

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 27 Council Meeting
DATE: January 10, 2011
COPIES: Department Directors, Press, Clerk of Council, Solicitor

The following offers a brief description of the topics included on the January 27 Council agenda:

9.a.1. Ordinance No. 2011-3 - Final appropriations ordinance

City Council and the Administration have intensified their focus on both short- and longer-term financial planning in response to recent economic conditions. Although plans were in place to monitor and reduce operational expenses, and to invest in economic development, before the start of the recession, the intensity of the slowdown, and the uncertainties associated with it, required nearly constant budgetary review during 2009 and 2010.

Although Blue Ash took a “defensive” posture during these times to protect General Fund reserves, to lower costs, and to enhance revenue, the City was well positioned to “weather the storm” and to still provide excellent services and proceed with capital investment in targeted areas.

The City Manager kept Council up-to-date on financial issues throughout 2010, secured their input on 2011 via an August 30, 2010 Work Session, prepared and distributed to Council a 2011 Proposed Budget, and presented the expectations for 2011 in a Budget Study Session on November 29, 2010. City Council adopted this Proposed Budget at the December 9th meeting, permitting financial operations to transition into 2011, the determination of actual year-end fund balances, and this presentation of the Final 2011 Budget.

Ordinance No. 2011-3, and its related attachments, reflects the actual year-end fund balances, and any adjustments needed to modify the Proposed Budget into an updated document for this year.

There are very few significant adjustments to the Proposed Budget in this Final Budget. No capital or construction projects were changed as to funding, nor were there any additions. Expected expenditure levels also remained unchanged in the operational area, except where a review of final personnel costs were examined and adjustments were necessary based on actual expenditure levels and potential retirements. The intent was to include the actual year-end closing fund balances from 2010, adjust some revenue areas and a number of expenses where prudent to do so, and remain “on track” toward fiscal sustainability. As expressed by the City Manager in the past, Blue Ash’s progress toward fiscal sustainability is based upon continued investment in economic development, operational cost containment efforts, expanding reserves to permit future major capital projects, and the judicious use of debt financing to provide the City flexibility in moving ahead. This objective can be accomplished as long as all parties remain aware of the goal, the challenges, and the steps that need to be taken. As stated in our various presentations and sessions, this is not a “one year” exercise or process.

Such an approach is reflected in the 2011 Final Budget. Revenue estimates remain conservative, and operational cost levels were closely scrutinized. Even so, substantial resources are included for not only routine or replacement capital items, but funding also exists for road and connectivity projects, as well as Issue 15 components, such as the improvements to the golf course and new clubhouse/banquet facility and planning for the new 130-acre park. This budget, as described below, accomplishes stated goals and also provides some flexibility for further investment in economic development, property redevelopment, or land banking.

Some of the “highlights” of the conversion of the Proposed Budget into the Final Budget include:

- Actual gross earnings tax collections totaled \$28,704,462, a 1.38% increase over actual

2009 levels. Both net profit and withholding collections came in ahead of 2009 levels, far better than the anticipated -4% reduction in earnings tax originally shown in the 2010 Budget.

- The combination of other 2010 revenue collections, reduced spending (primarily on operational items), and the above-anticipated earnings tax resources generated an actual General Fund balance at the end of 2010 of \$17,659,857. This amount is net of outstanding encumbrances or liabilities. This outcome exceeded our projection of \$16,561,856 as shown in the late November Proposed Budget. The components of the 2010 year-end General Fund balance are shown below:

	2009 ACTUAL	2010 ACTUAL
Issue 15	\$6,722,000	\$7,679,384
General Reserve	3,050,000	2,800,000
Unappropriated balance	<u>3,817,330</u>	<u>7,180,443</u>
	\$13,589,330	\$17,659,827

- Adequate resources were contained in the Issue-15-funded golf course improvement fund #447 as of December 31, 2010 to complete the planned components of that project (bonds were issued in 2010).
- All encumbrances or known liabilities were fully covered in each of the City's 23 funds.
- Adjustments were made to the combined 2011 earnings tax estimates to essentially match actual 2010 collection levels of \$28,704,462, conservatively predicting no overall increase in 2011 over 2010 levels. Net profit was included at \$5,400,000 and withholding at \$23,307,000. The combined total is \$28,707,000. Given the variability of net profit collections, 2011's estimate was lower than 2010's value of \$5,854,963, but withholding reflects an increase for 2011 from \$22,849,499 to \$23,307,000, or approximately 2%. Such an approach for 2011 appears reasonable given expectations for next year as to gradual economic recovery.
- Other revenue adjustments from what was contained in the Proposed Budget were an addition of \$15,000 to the estimate for our Workers Compensation rebate and partial-year clubhouse-related sales tax receipts.
- Operational expenditure allocations remained essentially unchanged, except in those areas where changes were needed to balance a fund (external to the General Fund), or in several Personal Services areas as mentioned earlier. Given that the golf course facility is new, and that it will be in full operation only a few months in 2011, the decision was made to address funding/staffing issues within the existing golf course fund 752 in 2011. Expected revenues had been shown in the Proposed Budget, and funding was included on the expenditure side in the Final Budget. Those estimated costs were shown in salaries and benefits, marketing, and related sales tax for a total of \$216,000. It is likely that a new Enterprise Fund will be created and employed in 2012 for the non-golf component of the new facility.
- Although all capital purchases and capital projects shown in the Proposed Budget are funded, supplemental resources were included within the Economic Development area in case an opportunity arises in 2011 which Council may wish to pursue. An additional \$300,000 in land banking funds was provided for a total of \$800,000.
- Tax refunds remained unchanged at \$1,300,000.

- Although unrelated to our General Fund and ongoing operations, the 2011 Final Budget does include the capacity to make the first payment to the Sycamore School District from the Duke Landings TIF (Fund #332). Even though the third building has not yet been built, a surplus exists in this fund beyond what is needed to pay debt retirement. Therefore, a payment can be made in 2011 of the surplus fund balance to the Sycamore School District.
- Both the Proposed and Final Budgets were evaluated as to “operational results,” to assure 2011 reflects a continuation of past revenue enhancements and operational cost containment so that further progress can be made toward fiscal sustainability.
- During 2010, the Administration utilized the ICMA consultant group to assist in defining the expectations of the City, what programs and services are provided, cost analysis, and priority rankings. As stated by the City Manager on several occasions, the results of the ICMA study, further evaluation of the City’s operational costs and staffing structure/organization, and benchmarking will be used in 2011 and beyond to continue efforts to become more efficient, streamlined, and cost-effective. The need to focus on operational cost controls is not a one-year issue and Council should expect the Administration to present options and alternative methods to reduce costs/enhance revenues during the early part of 2011.

As one would expect, the transition of the Proposed Budget into its “final form” changed the expected end of 2011 projections for General Fund balances. Should 2011 unfold as shown in our document, the December 31, 2011 balances should be as shown in the second column below:

	2011 PROPOSED	2011 FINAL BUDGET
Issue 15	\$8,776,694	\$8,817,076
General Reserve	\$2,900,000	\$2,900,000
Unappropriated balance	<u>\$5,129,473</u>	<u>\$5,438, 930</u>
	\$16,806,167	\$17,156,006

Following consideration by Council under Ordinance No. 2011-3, the Final Budget values will be loaded into the budgetary system, and shall serve as a benchmark against which our actual 2011 revenues and expenses will be examined. Any changes deemed necessary during the year will be presented to Council via transfer ordinances.

The City’s earlier efforts in reducing operational costs, and in preserving reserves, proved most beneficial as the recession unfolded. That same approach, targeting fiscal sustainability, will continue to be our focus in 2011 and beyond.

The projected end of 2011 General Fund balances shown above assume that the Contingency of \$300,000 will need to be utilized, and that the funding set aside for economic development (\$300,000) and land banking (\$800,000) will be expended. To the extent such funds are not used, the expected end of 2011 General Fund balance will be enhanced.

For more information about the capital projects intended for 2011, or major capital purchases (equipment), please refer to your November 23, 2009 Proposed Budget. All such allocations remain unchanged in the Final Budget.

Please direct any questions regarding the Final Budget to the Treasurer.

9.a.2. Ordinance No. 2011-7 - Authorizing payment for professional computer-related services and purchases throughout 2011

Ordinance No. 20110-7 authorizes payment throughout 2011 to multiple vendors for anticipated professional computer-related services and purchases throughout the year. A summary of the vendors and expected expenditures is summarized below:

- Dell Computers: Not to exceed \$45,000 for computer purchase/replacement throughout the City's various divisions and departments. This amount should also cover the purchase of new equipment for the new golf clubhouse/banquet center facility to be completed this fall.
- Intrust Group: not to exceed \$40,000 for annual software licensing, technical consulting, E-mail virus/spam filtering, and firewall protection. Intrust is located in Blue Ash, and was formerly known as LAN Solutions.
- Spectrum Computing: not to exceed \$43,000 for contractual printer maintenance, toner, and printer purchases (including for the new golf clubhouse/banquet center).
- Active Network: not to exceed \$31,000, primarily for annual licensing associated with the Recreation Center's membership software as well as additional software and compatible hardware required for the new golf clubhouse/banquet facility.

Although no single purchase associated with any of these vendors is anticipated to exceed the ordinance threshold of \$25,000, because aggregate purchases throughout the year will likely exceed that threshold amount, Council approval via ordinance would be appropriate and in compliance with audit guidelines.

Before May 2011, we will address Council for consideration of another "communication" ordinance. This separate item will address the need to upgrade, and expand, the City's phone system originally bid, awarded, and installed in 2008. The current multi-year maintenance agreement expires in mid 2011, and the need does exist for new equipment for installation at the new golf/banquet facility as well.

Please direct questions regarding this ordinance to the Treasurer.

9.b.1. Ordinance No. 2011-1 - Amending Sec. 1711.08 (Outside Storage) of the Blue Ash Code of Ordinances related to trash containers – Second Reading

For the past several months, the Community Development office has been working closely with representatives from Dinsmore & Shohl towards suggestions for revisions to Section 1711.08 of the Blue Ash Code relating to trash containers. The suggested changes as outlined in Ordinance No. 2011-1 affect only the third paragraph of that section of the Code, with the changes summarized as follows (underlining representing new text):

Trash containers kept between a structure and a public street must be completely screened from view from the -any-street. and be located behind the front building line of the house. Trash containers located in a side or rear yard area are not required to be screened, but shall be maintained and stored in a clean and orderly manner. In case of a corner lot, trash containers cannot be located in the side yard adjacent to a street. Any structure that contains or screens trash containers must satisfy all other applicable Codes. Trash containers can also be stored in a fully enclosed structure.

Thursday's presentation of Ordinance No. 2011-1 represents the second reading and formal vote. The first reading of this ordinance took place at the January 13 meeting.

Please address any questions regarding this ordinance to the enforcement official, Rich Dole, at rdole@blueash.com or 745-8542 or to Deputy Solicitor Bryan Pacheco who will be at Thursday's meeting.

9.c.1. Ordinance No. 2011-8 - Authorizing payment for traffic signal parts, repair services, and upgrades throughout 2011

Ordinance No. 2011-8 authorizes payment for routine purchase of parts, maintenance, upgrades, and repair of traffic signals provided throughout 2011 with Capital Electric Line Builders for an amount not to exceed \$140,000. The City has a favorable long-term relationship with this vendor, formerly known as Wager-Smith, for these types of services, and these items were included within the 2011 Final Budget. The items include routine maintenance and parts, as well as the upgrades (to LED lights) made throughout the year and the addition of uninterruptable power backup systems (UPS) at main intersections.

Please address questions regarding this ordinance to the Public Works Director.