

CITY OF BLUE ASH

Interoffice Memo – City Manager's Office

TO: City Council
FROM: City Manager and Department Directors
SUBJECT: Agenda Items for the October 13 Council Meeting
DATE: October 11, 2011
COPIES: Department Directors, Press, Clerk of Council, Solicitor

This memo offers a brief description of the topics included on the October 13 Council agenda.

9.a.1. Motion setting 6:00PM, Monday, November 28, 2011 as the 2012 Budget Study Work Session

This motion would formally establish the time and date for the 2012 Budget Study Work Session for Monday, November 28, 2011, at 6:00PM. Please direct questions or scheduling issues regarding this motion to the City Manager.

9.a.2. Resolution No. 2011-8 - Accepting property tax rates for 2011

As is customary this time of year, Council's consideration of this resolution is a part of the City's annual budgetary process, and involves the Hamilton County Budget Commission. The Tax Budget for 2012, which was considered and adopted by Council in July, was submitted to the County Budget Commission for their review of our projected financials for next year. Resolution No. 2011-8 seeks Council's acceptance of the amounts and rates of taxation that were included within the Tax Budget, as certified by the Commission and reviewed by the County Auditor's office. In accordance with our Charter provisions and with our historical practice, the inside millage as expressed in this resolution remains at 3.08 mills.

Even though the millage is small (one of the lower municipal rates in the region), the City's overall assessed valuation contributes to a substantial source of revenue for the City (and, of course, property taxes from Blue Ash residential and commercial property owners represent the majority of revenue for the Sycamore Schools). Based upon the County's estimated December 31, 2011 total assessed valuation for Blue Ash, including all property assessed, the 2012 property tax revenue to the General Fund and the General Bond Retirement Fund to the City of Blue Ash should be approximately \$2,687,000.

Please direct questions regarding this ordinance to the Treasurer.

9.a.3. Ordinance No. 2011-63 – Confirming continuing membership in the Miami Valley Risk Management Association (MVRMA) and accepting the year 2012 pool contribution

From early 1981 through July of 1992, the City enjoyed a very stable relationship with the Clark-Theders Insurance Agency and with the Cincinnati Insurance Company as our primary insurer. We maintained a comprehensive group of coverage with established insurance companies. When insurance coverage was publicly bid in early 1992, in addition to the conventional bids we received a proposal from a joint self-insurance pool called Miami Valley Risk Management Association (MVRMA). After a careful analysis of the composition of the pool, its members, comparative costs, and its operating policies and procedures, the recommendation was made to Council that the City join that Association as a member effective July 1, 1992. Council authorized Blue Ash's membership via ordinance.

Even though our membership with MVRMA does not require an annual renewal, we believe it appropriate to approach Council each year with an ordinance affirming our continuing membership and also acknowledging the annual pool contribution or "premium." This ordinance seeks that ongoing approval, and outlines the 2012 pool contribution to MVRMA of an amount

not to exceed \$248,000 for our basic coverage. In 2012, Blue Ash's coverage will represent approximately 6.06% of all pool costs, slightly more than the 5.8% in 2011. There are 20 members at this time, with the City of Centerville representing the most recent addition. Collectively, MVRMA has been able to maintain a favorable loss experience through the careful selection of its members.

The City's annual contribution is composed of our share of the pool's operating expenses, as well as payment relating to our "share" of expected reserves and losses for the upcoming year. The calculation as to what those losses are expected to be is based upon an annual statistical analysis done by an actuary. The total amount of the expected loss fund as determined by MVRMA's actuary for 2012 for all 20 members is \$2,415,000, and as losses, claims, and reserves are addressed over the next several years, those costs will be charged against that particular "2012" fund. Should total losses exceed that amount, then it is possible that an assessment will be charged against each of the cities using their original contribution percentage as a basis. If such an assessment were to be necessary, Blue Ash has a credit "on account" with MVRMA which could be utilized. As has been the case in most years since formation of the pool, the entirety of the loss fund does not get used, and after the loss fund is closed, any balances are refunded or credited to a city in proportion to their percentage of contribution.

Blue Ash's affiliation with the Miami Valley Risk Management Association has been a positive one, and we are very comfortable with the administration and structure of the program. MVRMA is audited and examined by the Ohio Department of Insurance on an annual basis, and they prepare a Comprehensive Annual Financial Report each year as well. No city has ever left the Association, and the group seems very content with the level of service provided by the pool.

As an aside, MVRMA provides a loss prevention and loss reduction service, which includes an annual visit to assess Blue Ash's adoption and application of "best practices". Our evaluation last month resulted in a "score" of 96.78% of 100%, up from 92.31% in the prior year. The pool average is 93.17%.

Additionally, MVRMA offers a discount to members whose police department wishes to take advantage of a top-notch policy manual and training service called "Lexipol". The Blue Ash Police Department recently decided to enroll in Lexipol, which should be helpful in keeping our policy/procedures manual up-to-date, and they also offer web-based training to our staff. As to our loss experience, MVRMA's recent calculations revealed that our past four year average for annual losses is only \$45,820.

Please direct questions concerning the City's membership in MVRMA or this ordinance to the Treasurer.

9.b.1. Motion setting 7:00PM, Thursday, November 10, 2011 as Hearing regarding an Action of the Board of Site Arrangement and Decision of Board of Zoning Appeals regarding proposed Maple Dale Elementary School Project

A Notice of Appeal was filed with the Blue Ash City Clerk of Council on September 30, 2011 regarding the proposed Maple Dale Elementary School Project and an action taken by the Board of Site Arrangement on September 12, 2011 contending such action is not in conformity with the provisions of the Blue Ash City Ordinance Section 1131.05. The Notice further Appeals a decision of the Board of Zoning Appeals on September 12, 2011 contending such decision was not within the powers granted to such Board in accordance to Blue Ash City Ordinance Section 1133.04 and Section 1133.04(d).

9.b.2. Ordinance No. 2011-64 – authorizing real estate agreement with Ethicon re: 4391 Creek Road Warehouse

In the fall of 2005, Ethicon Endo-Surgery on Creek Road approached the City about a desire to bring a new division to Blue Ash by occupying a warehouse property at 4391 Creek Road. The property was vacant and for sale, and although local Ethicon officials wished to purchase it, capital funding at the corporate level (Johnson & Johnson) was scarce and thus Blue Ash was approached regarding assistance. Ethicon proposed that the City acquire the property and asked for City Councils' authorization for a five year lease (with an option to buy) to permit them to make significant renovations as they moved forward with the relocation to Blue Ash of the new division. City Council authorized the acquisition of the property via Ordinance 2005-49, the purchase was completed, and a lease agreement was negotiated with Ethicon that was finally executed and effective on November 1, 2006.

The original lease agreement, which had a five year term, did reflect Ethicon's intent, at that time, to move forward with the actual purchase of the property during the initial lease term under the option contained in the lease. The initial lease contained annually increasing monthly payments for rent, an increasing price for the property over the five year term, and a decrease, over time, of the percentage of purchase "credit" that Ethicon would receive for rent paid under the lease.

As Ethicon's planning for the renovation of the structure moved forward, it became evident that the expected cost to renovate the structure far exceeded their expectations, generating a request for an amendment to the lease in which the City would advance an additional \$300,000 in funding which would be provided to Ethicon and repaid through supplemental payments during the first three years of the lease. Those supplemental payments, as well as the basic rent payments, have all been made on a timely basis, and Ethicon has proved to be an extremely "low maintenance" tenant for the City.

As the property owner, fire insurance has been provided under the City's coverage with Miami Valley Risk Management Association, but all other costs of operation, including utilities, property taxes, maintenance, etc., have been borne by Ethicon. Prior to their occupancy in the fall of 2006, Ethicon invested over \$700,000 in modifications and improvements to the warehouse structure, which achieved their requirements for the "new" division and the expansion of their intended campus "approach" to their community presence. Since that time, Ethicon has purchased, and now occupies, the multi-story office building that was previously owned by Duke Realty on Reed Hartman Highway between their main building and Embassy Suites. The City has every reason to believe that Ethicon will continue to expand their "ownership" presence and create a campus-like environment in the area surrounding their existing facilities.

Given the continued scarcity of capital funds at the corporate level, as well as a leveling or drop in real estate values due to the economy (and other factors), it became evident that it would not be in Ethicon's advantage to follow through with the option to purchase this property under the original lease agreement. During the past several months, Ethicon has been in touch with the City regarding a mechanism under which they would be assured ownership of the property upon final payment using a new five year capital lease agreement.

Ethicon has requested that the City consider assisting them for an additional five year period with a capital lease arrangement that would contain the following primary components:

1. That the City's purchase price of the property of \$625,000 be utilized as the "basis price" for the property at this time.
2. That the City would grant Ethicon full credit for the basic lease or rent payments that they have promptly made during the current agreement (\$230,400) and that the City

- would be willing to pay for ½ of the roof replacement cost that was required on the building in September of this year (our share to be about \$30,000).
3. That Ethicon would assume responsibility for securing fire insurance, and would continue to fully maintain, protect, and take care of the property (as they have during the last five years) including being responsible for any major future expenses that might occur (such as the recently replaced roof, HVAC equipment, etc.).
 4. The net amount, of \$364,600, would be repaid to the City over the next 60 months at \$6,076.67 per month until October 31, 2016, at which time the deed to the property would be conveyed to Ethicon.

Although economic conditions played a large part in preventing Ethicon from acquiring full title and ownership of this property during the initial term of our agreement, their request accomplishes our initial objective of providing financing to them for this purchase, allowing for the significant enhancement and improvement of the facility itself, and arriving at the ultimate objective of having Ethicon own the property as a part of their Blue Ash campus. As stated, when this initially arose in late 2005, it was never the City's intent to make money or to profit from this endeavor.

It is the Treasurer's recommendation that this request by Ethicon be favorably considered by City Council, as Ethicon has proved to be an extremely loyal, generous, and significant contributor to the Blue Ash community. In fact, Ethicon contributed \$25,000 several years ago to the City's "connectivity" project at the time we were replacing sidewalks along Creek Road.

Any questions relating to this matter can be referred to the Treasurer.