

December 3, 2013

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1. MEETING CALLED TO ORDER

A Budget Study Session of the Council of the City of Blue Ash, Ohio, was held on December 3, 2013. Mayor Lee Czerwonka called the meeting to order in the Blue Ash Conference room at approximately 6:30 PM.

2. OPENING CEREMONIES

Mayor Weber led those assembled in the Pledge of Allegiance.

3. APPOINTMENT OF KARLA PLANK TO SERVE AS ACTING CLERK OF COUNCIL IN THE ABSENCE OF JAMIE K. EIFERT, CLERK OF COUNCIL

4. ROLL CALL

MEMBERS PRESENT: Vice Mayor Tom Adamec, Councilman Rick Bryan, Councilman Robert Buckman, Councilwoman Stephanie Stoller, Councilman James Sumner, Councilman Mark Weber, and Mayor Lee Czerwonka

ALSO PRESENT: City Manager David Waltz, Assistant City Manager Kelly Harrington, Treasurer Sherry Poppe, Parks & Recreation Director Chuck Funk, Public Works Director Gordon Perry, Fire Chief Rick Brown, Police Chief Paul Hartinger, Finance Officer/Tax Commissioner Amy Moore, and Administrative Assistant Karla Plank.

5. BUDGET STUDY SESSION – Review of the Proposed Interim Budget for 2014

The following information was distributed to Council (and posted to the website) prior to the meeting:

“November 25, 2013

*Honorable Mayor and City Council Members
City of Blue Ash
4343 Cooper Road
Blue Ash, Ohio 45242*

Dear Mayor and Council:

The City of Blue Ash has prospered due to a variety of factors, including visionary planning and design, a consistent and committed City Council, a focus on excellent services, and a continuous investment in infrastructure and quality of life amenities. A future commitment to these key values will continue to serve the City well, while at the same time there will be a need to be flexible and adaptable as conditions change locally, regionally and nationally. While embracing these changes can be a challenge, doing so has and will be a necessity if the City of Blue Ash and the community are going to continue to thrive and remain a viable and attractive location for a home, school, or business. Although the annual budget is primarily a financial process, it is also a reflection of the intent and direction of the organization. The 2014 Proposed Budget includes some reflection on the past, but is primarily directed toward where the City is today and what lies ahead for 2014.

It is clear that the City of Blue Ash must remain focused on its goal of fiscal sustainability. Building upon our efforts to date, the years ahead will show a continuing commitment to economic development investment, the streamlining of operations while ensuring effective services, building and maintaining reserves, investing in defrayed capital improvements when feasible, and enhancing the City's financial capacity to respond to changing conditions. Over the past few years, the City has made very notable gains in all of these efforts towards continued fiscal sustainability.

Obtaining these goals have been challenging, given the economic conditions that we have experienced in the recent past. However, the City has made substantial progress in streamlining operations and reducing costs through attrition and other strategies while at the same time building reserves. Offsetting a portion of these successes have been additional challenges due to the State of Ohio's ongoing reform of various tax revenue streams for local governments. Additionally, the State legislature continues to move forward with its intent to redefine policies and procedures directly affecting the City's administration of local earnings tax. Although the City of Blue Ash is better positioned to respond to these annual funding losses, it is with dismay that such State trends continue

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to offset some of the progress made towards fiscal sustainability. In addition, there is some uncertainty as to compliance with the Affordable Care Act and its impact on the City Budget.

Nonetheless, through investment in economic development and the benefits associated with monitoring operational revenues and costs, the City of Blue Ash has continued to move towards sustainability and even prosper during these demanding times. Earning tax collections continue to show improvement and the on-going analysis of the City's operational position has permitted the City to remain on sound footing. This allows the City to build or maintain general fund balances and reserves while continuing to provide for investment in infrastructure and a high level of core services. The 2014 Proposed Budget and information presented at the budget study session will illustrate how the City has handled operational outcomes in the past and what is projected for 2014 and several years moving forward.

Provided in the document which follows this letter, the operational analysis demonstrates that 2013 will provide the City an operational gross margin or gain. The expected December 31, 2013 general fund balance (non-issue 15) of \$19,497,539 together with \$15,238,294 of Issue 15 balance, will serve as the starting point for our 2014 Proposed Budget, in which we anticipate a steady collection of revenues and expenses for citywide operations as well as significant investment in replacement capital, paving and other construction projects.

The Budget projects a combined earnings tax collection in 2014 of \$33,600,000, which is \$200,000 over our expected revenue in 2013. The more predictable withholding component is expected to finish out 2013 at 3% over 2012 actual collections and the same growth of 3% is estimated for 2014. Given that estimated net profit collections in 2013 mirror those of the 2012 actual revenues of \$6.6M, and the variable nature of collections, a more conservative estimate of \$6M was utilized for the 2014 proposed budget.

This budget also reflects a continued commitment to the "Issue 15" projects for quality of life improvements. Issue 15 funds will be utilized again in 2014 for the debt payments related to the Recreation Center Improvements, the Cooper Creek Event Center and Golf Course Improvements, and for the next land acquisition payment. In 2013, previous efforts of design, planning and engineering came to fruition with the start of the 1st phase construction of Summit Park. Although discussions continue as to the exact components of the next phase, funding is provided in the 2014 Proposed Budget for additional improvements.

The highlights of the operational, capital, and project-related items are explained in detail later in this document. We anticipate presenting further information regarding the City's past, current, and expected results at the Budget Study Session on December 3rd. Finally, the comments contained in the Overview Summary describe the City's general fund balance status, as well as recap of Issue 15 balances, sources and uses of funds, and expected balances at the end of 2013.

We are looking forward to working with the City Council and the Administrative team on finalizing the 2014 budget in January. We still face challenges in achieving our intermediate and longer term goals, but remain confident that by "staying on track" and focusing on our core services that we will continue to prosper in the coming years.

We are proud to be working with such a dedicated team committed to maintaining and improving the quality of life of residents and businesses in the City of Blue Ash and it is an honor to serve the public for such an outstanding community and organization.

Sincerely,

CITY OF BLUE ASH

*David M. Waltz
City Manager*

*Sherry L. Poppe
City Treasurer*

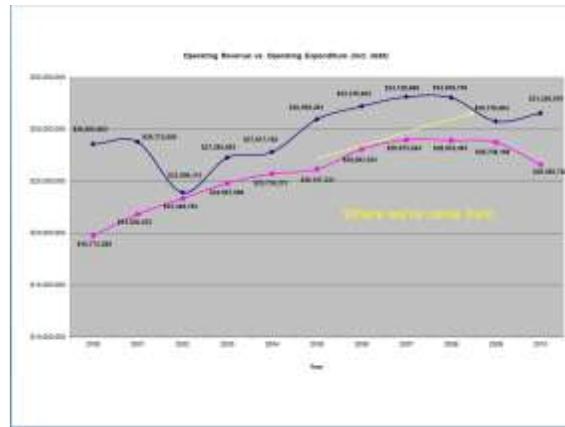
City Manager David Waltz gave a presentation of the City's overall financial picture via display and discussion of Powerpoint slides, with discussion summarized below.

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2014 Budget Study Session

- Misc Comments:
 - General Fund Balances have grown over past 5 years (from \$5.9 to \$19.5 million)
 - Earnings Revenue have been steadily growing since it hit a low in 2009 (-8%)
 - Other tax revenue sources have been slowly shrinking
 - 2013 experienced about ~1% increase operational expenses (based on 3rd quarter)
 - CCEC performing stronger



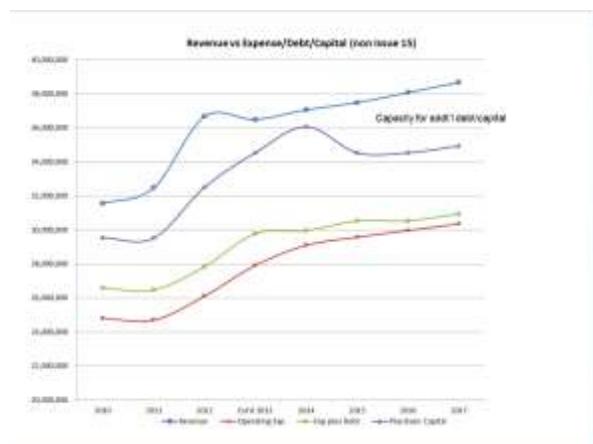
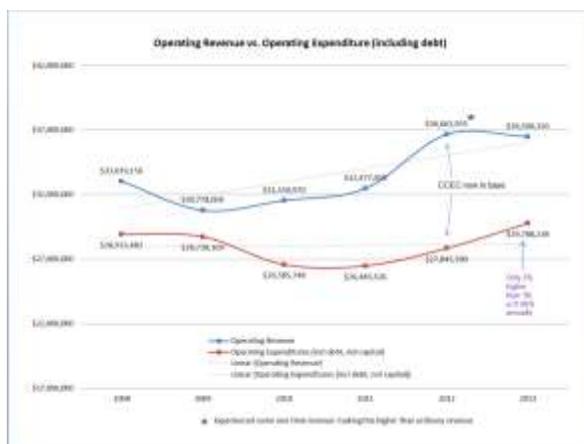
Mr. Waltz explained that overall the budget is in good shape and recognized Treasurer Sherry Poppe and Finance Officer Amy Moore for preparing the budget. They did a great job and he is happy to have them as part of the team. Mr. Waltz extended his appreciation to all the department heads and the division heads and stated that everyone has done a really good job over the last few years.

Mr. Waltz stated that the biggest story of the budget is that the General Fund balance has grown from \$5.9 million to nearly \$20 million over the last five years which is a testament to a lot of hard work. The City’s earning revenues has been steadily growing since it dipped in 2008-2009. What has been recognized is the City’s other sources of revenue have declined consistently. The reason is because other sources of revenue – tangible property tax, real property tax, and some of the other sources of revenue have historically through the years always been pretty steady while the earnings were always off setting it. The City has been affected by the State in making changes to the local government fund, tangible property tax, and estate tax. The City is becoming more reliant on earning tax which simply means there is more volatility.

The City has done an excellent job of keeping operational costs flat. This year, the City is on pace by 1% but over the last five or six years, the City has averaged about 0.0% on the expenditure side of based operations.

Cooper Creek Event Center (including Golf) is performing stronger this year. Mr. Waltz indicated the numbers have not yet been closed out for this year but last year CCEC received about \$500,000 in subsidy. This year, Cooper Creek looks to be in the \$200,000 range including the golf course which means that Cooper Creek itself probably is making a little bit of money and helping to underwrite the historical subsidy to golf. The final numbers will be available by the end of the year.

Slide 2 shows where the City was and where it has come from. Operating Expenditures (red line) was a pretty standard increasing line going back a few years. Had the City continued on the path, it would have had a difficult time when the economy last went down. Fortunately, the City has flattened and even decreased operational expenditures.



When advanced forward (Slide 3), the expenditures have decreased. A slight uptick is

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because Cooper Creek is now in the phase. There were also some one time revenues, refunds, etc. that made it higher. The City is projecting for 2013 its total operating expenditures (aside from the capital item) is 3% higher than in 2008 which comes out to 0.0% average annually over the last 6 or 7 years. Slide 4 represents where the City is at with this year's budget. This slide includes the base operating revenue and the debt service on Non-Issue 15, and what is estimated the City will spend on other capital and the revenue line.

The City is projecting a healthy catch-up on capital but even with that, a lot of the catch up on capital is because we are paying off a debt this year which is being rolled into capital. The City's revenue the last few months has gone from the 7-9% increase and is now a 3-4% increase. Since the revenue has bounced back out of that trough from 2009, it will flatten out but it is still positioned well for some additional debt or capital. Things such as the roof on the Municipal building, the baby pool, etc. are in need of replacement. There are a number of items on that list are easy to punt and those are the things that City would want to consider over the next few years but no strong movements this year.

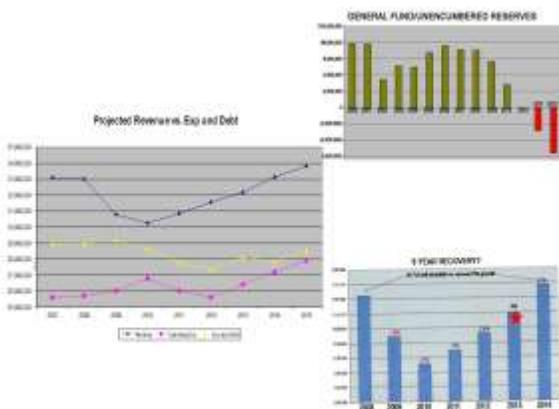
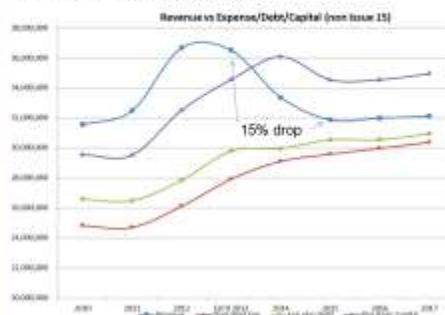
Today, if the City did have 15% drop in revenue (Slide 6) in the next couple of years; the City would still be above the hard obligation of its operations and debt and would still have a little room for capital.

Issue 15 Review

Item	Amount
Balance 1/1/2014	15,238,295
2014 Revenue	6,460,000
Rec Center Bond	(978,106)
CCEC Bond	(1,120,950)
Cincinnati	(1,000,000)
Estimated Construction/Design/Other	(2,100,000)
Total	16,499,237

2014 Budget Study Session

- Could absorb % drop in revenue.....



Budget Highlights

- **Basic Capital:** cruisers, PW equip, misc equipment (fire, mowers, exercise, etc), misc facility improvements
- **Major Stormwater:** Donjoy
- **Street Improvements:** Fallentree, Blackwood, Bluewing, Millington, Foremark, Classic, Woodland Way & Pl, Chidester, Creek (portion), and Kenwood (portion)
- **Sidewalks:** Wengate to McKinley, and misc repair/replace
- **Notable Other:** South Firehouse study remodel, turf baseball, golf bridge, CCEC parking lot*, baby pool study, DT streetscape
- **Summit Park:** Continuation of infrastructure and playground from '13, begin buildings (TBD in Spring '14)

Mr. Waltz compared slides from the past years (Slide 7) which represents predicted adjustments of what could happen and how it is successfully working out well. Historically, the General Fund Reserves had been in the \$6 million range and in 2009-2010, it began to drop and adjustments were made. If adjustments were not made, the projection would have depleted the reserves. Today, the City's General Fund Reserves are at \$19 million which is a historical high.

In answering Councilman Bryan's question, Mr. Waltz stated the reserves did not include bond revenues. Mr. Waltz reminded Council that the reserves were not inclusive of Issue 15 capital. Eventually, the City will get to a point where it will have to turn some of the Issue 15 capital into operations. The City will carry into 2014 \$15 million in Issue 15 funds and believes there will be \$6 million in revenue. Issue 15 funds the debt obligations from the Rec Center, Cooper Creek and payment of the property; \$2 million for other construction design,

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and it is anticipated another \$9 million in bonds. In the spring of 2014, a decision will have to be made if the City will want to keep the bonds at a 1-year note and roll them over, or whether the City will want to convert them into a 10-year note. At this point in time, the City could probably have \$30 million in debt obligations and fund the improvements for Summit Park. The interest rate on the note is less than 0.5% and Fifth Third Bank advisors do not anticipate a radical change by the time the City will need to make its decision.

The budget highlights (Slide 7) consists of a lot of the usual basic capital but even a little more. The City will be replacing Police cruisers, public works equipment, routine replacement of some older equipment, etc. Street improvements include the basic street resurfacing. There will be one sidewalk project from Wengate to McKinley. Notable other investments are addressing long term capital items that have been on the list of things to do but were at a lower priority. The South Firehouse is 30+ years old and needs to be reconfigured to better utilize the space. The City has an opportunity to turf a baseball field. Parks and Recreation Director Chuck Funk received a \$50,000 donation for that purpose. There is a bridge on the golf course cart path which could be a large capital expense. Cooper Creek is at a stage where it needs to expand the parking lot. It is hopeful that the County will be providing some assistance with hotel tax funds. The Rec Center baby pool has been a “patch and repair” job for the last few years and is something that needs to be a more permanent repair. The newest item is some streetscaping in the downtown area, in particular, the center block. Administration has looked at what can be done in terms of sidewalk reconfiguration rather than a repair here and there. Those plans will be shared with Council once they are available. Phase 1 of Summit Park will be finished in 2014. Phase II will consist of deciding on what buildings and any other attributes will be done. Currently, Administration is working on leaning toward the restaurant building and the community building with the plaza first; and the tower could be down the road. The exact sequence has not been determined.

Budget Conclusion

- Revenue is flat(ish), combination of some growth offsetting State cuts
- Add'l ordinary capital to help catch up
- Long term budget outlook still on track for sustainable position but need continued DILIGENCE
- No major adjustments needed at this time, but will need to be monitored on quarterly basis to remain ahead of possible future negative trends

In conclusion, even though the revenue has done well the last few years, Mr. Waltz believes the City will get some additional monies from the inheritance tax this year of approximately \$800,000 but next year, it will be gone. In the future, the City can no longer budget for inheritance tax revenue and those types of losses offset the City's general gains. The State hasn't said they are going to cut the Local Government Fund but they certainly have not been restored. There is also the long term issue of the State wanting to interfere with the local earnings tax.

Councilman Buckman stated that in regard to downtown streetscaping, several years ago, Council addressed the City having some sort of identity north on Kenwood Road and on the south side of Ronald Regan Highway.

Mr. Waltz explained that a few years ago, when the City started doing the prioritization, that whole initiative was pushed down on the ranking. The City reaffirmed such during a retreat in 2002 where Council wanted to watch downtown but did not want to do a whole lot with the streetscaping and it was given a low prioritization during that time. It wasn't until recent, because of the trees and some other things, Administration began to look at it due to some movement of the brick sidewalks.

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Public Works Director Gordon Perry stated that he and Mr. Funk are working with KZF on some visuals and design layout.

Mr. Funk feels the trees need to be removed from between the sidewalks and the road and wants to place them on the other side of the sidewalk as it will protect the trees better and they will last longer.

Mr. Waltz indicated that there are patches in the area where trees could be placed to try and soften up the appearance. Other things that are considered to be done is taking out pavers in certain sections that are causing problems and some of the curb lawns because it seems to be very jumbled in terms of how one navigates around the area.

In answering Councilwoman Stoller's questioned whether the baby pool is used for swimming lesson or if it was mainly for the children to play in, Mr. Funk stated that it is used for both is primarily for the younger children during open pool hours.

Councilwoman Stoller suggested that the ground fountains could be ideal for children.

Mr. Funk stated that there is money designated in the budget next year to look at different opportunities.

6. MISCELLANEOUS BUSINESS

Councilman Sumner compliment Administration on an exceptional job in putting the City in such a good financial situation. Councilman Sumner questioned the Affordable Health Care Act and wondered how the City would be affected.

Mr. Waltz explained that the key issue for the City is the hours of several part-time employees who are averaging 30-32 hours per week. Affordable Health Care Act is saying that the hours have to be less than 30 hours per week or benefits must be paid. The City has a lot of key, long-time employees that had to go under 30 hours a week. Unfortunately, for a morale standpoint, it is causing some issues which the City is working through. These employees are accustomed to 3-4 hours more a week and then take that by 52 weeks in a year, it could add up to 200 hours per year which is a substantial pay cut for them. It places these employees in a situation where they may need to obtain full time employment somewhere else. The City is reviewing the numbers and could considering converting some of them to full-time. Any employee working over 30 hours per week through the Affordable Health Care Act, the City must provide health care coverage.

Councilman Buckman asked if the long-term, part-time employees whose hours are being cut, that the City provide them a bonus for the extra hours that they otherwise would have worked and consider it a performance bonus.

Mr. Waltz stated that the flexibility is limited and will be looking into the best scenarios.

Council thanked the Administration for a great job on the budget.

7. ADJOURNMENT

All items on the agenda having been acted upon, Councilman Buckman moved, Councilman Bryan seconded to adjourn the meeting. A voice vote was taken. All members voted yes. The Council meeting was adjourned at approximately 7:00 PM.

Lee Czerwonka, Mayor

Karla Plank, Acting Clerk of Council

MINUTES RECORDED AND WRITTEN BY:

Karla Plank, Administrative Assistant