

CITY OF BLUE ASH
Interoffice Memo - City Manager's Office

TO: City Council
FROM: City Manager and Department Directors
SUBJECT: Agenda Items for the January 14, 2010 Council Meeting
DATE: January 12, 2010
COPIES: Department Directors, Press, Clerk of Council, Solicitor

The following offers a brief description of the topics included on the January 14 Council agenda:

12.a.1. Ordinance No. 2010-3 - Final appropriations ordinance

On December 8, the City Manager discussed with Council potential changes to the 2010 “temporary” budget which was later adopted under Interim Appropriations Ordinance No. 2009-72. That Budget was based upon estimates of fourth quarter 2009 revenue and expenditure activity, as well as projections for all of 2010. With the recent closing of the books at year-end, the opportunity arose for the use of actual year-end closing balances (instead of estimates) and for the application of the direction provided by Council on December 8.

Contained within the 2010 interim budget presented to City Council, and approved, in December 2009 was a letter from the City Manager as well as a summary report which provided historical financial information, a presentation of the current recession’s impact upon the City of Blue Ash, an estimate of the expected year-end 2009 General Fund balance, as well as what the City’s General Fund balance would likely be at the end of 2010. That budget was based upon an expected 6.4% reduction in gross earnings tax collections for 2009 from 2008 levels, a predicted 4% reduction in 2010 compared to 2009, some adjustments on the operational expense side, and the inclusion of nearly all capital requests presented by the various departments for 2010.

Given that the interim or “temporary” budget reflected all of the capital requests, and because a detailed review of 2010 operational expenses was not yet complete, the predicted result through the end of 2010 showed the “absorption” or use of nearly \$2.9 million of the City’s General Fund non-Issue 15 resources and reserves. Work remained to refine the “interim” budget, to reduce the reliance on our reserves.

During the December budget presentation, the City Manager outlined for Council several pathways to address this issue, and given the likelihood that the current recession will not be a “one-year” or short-term issue, the decision was reached to further review and evaluate the entirety of the 2010 “temporary” budget, expecting some reliance upon available General Fund resources, but preserving the City’s resources through operational cost reductions and a careful review of capital expenditures in 2010.

Efforts had been underway since mid 2005 to stabilize operational costs, to enhance revenue, and to provide for increased General Fund reserves, even before the Issue 15 initiative was presented and approved by the citizens. Given this attention to efficiency and cost containment throughout the latter half of this decade, the City of Blue Ash has accumulated adequate reserves to permit the City to respond in a measured fashion to the recent precipitous drop in earnings tax revenue related to the current economic crisis. The decision to rely upon an interim budget provided time to see how things actually would turn out at the end of 2009, to structure the final budget relying upon a balanced approach using some General Fund resources, and further reductions in operational costs, the careful selection of capital projects, and the intention to rely upon the counsel of the International City/County Management Association (ICMA) financial group. The ICMA guided process can provide a mechanism by which the City of Blue Ash may progress through 2010 and the remaining portion of this recession, without reliance upon some of the very dramatic cuts in services that other entities have been forced to adopt.

The interim budget predicted a total General Fund balance at the end of 2009, including Issue 15/capital reserves of \$6,720,500, of \$12,398,772. We are pleased to report that the City's actual unencumbered fund balance at the end of the year exceeded that amount by \$1,190,558 with a balance of \$13,589,330. A portion of the differential relates to capital projects in the Public Works area that would have to be carried over into 2011, but clearly a significant component of those balances were related to efforts to minimize operational expenses during the last quarter of 2009, as well as the deferral of some other capital expenses.

The actual 2009 ending General Fund balance expressed above represents the following components:

DESCRIPTION	AMOUNT
Capital/Issue 15 reserves	\$6,722,000
General reserve	\$3,050,000*
Unallocated General Fund reserve	<u>\$3,817,330*</u>
TOTAL	\$13,589,330

*Combined, non-Issue 15 balances total \$6,867,330.

2009 earnings tax collections totaled \$28,314,410.76, which represented an approximate 6% reduction from 2008 actual collection levels. The final 2010 budget was adjusted to utilize this number as a base for the anticipated 4% reduction in 2010 earnings tax revenues, to an expected level of \$27,178,000.

As previously discussed, utilizing an interim budget process provided time for the City Manager and staff to carefully review the operational and capital items contained within the budget presented in December; to arrive at a balance between the absorption of portions of the unallocated and general reserve within the General Fund, and to identify a corresponding reduction in operational expense and the selection of capital projects. Further detail is presented within the final budget document related to the specifics of the conversion of the temporary budget into the final budget, but it is significant to report that the City's overall General Fund balance at the end of 2010 is predicted to be \$13,489,873, essentially only \$100,000 less than that which existed at the start of the year. That balance is expected to be composed of:

DESCRIPTION	FUNDS
Capital/Issue 15 reserves	\$8,195,567
General reserve	\$2,800,000
Unallocated General Fund reserve	<u>\$2,494,306</u>
TOTAL	\$13,489,873

A portion of the general reserve was utilized (\$250,000) as was \$1,323,024 of the unallocated funds in accomplishing the 2010 budgetary objectives. The City's Issue 15 reserve increased by \$1,473,567, as would be expected given the "reservation" of 20% of the City's net earnings tax collections toward the specific objectives related to our Issue 15 commitment.

Subject to approval by Council, the City is anticipating moving forward with the ICMA budget advisory team involving a review of the City's strategic objectives, our overall delivery of services, and the identification of what cost saving opportunities exist for further reduction in the City's overhead expense. The City will also be carefully monitoring the economic situation and watching earnings tax collections to assure a match between the anticipated 4% reduction and 2010 actual collections. Because the City had accumulated the reserves to allow this focused and balanced approach during these very difficult times, the City has been, and will be able to, move forward with the continued delivery of great services to the citizens, to progress on significant infrastructure and capital improvements, yet preserve resources for moving forward through the next several years.

As mentioned in the budget document, some changes are necessary, including the shift to only two major events in the upcoming year (SummerBration will not be presented), and a prioritized review of our capital projects and services. Council's favorable consideration of the final 2010 budget permits the City to move forward, yet also offers time for a further evaluation of the City's operational costs relative to its recurring operational revenues, its priorities, and how best to manage the operations of the City in this new economic environment.

Further information relating to the specifics of the 2010 final budget is presented in that document, and any questions can be directed to the City Treasurer or the City Manager.

12.a.2. Ordinance No. 2010-1 - Authorizing payment in 2010 for various public utility services

Ordinance No. 2010-1 addresses payment to various companies for services expected in 2010 for utility-type expenses required for normal operations of City owned facilities, properties, and operations for the provision of municipal services to citizens. Included is authorization to purchase electricity, natural gas, external phone services, internal phone services, domestic water, and public sewer. Although this ordinance represents the expenditure of routine and budgeted items, the Administration has not presented a similar ordinance until 2008 because of the monopolistic nature of most of these markets. An ordinance is being presented at this time due to the changing marketplace and expanded options available to utility consumers. With aggregate 2010 expenditures to each of these vendors exceeding the ordinance threshold of \$25,000, the Administration is seeking formal Council approval to assure compliance with potential audit requirements.

Sections I through III respectively of the ordinance authorize aggregate 2010 payments to Duke Energy (or to an alternate provider if such an option is selected) for electricity and natural gas not to exceed \$833,000; to Greater Cincinnati Water Works for water and sanitary sewer services for an amount not to exceed \$202,500 in 2010; and to Cincinnati Bell Telephone for external telephone, network connectivity lines and fiber, optic cables, and data connection services for an amount not to exceed \$87,000 in 2010.

Please direct questions regarding this ordinance to the Treasurer.

12.a.3. Motion establishing the January 28, 2010 Council meeting as a work session (topic: budget prioritization discussion with ICMA representatives)

As discussed with Council at the December 8 budget study session, the Administration recommends that the January 28 Council meeting be a work session featuring discussion with local government advisors associates with the International City/County Management Association (ICMA) regarding Blue Ash's budget prioritization efforts in coming months. Though additional information will be forwarded before the meeting, at that work session, the ICMA representatives are expected to review the prioritization process with Council and address initial questions. This motion would appropriately formally establish the format of that meeting to be a work session.

Please direct questions regarding this motion to the City Manager.

12.b.1. Ordinance No. 2010-2 - Amending Section 303.08 of the Blue Ash Code of Ordinances regarding impounding of vehicles

The Police Administration is recommending a change to Section 303.08 of the Blue Ash Code of Ordinances regarding impounding of vehicles, and they worked with the Solicitor's Office on finalization of those proposed changes. The department has experienced issues associated with the current wording of the ordinance because the rotation wrecker services have been unable to raise their fees since 2002. This has created an issue because given the low fees they would be able to collect for their services, they were essentially uninterested in being on the rotation list that the Police Department goes to when such services are needed – creating a shortage of towers at times.

The proposed changes to the Code would separate the fee schedule from the actual Code of Ordinances; however, maintain Council's approval of any changes to those fees. That separate fee schedule is also attached to the ordinance.

Please direct questions regarding this ordinance to Police Chief Wallace at 745-6227 or via e-mail to cwallace@blueash.com.

12.c.1. Ordinance No. 2010-4 - Authorizing 2010 contract for professional class instruction services

Ordinance No. 2010-4 authorizes a contract with Sharon Struewing for professional aerobic dance instruction services associated with the popular Jazzercise classes offered regularly at the Recreation Center. Ms. Struewing continues to lead several classes each week. The ordinance authorizes a not-to-exceed amount of \$75,000 in 2010, with a portion of these costs recaptured through the programming fees collected from class participants or through the membership fees collected.

Please direct questions regarding this ordinance to the Parks & Recreation Director.

12.d.1. Ordinance No. 2010-5 - Authorizing 2010 professional services related to the proper disposal of hazardous household waste

For many years, the City of Blue Ash has provided household hazardous waste disposal services at the Service Garage. Many residents utilize this valuable and much appreciated service.

About eight years ago, the City changed contractors to acquire better and more responsive services. Ordinance No. 2010-5 authorizes the City Manager to enter into a contract with Midwest Environmental for services for 2010 for an amount not to exceed \$42,000 (the same vendor utilized for the past several years). Service Department personnel are pleased with the services rendered and Midwest Environmental is properly certified for such disposal activities. While monthly or bi-monthly pickup and disposal costs are far below the \$25,000 annual threshold, it is likely that the total yearly cost will exceed the threshold.

Please direct questions concerning this ordinance to the Public Works Director.

12.e.1. Ordinance No. 2010-6 - Authorizing multi-year contract for professional plan review and inspection services

Ordinance No. 2010-6 authorizes a contract for professional services with National Inspection Corporation (NIC) to continue to perform plan review and inspection services described below (overseen by the Community Development Division). The arrangement with NIC first began in early 2004, and the following represents a continuation of proposed fees for two years beginning February 13, 2010 (as is outlined in Section I of the ordinance):

For building permit plan review and inspection services:

- 90% of the fees collected by the City of Blue Ash relating to building permit issuances; and
- Emergency inspections: not to exceed \$75 per hour; and
- \$100 per hour for the second and subsequent appearance on any judicial proceeding involving issues from the performance of these permit-related services.

Previous contracts with NIC also included Code Enforcement services. However, NIC is no longer involved with this aspect of the Community Development Division. Council may recall that beginning early in 2007, Rich Dole was reassigned to the Community Development Division from the Service Department and now performs Code Enforcement in-house for the City.

Please direct questions regarding this ordinance to the Assistant Community Development Director Dan Johnson at 745-8528 (or djohnson@blueash.com) or to the City Manager.