

A Budget Study Session of the Council of the City of Blue Ash, Ohio, was held on November 28, 2005. Mayor Rick Bryan called the meeting to order in Council Chambers at 7:00 PM.

OPENING CEREMONIES

Mayor Bryan led those assembled in the Pledge of Allegiance.

ROLL CALL

MEMBERS PRESENT: Mayor Rick Bryan, Vice Mayor Robert Buckman, Councilman Lee Czerwonka, Councilman Henry Stacey, Councilwoman Stephanie Stoller, and Councilman Mark Weber

MEMBER ABSENT: Councilman James W. Sumner

Councilwoman Stoller moved, Councilman Stacey seconded to excuse Councilman Sumner from the meeting. A voice vote was taken. All members voted yes. Motion carried.

ALSO PRESENT: City Manager Marvin Thompson, Clerk of Council Jamie Eifert, Deputy Clerk of Council Sue Bennett, Assistant City Manager David Waltz, Treasurer/Administrative Services Director James Pfeffer, Parks & Recreation Director Chuck Funk, Service Director Dennis Albrinck, and interested citizens

ACCEPTANCE OF AGENDA

Councilman Czerwonka moved, Councilman Weber seconded to accept the agenda. A voice vote was taken. All members present voted yes. Motion carried.

- "1. MEETING CALLED TO ORDER
- 2. OPENING CEREMONIES
- 3. ROLL CALL - Clerk of Council Jamie K. Eifert
- 4. ACCEPTANCE OF AGENDA
- 5. APPROVAL OF MINUTES
 - a. Regular Meeting of November 10, 2005
- 6. PRESENTATION OF THE 2006 PROPOSED BUDGET BY THE CITY ADMINISTRATION
- 7. ADJOURNMENT"

APPROVAL OF MINUTES

Councilman Stacey moved, Councilman Weber seconded to approve the minutes of the regular meeting of November 10, 2005. A voice vote was taken. All members present voted yes. Motion carried.

PRESENTATION OF THE 2006 PROPOSED BUDGET BY THE CITY ADMINISTRATION

The following is the City Manager's overview letter submitted to Council with the Proposed Budget:

"November 22, 2005

Honorable Mayor and Members of City Council
City of Blue Ash
Blue Ash, Ohio

Gentlemen and Madam:

Enclosed is the Proposed Budget for the City of Blue Ash for calendar year 2006. Total 2006 revenues are estimated at \$40,580,202.18, not including transfers, advances, or rollover of the remaining Xomox property and Tax Increment Financing (TIF) notes. Projected expenditures, on the same

basis, total \$40,105,737.56. Projected General Fund balance at the end of 2006 is \$0; all other remaining fund balances are in restricted accounts. Actual fund balances and encumbrances as determined at year end 2005 will modify the final year 2006 revenue and expenditure amounts. Projections within the Proposed Budget are based upon actual revenues and expenditures through the first ten months of 2005, and estimated through the remainder of the current year.

The 2006 Proposed Budget again represents a true teamwork effort, with exceptional work performed by Treasurer Jim Pfeffer and Deputy Treasurer/Tax Commissioner Sherry Poppe. The entire Administration, including all Department Directors and Division Heads, were very focused on meeting the objectives of preparing a Proposed Budget for Council that reflects operational efficiency, while maintaining the high quality of service that Blue Ash citizens deserve. As I have stated several times previously, as City Manager, I feel extremely blessed that I am able to be associated with such a dynamic and professional team. The entire management staff has worked diligently to control operational expenses, and as a result, we believe the 2006 Proposed Budget demonstrates the effectiveness and efficiency that are key to preserving the City's future.

As Council is aware, 9/11 created economic uncertainty and generally a downturn in business and employment levels, resulting in a decline in tax revenues almost everywhere. Blue Ash is the last city in Hamilton County with a major business component that has a 1% earnings tax. Other Hamilton County business-competitive cities have earnings tax of 1.5% to more than 2%. While there may be a time when it will be necessary to consider a modest earnings tax increase, due to efficiency moves to control operational expenses, economic development efforts that have resulted in new companies moving into Blue Ash, and a general upturn in the local economy, the 2005 and projected 2006 budgets provide more financial flexibility again for the City. The year 2005 showed a substantial rebound in net profit taxes from our businesses, and while it is unlikely that 2006 will have the same level of net profit tax revenues, we do believe that the economy has recovered in Blue Ash, and future economic development will provide for more capital investment.

As is usual, we have projected revenues conservatively, and would recommend that any additional collections that may occur during 2006 be targeted for short-term debt retirement and reserve funding.

The 2005 withholding tax is estimated to be \$16,324,580.28, which is about 0.7% over actual 2004 withholding collections. A 2.5% increase, to \$16,750,000, is estimated in withholding collections for 2006. The net profit portion of the earnings tax, a much more difficult estimate, shows 2005 collections to reach an estimated \$6,306,602.41. The year 2005 ended up being one of the best years ever in net profit collections, following several years of relatively low net profit tax revenue. Although there are many variables determining net profit collections, when looking at net profits over a several year period, it appears that there is a major correlation in the stock market and our net profit collections. For 2006, we are showing a net profit estimate of \$4,900,000, which historically represents a substantial collection, but is down from the exceptionally high 2005 year.

With the combined basis of withholding and net profit, projected 2005 collections are expected to total \$22,631,182.69, or approximately 10.5% ahead of actual 2004 collections. Total 2006 collections are projected at \$21,650,000, or approximately 4.3% below the 2005 levels due to an anticipated very good, yet more normal year in net profit collections.

Other major 2006 revenue items to note include property tax collections of \$2,527,081, hotel/motel taxes of \$685,000, EMS transport

revenue collections of \$220,000, estate taxes of \$325,000, a rollover of \$3,050,000 for the TIF note regarding The Landings office park development, and \$1,075,000 in Golf Course related revenues. Please refer to the detailed revenue section of this document for further information on 2006 revenue sources.

Blue Ash has gained a reputation within the region and beyond as providing an exemplary level of services and facilities. The 2006 Proposed Budget reflects this high level of amenities and provides the services and facilities to continue and improve on the quality of life in Blue Ash. This Proposed Budget document does not describe the comprehensive City operations and facilities, but seeks to provide a general explanation of significant operational changes and capital outlay proposals for the upcoming year.

In order to provide for a cushion against economic downturns, as well as to provide flexibility for funding of unanticipated items which may be deemed desirable or necessary, in 2005 the City established a General Fund, or operational, reserve equivalent to approximately 10% of the estimated annual total earnings tax collections for that year. This General Fund reserve is increased in 2006 to \$2,150,000, representing 10% of the anticipated 2006 collections. The General Fund reserve was established as an emergency fund set aside not to be expended, and to be carried forward to the following year. It is a prudent fiscal practice that will provide the City protection, as well as continuing to enhance our bond rating posture (which Moody's took into account in the most recent Reed Hartman Highway bond rating).

The Administration is recommending a second reserve fund be established for 2006, especially in order to provide funding for discretionary capital projects as included in the capital improvement plan (e.g., Recreation Center expansion, Golf Course Clubhouse replacement, etc.). A capital project reserve fund is shown with an initial allotment of \$1,150,000. If Council deems appropriate, a portion of this funding could be used for architectural and engineering plan development for the Recreation Center expansion and/or clubhouse replacement, allowing for the possibility of one or both of these projects to begin construction in 2007 or 2008.

Both the General Fund operational reserve and Capital Project reserve are in addition to the regular General Fund contingency, which is shown at \$400,000.

In order to continue the City's aggressive debt retirement practice involving short-term Bond Anticipation Notes (BAN's), an additional \$500,000 is shown in retirement of the note used to acquire the eight-acre Xomox property on Cooper Road across from the Recreation Center (this property destined for future parks and recreation uses). The initial note was for \$2.1 million, with \$600,000 retired in 2005. A \$500,000 reduction will leave \$1 million in this note, which should be retired completely in 2008.

There are two other smaller reserve funds shown within the Proposed Budget to promote economic development, including \$200,000 for economic development incentives and \$375,000 to fund land acquisition for economic development purposes. Although both are undefined at this time, the City must be prepared for economic development opportunities since competition within the region and beyond at times demands aggressive action.

Other fiscal items to note within the Proposed Budget include the retirement of \$2,830,000 in principal (and a payment of \$621,320 in interest) within the General Bond Retirement Fund. The rollover and modest increase of the TIF note for The Landings office parking garages is included at a total of \$3,250,000.

Operational levels for 2006 are shown at only inflationary increases,

with no additional full-time staff authorizations requested. The management staff has done an excellent job in holding operational expenses to minimal increases during 2005 and in their budget submittals for 2006.

Various capital outlay shown within the Proposed Budget includes \$100,000 net of trade for six police cruiser replacements, \$900,000 net of trade to replace the 1982 100-foot Fire Department ladder truck, \$152,000 for sidewalk construction (the majority being at the Reed Hartman/Creek area at the request of Ethicon), \$125,000 to update the Recreation Center HVAC control system, \$125,000 to provide for a left turn lane signal on westbound Glendale-Milford at Plainfield, \$625,000 for street repaving (including Blue Ash Road and Glendale-Milford/Pfeiffer from Reed Hartman to I-71), \$324,000 for the Phase I Hunt House restoration as directed by Council, over \$87,000 for fitness/exercise equipment replacements at the Recreation Center, and \$30,000 to construct an eternal flame at the Veterans Memorial site.

The Proposed Budget also includes various funding for revitalization, storm water drainage improvements, technology upgrades, and support of various contractual services such as \$80,400 to the Sycamore Senior Center.

Please refer to the individual expenditure accounts for explanation of other capital and contractual items.

On behalf of all City employees, we appreciate the opportunity to serve City Council and the citizens of Blue Ash. It is an honor to be able to work for the City of Choice. We look forward to working with you as a team in our efforts to constantly attempt to improve the quality of life for all Blue Ash residential and business citizens.

Respectfully submitted,

CITY OF BLUE ASH

Marvin D. Thompson
City Manager”

In addressing a question from Councilwoman Stoller, Parks & Recreation Director Chuck Funk explained that the fitness equipment funded in the Proposed Budget would also be suited for use within an expanded fitness center. The average life span for such equipment is ten to 12 years. The equipment being replaced is 13 years old.

Councilman Czerwonka commented favorably on the prices for the six replacement Police cruisers.

In addressing questions from Councilman Stacey, the following was explained by the Administration:

- ?? The majority of the funds included for sidewalk work will be used in the Creek Road/Reed Hartman Highway area. The remaining funding for such sidewalk work would allow routine repairs in the City; however, funding would not be adequate to install or repair sidewalks throughout any one entire neighborhood.
- ?? Funding included for storm water improvements would cover only maintenance work in the CIC Park along Reed Hartman Highway as improvements would be much more costly. The funding also allows minor public storm water improvements that may be needed.
- ?? The Police budget includes the addition of two Lieutenant positions, replacing two current Sergeant positions. The difference in cost associated with this change is minor. The Police Administration has requested this change in an attempt to increase Department efficiency and accountability. The goal continues to be to get more Police personnel out on the streets. Although a position remains in place in the

pay plan, funding is not included to fill an existing Police patrol vacancy. After further discussion regarding this proposed Police Administration change, Mr. Thompson suggested that he forward to Council the memo prepared by Police Captain Schaffer that explains the request and justifies the proposed change. Council requested that this information also include a description of the type of work to be performed by the additional Lieutenants.

- ?? The upgrades planned for the Recreation Center HVAC system would be able to accommodate potential changes or expansions in the future.
- ?? The funding included for road paving assumes that no SCIP funding would be received for the Blue Ash Road project.
- ?? The City does receive funds from the Motor Vehicle License fee. Though the State's method for returning appropriate funds to local governments is improving, Blue Ash does regularly "advertise" to residents that they should state "Blue Ash" (i.e., not Cincinnati) as their place of residence to assure these fees are appropriately distributed. Blue Ash has also worked for a number of years with an individual who verifies State records to assure Blue Ash gets its fair share of these State-collected tax monies.
- ?? Regarding potential increases for Golf Course fees, Mr. Funk explained that the proposed increase for golf fees is \$2 for 18 holes and \$1 for nine holes. There has been no increase in fees for the past five or six years. Golf fees are evaluated on a yearly basis, and the goal is to assure Blue Ash's fees are competitive with comparable courses in the area.

In addressing a question from Councilwoman Stoller regarding golf fees, Mr. Funk explained that the Course's senior rates are at or below other comparable course fees. Seniors are offered an approximate 20% discount.

In addressing comments from Councilman Weber, it was concluded that the Glendale-Milford/Plainfield signal improvements would be done as early in the year as possible. The project will be bid early, with the goal to complete the signal improvements by spring. The City will also consider alternatives for sidewalk improvements on Hunt Road between Bluewing Terrace and the Kroger shopping area.

Mr. Thompson summarized an earlier phone conversation with Councilman Sumner, who was unable to be at this meeting due to business travel. Councilman Sumner had questions regarding the sidewalk work proposed for Creek and Reed Hartman. Councilman Sumner also commented that he is not in favor of an eternal flame at the Veterans Memorial.

Further discussion was held regarding the eternal flame concept for the Veterans Memorial. Mr. Thompson commented that he is a strong proponent of an additional statue at the Veterans Memorial to recognize the current war on terrorism and those serving our country. The eternal flame is intended to be a more generic feature until the time is deemed appropriate by Council to add that next statue. The flame concept is not meant to replace an eventual additional statue. Mayor Bryan commented that he does not have an objection to expending funds to improve the Veterans Memorial; however, the idea of an eternal flame, in his opinion, is behind the times. Mr. Thompson commented that other forms of tribute have been discussed in lieu of a flame, such as a beam of light. After some discussion, Mayor Bryan urged the Administration to consider all aspects of a tribute and to make sure whatever tribute is recommended will not be considered offensive to those it is meant to honor.

Mayor Bryan commented favorably on the Administration's desire to start a reserve fund for future capital projects. Mr. Funk commented that the Administration is continuing work on developing the pro-forma information for the proposed near future recreation facility capital projects -- expansion of the Recreation Center and construction of a new Golf Course Clubhouse. It is his opinion that to do both projects would cost approximately \$5 to \$6 million. Ideally, assuming tax revenues would allow and Council approves, the

Administration would like to begin architectural and engineering work for one or both of these projects during the second half of 2006, with potential completion in 2007 or 2008.

In addressing a question from Mayor Bryan, Mr. Thompson commented that the Administration would be presenting its final report and recommendations regarding a potential Performing Arts Center (PAC) early in the year. It is the Administration's opinion that this project should be approached by the City as a stand-alone project. Continued financial analysis, including consideration of realistic potential revenues associated with sponsorships and naming rights, may suggest a breakeven situation as early as Year 1, including both debt and operational cost factors. Assuming the project would be incorporated at the Osborne Boulevard site, the developer has continued interest in including the PAC within early stages of their project. The developer is still working towards breaking ground in summer 2006. Mayor Bryan suggested that should this project move forward that the City communicate the potential for a "zero cost" aspect to citizens and taxpayers and to stress that it is a revenue generator. In addressing a question from Councilwoman Stoller, Mr. Thompson commented that there are now three prominent developers in the Cincinnati area that could become partners with Dennis Cooper, the initial developer. Council will be updated as more information comes forth.

In addressing a question from Councilwoman Stoller, Service Director Denny Albrinck commented that the funding for sidewalks would primarily be directed towards improvements in the Creek Road/Reed Hartman Highway area. Ethicon has requested that sidewalks be added since most of the people receiving training at their facility are housed in the hotels located along Creek Road. These people walk to and from Ethicon daily for their training. Sidewalks are proposed to be eight feet in width, and included along both the north and south sides of Creek extending both east and west from the Reed Hartman intersection.

ADJOURNMENT

All items on the agenda having been acted upon, Vice Mayor Buckman moved, Councilman Czerwonka seconded to adjourn the meeting. A voice vote was taken. All members voted yes. The Council meeting was adjourned at approximately 7:47 PM.

Rick Bryan, Mayor

Jamie K. Eifert, Clerk of Council

MINUTES WRITTEN BY:

Susan K. Bennett, Deputy Clerk of Council