elimination of the Administrative Assistant and Sports/Fitness positions and the addition of another full-time clerk.

Significant changes to health care benefit costs are as follows:

Fund	2022 Budget	2023 Budget	Change	% Change
General	\$2,315,185	\$2,819,135	\$503,950	22%
Street	335,595	401,984	66,389	20%
Recreation	389,723	389,285	(438)	0%
Golf Course	375,408	488,031	112,623	30%
Senior Center	34,190	38,643	4,453	13%
Water	105,885	119,703	13,818	13%
Sewer	28,100	31,686	3,586	13%
Storm Water	157,425	177,961	20,536	23%
Total All Funds	\$3,741,511	\$4,466,428	\$724,917	19%

The budget for health care benefits includes an assumed increase in health insurance of 30% with no fundamental changes in the plan or City funding of employees Health Reimbursement Accounts. The Administration has worked to identify ways to reduce our projected health care costs, however, the results of the final increase/decrease in 2023 health care costs are not expected until December 2022.

As presented, health care benefits (premiums paid to Medical Mutual of Ohio) represent 9% of the City's total budget of \$48,173,139 which is considered unsustainable based on other capital and operational needs of the City.

Transfers

Budgeted 2023 transfers are as follows:

Fund	2022 Budget	2023 Budget	Change
General	(\$4,774,000)	(\$4,075,000)	(\$699,000)
Street	460,000	800,000	340,000
Recreation	2,200,000	1,800,000	(400,000)
Golf Course	1,500,000	800,000	(700,000)
Transportation	300,000	300,000	0
Parks	75,000	75,000	0
Senior Center	140,000	200,000	60,000
Termination	99,000	100,000	1,000

The increase in transfers to the Street Fund are attributed to additional money necessary for bond anticipation note principal and interest payments combined with lower revenue estimates for auto license fees of \$170,000. The transfer increase in the Senior Center Fund is necessary for higher salary and benefit costs as well as new capital costs such as security cameras, building signage and door access controls. Budgeted revenues for the Senior Center Fund, excluding transfers, is \$11,500 while total budgeted appropriations are \$225,781.

Interfund Loans

The 2023 budget includes an estimate for the repayment of the \$2,200,000 loan from the Debt Service Fund to the General Fund for the interior buildout associated with the Rarey's Port/Wert's Grove Buildings. The budget includes \$73,400 for principal and \$86,700 for interest. This loan will be amortized over 20 years with the option of early retirement.

Significant Capital Projects

The proposed 2023 Capital Request budget includes several funds with the following highlights below:

Capital Projects Fund: The City's Capital Projects Fund primary funding source is income taxes, of which City Council has approved 10% of total monthly income tax collections allocated to this fund. This fund is used to accomplish the City's capital improvements, such as our annual street maintenance program, road resurfacing, equipment and also as a local match for OPWC grants and loans we may receive. A general breakdown of capital items are as follows:

Description	Amount
Buildings (Demolition)	\$500,000
Buildings (2 nd Floor – Rarey's Port/Wert's Grove)	1,100,000
Equipment	409,000
Vehicles	272,000
Infrastructure	1,044,000
Total Capital Projects Fund	\$3,325,000

The Administration has elected to spend down carryover fund balance in the Capital Projects Fund totaling \$1,672,215 in lieu of issuing additional debt for the projects listed above.

Significant Capital Projects (Continued)

General Fund: Capital items budgeted include \$240,000 for police vehicles and equipment, \$11,735 for Tasers, \$20,000 for Municipal Building improvements, \$13,195 for a new building and zoning plotter, and \$307,333 pertaining to information technology/security improvements for City owned buildings. Debt lease proceeds are budgeted for the purchase of police vehicles and Tasers.

Park Fund: Playground equipment and repairs totaling \$78,000 are included for Degenhart and Blacklick Parks as well as tennis court repairs and storage totaling \$30,000. These capital items will be paid from the transfer from the General fund of \$75,000 and carryover fund balance.

Recreation Department: Repairs and improvements to the outdoor Aquatic Center total \$143,384 but may change if expected responses from the Ohio Department of Health change through the permitting process. Recreation Center roof repairs/building improvements are budgeted for \$100,000, information technology and security total \$50,000, and storage buildings total \$24,000. These improvements are paid for by the transfer from the General Fund.

Recreation equipment totaling \$89,535 including new fitness equipment and benches will be purchased along with chemical controllers for the outdoor pool totaling \$12,345. These assets will be purchased from the Capital Recreation Center Fund which allocates 5% of revenues received from the Recreation Fund.

Golf Course Fund: A new audio system for the Paddock Pub conference room of \$46,000, Back 9 pump replacement of \$25,000, and paving of the golf course entrance way of \$225,000 are budgeted. The golf course entrance way will be paid from the remaining bond anticipation note proceeds not spent on the golf course maintenance building and the remaining capital items will be paid from General Fund transfers.

Local Fiscal Recovery Fund: The remaining funds of \$125,287 related to the American Recovery Program (ARP) federal funding will be used for Elmont Force Main related projects.

Water, Sewer, and Storm Water Utility Funds: The following projects are currently budgeted and will be paid for from revenues and carryover fund balance:

Description	Amount
Infrastructure	\$160,713
Equipment	10,000
Capital Related Maintenance	132,000
Total Utility Funds	\$302,713