

November 26, 2012

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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 November 26, 2012. Mayor Mark F. Weber called the meeting to order in the Blue Ash Conference room at approximately 6:00 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: Councilman Tom Adamec, Councilman Rick Bryan, Councilman Robert Buckman, Vice Mayor Lee Czerwonka, Councilwoman Stephanie Stoller, Councilman James Sumner, and Mayor Mark Weber

ALSO PRESENT: City Manager David Waltz, Assistant City Manager James Pfeffer, Assistant City Manager Kelly Harrington, Treasurer Sherry Poppe, Public Works Director Gordon Perry, Fire Chief Rick Brown, and Administrative Assistant Karla Plank.

5. BUDGET STUDY SESSION – Review of the Proposed Interim Budget for 2013

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

“November 20, 2012

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

Dear Mayor and Council:

The presentation of the proposed budget for 2013 may be viewed primarily as a financial exercise. However, it is important to visualize its content as a mechanism for highlighting the direction and commitment to delivering core services by the City’s Council, Administration, and Staff.

Based upon a vision established long ago of maintaining a balanced community, a commitment to stability, strong schools, business retention, and citizen satisfaction, Blue Ash continues to have the capability to provide excellent services to its residential and business citizens, and to plan for future improvements that are aligned with the desires of the citizenry. A challenge arises in maintaining our commitment to key values and beliefs, while adapting to and embracing the changes that are before us in these times. On a global, regional, and national level, the recession continues resulting in relatively stagnant growth and limited opportunities for significant expansion of our business base.

Challenges have also arisen at the local level as evidenced by the State of Ohio’s ongoing reduction of traditional sources of local government revenue, and the uncertainty that arises as to compliance with the Patient Protection and Affordable Care Act relating to health insurance and employment issues. Additionally, the City of Blue Ash continues to move forward through its succession planning and implementation efforts in order to adjust and respond to the numerous retirements of long-serving staff members late in 2012 and expected during 2013. There are unknowns as well, such as the state legislature’s intent to redefine the mechanism by which local earnings tax legislation is implemented and formatted, creating an uncertainty as to the City’s primary source of annual revenue.

By adhering to our “core values”, a belief system that has served the City of Blue Ash so well for decades, and by planning ahead for the changes that we see (and even for those not yet clear), the City remains capable of maintaining a strong financial position and of transitioning through the changes to stay focused on making the community a viable and attractive location for all. While the 2013 proposed budget does include some reflection on the past, it primarily describes where the City is today and what lies ahead for 2013 and beyond. Even before the start of the “great recession” and the Issue 15 initiative, the City had been working on periodic analysis of its financial performance, through a consistent review of operational revenues and expenses. Much like a private enterprise, the City must remain focused on maintaining its ability to operate with a “gross margin”, and to work toward a goal of ongoing fiscal sustainability. Through investment in improving our operational

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revenue and a focus on monitoring and reducing operating costs, funding is generated which can be utilized for capital improvements, major projects, debt retirement, and a capacity to deliver excellent services to the citizens.

Through investment in economic development, and combined with the benefits associated with monitoring operational revenues and costs, the City of Blue Ash has continued to “hold its own” and even prosper during these challenging times. Earning tax collections continue to show improvement over prior years, and the on-going analysis of the City’s operational position has permitted the City to remain on a sound footing. This allows the City to build or maintain general fund balances and reserves while continuing to provide for investment in infrastructure and the provision of a high level of core services. The information contained within the enclosed budget, and to be presented at the budget study session, will illustrate how the City has handled operational outcomes in the past, what is projected for 2013, and how the next several years might look given our plans for handling staffing, succession issues, and the enhancement of earning tax revenues.

These operational reviews do not consider Issue 15 revenues, the completed projects financed by those resources, or those which are in the design and development phase. Since the passage in late 2006 of the Issue 15 initiative, one-fifth of the City’s earning tax resources have been allocated to Issue 15 projects, providing funding for the completion of the expanded and renovated recreation center, construction of the Cooper Creek Event Center and related golf course improvements, and land acquisition and initial development planning for Summit Park. These significant advances in amenities for Blue Ash citizens have moved ahead at the same time the City Administration and Council were closely monitoring basic operational revenues and expenses and pursuing fiscal sustainability.

The year 2012 was one in which the City operationally generated a gross margin, or gain, and provided the resources for significant capital improvements that were described within the current year budget. As an example, the final 2012 budget anticipated an “absorption” or use of general fund resources (unrelated to Issue 15) of \$2,114,885. However, due to better than expected revenues and deferral of some capital projects, the current projections for 2012 would indicate that the general fund balance will actually increase by \$2,842,971. The expected December 31, 2012 general fund balance of \$13,290,621 will serve as the starting point for our 2013 proposed budget, which will include a calculation of all revenues and expenses and the anticipated impact upon our non-Issue 15 fund balance.

In the document which follows this introductory letter, an overview is provided about how 2012 is expected to end up, from both an Issue 15 and non-Issue 15 perspective, and illustrates the expected fund balances. Also included in that narrative are specific comments relating to Issue 15, the City’s major projects, and any special notations related to the department or division/specific comments that are presented thereafter.

The Issue 15 General Fund balance is projected to be \$13,549,461 at the end of 2012. Issue 15 funding has been utilized, since its inception in 2007, for construction costs and debt retirement associated with Recreation Center expansion/renovation, and debt retirement and funding for construction of the Cooper Creek Event Center and related golf course improvements. Additionally, Issue 15 funding has been utilized for the annual payments to the City of Cincinnati for the acquisition of the Summit Park 130-acre parcel, as well as for preliminary and master plan design of the park. Most recently, said funds have been used for the demolition of the Co-op Aviation hangar and the opening of certain portions of the park to the public this fall. Additionally, a small component of Issue 15 funding was utilized in the current year for the design and right-of-way acquisition for the installation of a new sidewalk/bike path along the east side of Plainfield Road between Cooper Road on the south and Glendale-Milford Road on the north.

Issue 15 funds will be utilized again this year for the bond payment for the Recreation Center and the golf course improvements, and for the next land payment due to the City of Cincinnati (\$750,000). Such funding will also be applied to continuing improvement to Summit Park, representing more effort to provide immediate access to the citizenry, as well as more long-term investment in infrastructure and site work to prepare the park for major improvements in the coming years.

As explained further in the narrative that follows, 2012 is expected to result in a 1.8% increase in combined earning tax collections. A similar estimate is being utilized for 2013. The proposed budget for 2013 reflects a combined earnings tax collection level which is \$562,000 more than the total expected this year of \$31,400,000, representing the aforementioned increase of 1.8%. Given conditions in the economy, and the uncertainty associated with state funding, it is rational to remain conservative in our earnings tax projections for the coming year.

The highlights of the operational, capital, and project-related items funded in the 2013 budget are explained in greater detail later in this presentation. We also anticipate presenting further information

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at the November 26th Budget Study Session regarding the City’s past, current and expected results, and our quest to move our operations further toward fiscal sustainability.

I am looking forward to working with the City Council and the Management team on finalizing the 2013 budget in January. The national and economic situation remains stagnated, and austerity measures in the European Union have certainly not been helpful to the overall short-term situation. Although we hope that things stabilize and improve, we must remain vigilant and aware so that necessary changes can be made to the City’s operation should the need arise. Although we still face challenges in achieving our intermediate and long-term goals, we remain confident that by “staying on track” and focusing on our core services and foundational beliefs, that we will continue to prosper in the coming years.

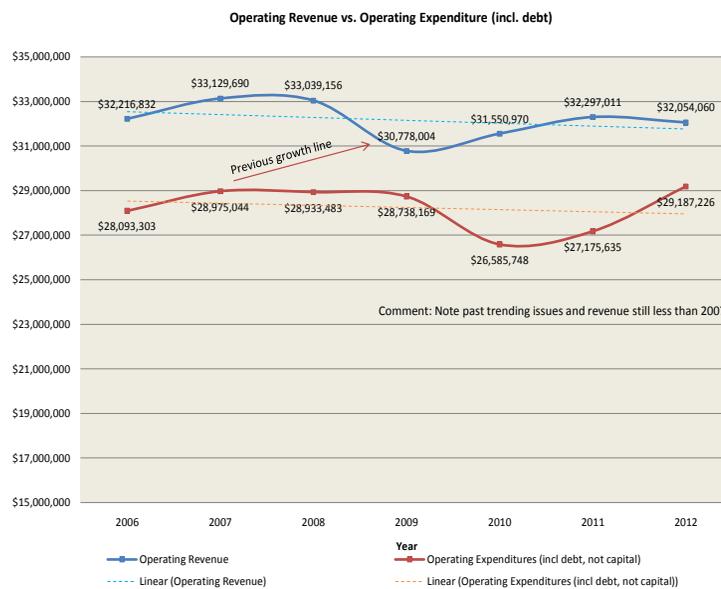
Lastly, I am proud to be working with such a dedicated team committed to maintaining and improving the quality of life or residents and businesses in the City of Blue Ash and it is an honor to serve as City Manager for such an outstanding community and organization.

Sincerely,
CITY OF BLUE ASH

David M. Waltz
City Manager

James S. Pfeffer
Assistant City Manager”

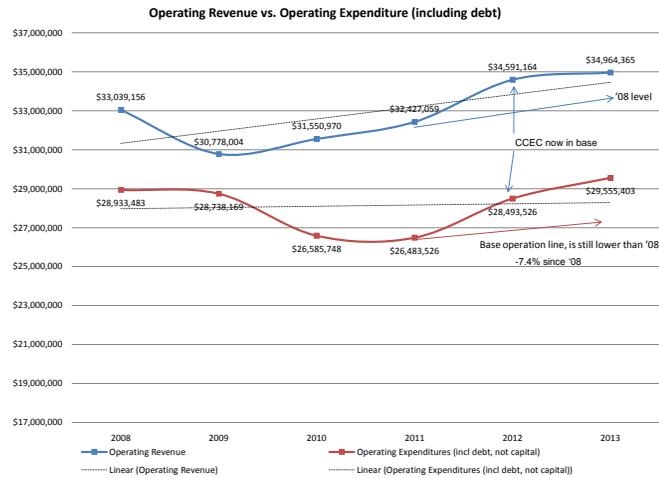
City Manager David Waltz gave a presentation of the City’s overall financial picture via display and discussion of Powerpoint slides, with discussion summarized below.



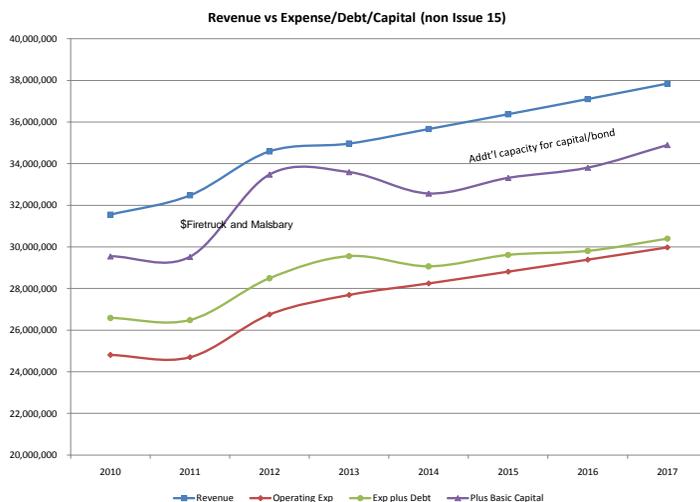
Mr. Waltz explained the charts graphically condense a \$40 million operation to line graphs which has been helpful in the past and helps shape where the City is headed in the future. The first graph, which reflects from a year or two ago, the top line [blue] is non Issue 15 operational revenue which is the City’s earnings tax, property tax, hotel tax, etc. The red line is operating expenditures including non Issue 15 debt obligations and described as non-discretionary. The City’s operations are approximately 80% personnel expense. Shown is a growth line and a pattern of revenue that was flattened, as well as a decrease in the cost of operations. Unfortunately, there was only a slight uptick or leveling out of revenue. The space in between is what would be available for discretionary funding for capital projects.

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Mr. Waltz explained that the above chart represents where the City was and where it is today. The big decrease in 2010 was due to a bond being paid off; however, essentially, our operating expense line [represented by the lower dash line] has been significantly flat and revenue is slowly going up. Revenue and expense from the Cooper Creek Event Center is now in the base and is a part of operations. When there is an uptick of revenue from \$32.4 million to \$34.5 million, it should be understood that it is mostly due to Cooper Creek. Cooper Creek is approximately \$1.7 million in operation and \$1.7 million in revenues. If Cooper Creek comes out of the equation, operation costs are nearly flat compared to last year. When comparing operational costs in 2008 of nearly \$29 million to 2012 operation costs of approximately \$27 million, the actual operational costs declined by 7%. Of further interest is the projection of 2013 operational revenues that will break the \$33 million mark which is higher than in 2007. The City is beginning to climb back to the 2007/2008 levels in 2013 which is attributed to keeping operation costs down and due to attrition – doing more with fewer people. This broadens the City’s ability to do more discretionary/capital projects.

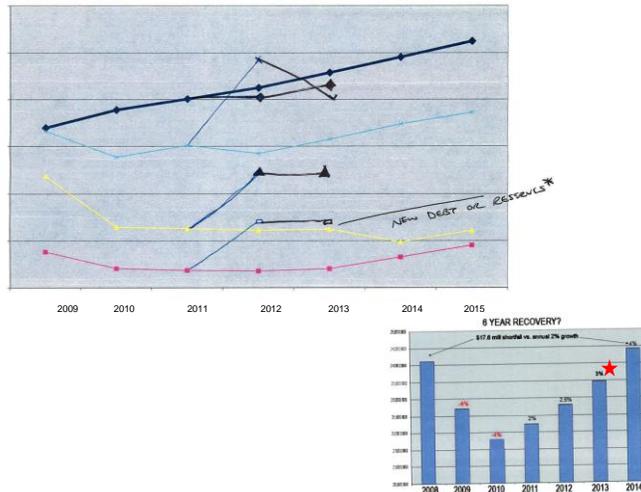


For the last graph, Mr. Waltz explained that the top line shown in blue in the above chart represents non Issue 15 operational revenue. The three other lines represent operational expense plus debt (shown in green), and the purple line which adds capital expense. The difference or space between the purple and blue lines represents the additional funds available for capital projects or purchases, or the issuance of a bond. Compared to 2011, there was an uptick in capital not necessarily associated with Cooper Creek but rather for the Malsbary acquisition, new pumper truck, etc. The City will have the firehouse debt

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settled in 2013 which drives future ability to fund more basic operating capital or improvements as well as the ability to issue debt for major projects.



Mr. Waltz explained that the above chart was presented to Council in 2008-2009. It suggested what the City needed to pay attention to in order to have the ability to do new debt or build reserves in 2014 and 2015. As it turns out, the City is on track to beat this goal by a half year. It has been a long, tough slog but the City has weathered it and is well positioned as long as the economy cooperates.

Councilman Bryan complimented Mr. Waltz and the staff. He indicated that in 2007, it seemed the world was ending and the City was going to be in a terrible situation. Mr. Waltz and the team got out in front of it and tough decisions were made. This could not have happened but for the great work of the Administration.

Councilman Buckman concurred and indicated that several people have approached him about Blue Ash's success. He stated that the commitment isn't done on a week to week basis, but rather a long term commitment.

Budget Highlights

- **Basic Capital:** *cruisers, fire equip, misc equipment (mowers, exercise, etc), misc facility improvements*
- **Major Stormwater:** *Glendale-Milford pipe (grant), LSI basin, RHH pipe (Cornell Lake)*
- **Street Improvements:** *Carver Rd and sidewalk (\$2.2m), mill/fill Woodlands, Classic, CEI, Old Plainfield, Deerfield, Corporate and Millington, plus various seal*
- **Sidewalks:** *RHH Osborne to Cornell, Plainfield Rd, Cooper Rd (Waxwing), and misc repair/replace (total \$1m grant, \$1m GF)*
- **Summit Park:** *Engineering and Architect design, first phase construction of infrastructure and amenities to be determined in 2013*

Mr. Waltz explained some of the Budget Highlights for 2012 included basic capital expenses such as police cruisers, some fire equipment, replacement mowers, exercise equipment, and miscellaneous facility improvements throughout the City. Storm water projects such as the Glendale-Milford pipe repair (mostly covered by a grant), the LSI basin and Reed Hartman Highway pipe project are funded. The biggest single street improvement project will be the Carver Road rehabilitation and adjoining sidewalk. The City received Ohio Public Works Commission (OPWC) money in the form of a ten year, zero percent construction

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loan. The City is paying for the project it but it is deferred over ten years. There were a number of neighborhood roadway improvements – mostly consisting of mill and fill and various crack and sealing work. Sidewalks reflect an above average investment for 2013. The City will finish the Reed Hartman sidewalk from Osborne up to Cornell. The City received a \$525,000 grant for the Plainfield Road sidewalk project from Cooper to Glendale-Milford adjoining Summit Park. The Cooper Road sidewalk project will go from Plainfield west to Waxwing along with some miscellaneous repairs that will cost the City approximately \$1 million. There was approximately \$1 million in grant money received to do various sidewalk improvements which will allow near finalization of the master sidewalk plan put into place ten years ago.

In addressing a question from Councilman Buckman, Gordon Perry, Public Works Director, noted that the Cooper to Waxwing sidewalk cost is approximately \$800,000 and the City received a \$400,000 grant. The biggest issue with the project is the open ditch and having to insert pipe for the storm water along with stabilizing the slope.

It is premature to estimate costs for Summit Park for the actual improvements because the plans are still in the making. The City has money for design and engineering; however, 2013 consists of deciding where to start phasing the planned improvements in and whether the City will look to bonds or paying cash. It is safe to say that the general premise of Phase I is going to be roads and sewer/water lines and Phase II will become more of the amenities.

Budget Overview

-Revenue is flat, combination of some growth offsetting State cuts

-Expenses up due to retirement payouts, some staff build up prior to retirement/attrition, misc cost increase and conservative budgeting

-Long term budget outlook still on track for sustainable position (have 13% less FTE than 10 years ago) 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

Mr. Waltz explained the Budget Overview and described revenues as flat for 2013 with some moderate growth in earnings tax and other revenues, and projects a modest gain for 2013. Expenses are up due, in part, to a large number of retirement payouts such as accumulated vacation, sick time and comp time. Typically retirement payouts are approximately \$200,000 every year but next year it will be approximately \$500,000 to \$600,000.

The long term budget is on track. The City's full-time employee equivalents counts about 13% fewer than ten years ago. That is shown in part of cost savings. At this time, there will be no major adjustments, but staffing and other costs will continue to be monitored.

Councilman Sumner requested Administration's thoughts on the impact of "Obama Care" in providing insurance coverage to part-time employees.

Mr. Waltz responded that "Obama Care" is a huge variable for the City. There is early indication that any employee who works 30 hours or more a week is going to be eligible for health care benefits which could create complications with many departments including the City's part-time firefighters that work in multiple fire districts (among other complications). Administration is seeking outside assistance with an assessment and in complying with the law.

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Councilwoman Stoller felt that health care had to be made available but doesn't have to be fully funded wherein Mr. Pfeffer replied that the healthcare benefits have to match whatever is provided to the current staff, but the claim is extremely complex to interpret.

In addressing a question from Councilman Sumner, Mr. Waltz noted that the Police Department will revisit its policy regarding the use of tasers.

In addressing Councilman Sumner's question, Mr. Waltz stated that discussion amongst Council previously indicated that allocating additional incentives to potential new businesses within the City would go to Council for approval.

After extensive discussion with regard to the Cooper Creek Event Center's first year of operations, it was determined that the Administration would provide Council with operating costs and operational revenue reports for Cooper Creek and the golf course.

Councilman Sumner complimented the Administration on a great budget, and feels that they do an exceptional job. The fact that we proactively work to control on how we have dealt with the last couple of years has been great.

6. MISCELLANEOUS BUSINESS

Mr. Waltz indicated that Vice Mayor Czerwonka would like to see on the next Council meeting agenda a Resolution opposing the HB-601 Issue. Other Council Members concurred that it is an issue that possess one of the biggest threats to the City. It was also encouraged that the Council Members speak with State Representatives.

Discussion took place regarding a Joint Economic Development Zone (JEDZ) with Sycamore Township and whether the City should enter into an agreement with them. One benefit to the City would be up to \$90,000 annually; however, there are undetermined operating costs and expenses associated with it. Council concluded that the Administration should continue to research the matter and contact other districts that are currently participating in a JEDZ.

Mr. Waltz informed Council that at the December 13th Council meeting the design group for Summit Park will be giving a preliminary presentation regarding the campus layout of the Park and sharing their ideas of where particular amenities might be placed.

Mr. Pfeffer indicated that Ethicon contacted the City regarding the Eagle Warehouse on Creek Road that the City is currently leasing to them. Ethicon owns 16 acres adjacent to the corner of McKinley and Creek (the old Parker Hannifin plant). Ethicon wants to make improvements to the facility and expand their operations to the Parker Hannifin building which is the warehouse that remains on the property only 40 feet away from the Creek Road warehouse. However, it is against the Ohio Building Code to permit a walked connection between buildings that are not owned by the same people. Mr. Pfeffer met with Ethicon, in addition to the City Solicitor, and it is recommended that the City obtain a guarantee from Johnson & Johnson and Ethicon that they will continue to make the lease payments for the next four years of \$290,000. Mr. Pfeffer requested Councils' approval to bring forth an ordinance at the next Council meeting to convey the property to Ethicon, and to make modifications to the lease and further indicated that if the terms of the lease agreement are not met, then the City will get the property back.

Mr. Waltz concluded the meeting by commenting that this is the last Budget Meeting with Mr. Pfeffer as he will be retiring at the end of the year. Mr. Waltz indicated that it has been an absolute joy to work with Mr. Pfeffer. Realizing that the budget doesn't seem very exciting but he has worked with Mr. Pfeffer for 10 years, both having had to deal with two different styles and coming to an understanding of each other styles. It was exciting to look at the end results. Mr. Pfeffer is so much fun to work with even though he still does his spreadsheets on green ledger paper. He will be missed dearly.

Mr. Pfeffer remarked that it has been almost 31 years and he has done a lot of budgets and has seen a lot of changes in the City. He is glad he was able to be a part of how the City was put together, the consistency in Council and the stability that has brought such a unique set up. He will miss everyone and thanked everyone for the opportunity.

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7. ADJOURNMENT

All items on the agenda having been acted upon, Vice Mayor Czerwonka moved, Councilwoman Stoller seconded to adjourn the meeting. A voice vote was taken. All members voted yes. The Council meeting was adjourned at approximately 7:48 PM.

Mark F. Weber, Mayor

Karla Plank, Acting Clerk of Council

MINUTES RECORDED AND WRITTEN BY:

Karla Plank, Administrative Assistant