

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 26th Council Meeting
DATE: January 24, 2012
COPIES: Department Directors, Press, Clerk of Council, Solicitor

This memo offers a brief description of the topics included on the January 26th Council agenda.

10.a.1. Ordinance No. 2012-5 – approving final 2012 budget/appropriations

City Council and the Administration have remained focused on both short and longer-term financial planning as economic conditions continue to be uncertain. Although plans were in place to monitor and reduce operational expenses, and to invest in economic development, before the start of the recession, the depth and duration of the economic slowdown required nearly constant budgetary review since 2009.

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

The City Manager has kept Council up-to-date on financial issues during 2011, prepared and distributed to Council a 2012 Proposed Budget, and presented the expectations for 2012 in a Budget Study Session on November 28, 2011. City Council adopted this Proposed Budget at the December 8th meeting, permitting financial operations to transition into 2012, the determination of actual year-end fund balances, and this presentation of the Final 2012 Budget.

Ordinance No. 2012-5, 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 (2012).

The process for converting the 2012 Proposed Budget into a Final Budget actually starts as soon as the Proposed Budget is presented. Numbers and projects are re-examined as more accurate information is secured, and new issues arise which need to be funded. These items, coupled with actual (not estimated) fund balances, provide the framework for assembling a Final Budget.

The major adjustments are listed below, with more information about 2011 outcomes and fund balance projections provided later:

1. Increased funding in the Community Development area for consultant support for an update to our Comprehensive Plan (Zoning/Land Use) \$100,000;
2. Carried forward unspent resources in the Golf Course Maintenance area from 2011 into 2012 to pay for the proper removal of its two underground fuel tanks and the purchase and installation of a new above-ground storage system. This was budgeted in 2011 but not installed.
3. Carried over into 2012 funding of \$200,000 which was budgeted but not spent in 2011 in the road construction account in the Public Works area. This amount was contained in the 2011 budget, but Target moved ahead and paid for all road-improvements on Plainfield Road. This funding will be needed to reimburse Target for the “City’s” portion of the work. Council should expect an ordinance at a future date as to this reimbursement.

4. Appropriated \$250,000 out of the balance remaining in the Golf Course/Cooper Creek Event Center Construction Fund #447 for wrapping up all issues on the golf course, cart path, irrigation, and building projects. This amount should be adequate for all final items, allowing the remaining funds in the construction account to be returned to the "Issue 15" reserve or to the General Bond Retirement Fund. Fund 447 will then be closed.

Revenue estimates remain unchanged, 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, a new pumper, as well as Issue 15 components, such as the planned improvements to 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 2011 gross earnings tax collections totaled \$30,833,751, a 7.42% increase over actual 2010 levels. Both net profit and withholding collections came in ahead of 2010 levels, almost exactly matching the combined amount shown in the Proposed Budget.
- The combination of other 2011 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 2011 of \$22,693,011. This amount is net of outstanding encumbrances or liabilities. This outcome exceeded our projection of \$21,447,227 as shown in the late November Proposed Budget. The components of the 2011 year-end General Fund balance are shown below:

	2010 ACTUAL	2011 ACTUAL
Issue 15	\$7,679,384	\$10,130,476
General Reserve	2,800,000	2,900,000
Unappropriated balance	<u>7,180,443</u>	<u>9,662,535</u>
Total	<u>\$17,659,827</u>	<u>\$22,693,011</u>

- All encumbrances or known liabilities were fully covered in each of the City's 26+ funds.
- No adjustments for the Final Budget were made to the combined 2012 earnings tax estimates in the proposed budget reflecting collection levels of \$30,280,000. Net profit was included at \$5,800,000 and withholding at \$24,480,000. The combined total is \$30,280,000. Given the variability of net profit collections, 2012's estimate was lower than 2011's actual level of \$6,803,699, but withholding reflects an increase for 2012 from \$24,030,052 to \$24,480,000 or approximately 1.9%. Such an approach for 2012 appears reasonable given expectations for next year as to gradual economic recovery.
- Operational expenditure allocations remained essentially unchanged, except in those areas where changes were needed to balance a fund (external to the General Fund).
- All capital purchases and capital projects shown in the Proposed Budget are funded, including resources within the Economic Development area in case an opportunity arises in 2012 which Council may wish to pursue. \$500,000 exists in land banking funds with Economic Development at \$300,000.
- Tax refunds remained unchanged at \$1,300,000.

- Both the Proposed and Final Budgets were evaluated as to “operational results,” to assure 2012 reflects a continuation of past revenue enhancements and operational cost containment so that further progress can be made toward fiscal sustainability.

As one would expect, the transition of the Proposed Budget into its “final form” changed the expected end of 2012 projections for General Fund balances. Should 2012 unfold as shown in the Final Budget, the December 31, 2012 balances should be as shown in the second column below:

	2012 PROPOSED	2012 FINAL BUDGET
Issue 15	\$11,548,798	\$11,698,932
General Reserve	\$2,900,000	\$2,900,000
Unappropriated balance	<u>\$6,755,378</u>	<u>\$7,547,650</u>
Total	<u>\$21,204,176</u>	<u>\$22,146,582</u>

Following consideration by Council under Ordinance No. 2012-5, the Final Budget values will be loaded into the budgetary system, and shall serve as a benchmark against which our actual 2012 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 2012 and beyond.

The projected end of 2012 General Fund balances shown above assume that the Contingency of \$250,000 will need to be utilized, and that the funding set aside for economic development (\$300,000) and land banking (\$500,000) will be expended. To the extent such funds are not used, the expected end of 2012 General Fund balance will be enhanced.

For more information about the capital projects intended for 2012, 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.

10.a.2. Ordinance No. 2012-6 – confirming State of Ohio Auditor’s Office selection of a multi-year contract for professional audit services

The financial records for the City of Blue Ash are audited each year, either by the Auditor of State Office or under a contract they grant to an independent auditing firm. Up until approximately 2004, the State’s audit team actually performed the audits for Blue Ash, but has since recommended multi-year contracts with an independent auditor for such services.

The State Auditor’s Office actually prepares the request for proposal document, distributes those packets, opens the bids, and does the actual ranking and consideration of each proposal. The Treasurer does get an opportunity to review the technical portion of the bids, and we did provide our rankings or grading of each of the bids to the Auditor’s Office for consideration. For the 2011 through 2014 audit years, the State recommended a contract with Julian & Grube, Inc. from Westerville, Ohio. We anticipate that the combined estimated total for the three years will be an amount not to exceed \$70,800.

A Section was included in the Ordinance 2012-6 for a supplemental payment should a Federal Single Audit be necessary.

Although the Auditor of State will actually award the contract for this accounting service, it would be appropriate for City Council to confirm that selection in that the City of Blue Ash will be making payments directly for the audit services.

Please direct questions regarding this ordinance to the Treasurer.

10.a.3. Ordinance No. 2012-7 – approving a multi-year collective bargaining agreement (Police Dispatchers) and amending related portions of the Blue Ash Code of Ordinances

Ordinance No. 2012-7 authorizes the City Manager to enter into a Collective Bargaining Agreement, and consequently addresses related issues affecting Chapters 131 and 133 of the Code.

Bargaining Agreement Changes

The FOP Dispatchers Unit requested to be recognized in August of 2005, making this the third contract to be negotiated with them. The City entered into negotiations with the Dispatcher's bargaining unit beginning in November of 2011. After 3 meetings we have agreed to changes in the contract as outlined below:

- **Section 8.2** – Removed language referring to holiday compensatory time as it no longer exists. Also removed “temporary reassignment” from the list of progressive disciplinary actions.
- **Section 9.6** – Cleaned up formatting.
- **Section 16.1** – Changed language to reflect the Fair Labor Standards Act regarding the definition of a work week.
- **Section 16.2** – Added language clarifying that there is no guarantee of a minimum number of work hours.
- **Section 16.10**
 - Added language stating that nothing in the Article requires the City to offer overtime.
 - All other changes reflect current practice regarding the distribution of overtime opportunities.
- **Section 18.1** – The word “classification” was added to the language to elaborate that seniority is based on time served as a Dispatcher, rather than time served with the City regardless of the position or Department.
- **Section 19.1, 19.3, 20.1**
 - Proposed wage increases are as follows:
 - 0% in 2012 with two personal days to be taken in the first year of the contract;
 - 1% in 2013;
 - 1.5% in 2014.
 - The Dispatcher's pay plan was expanded by two Steps and now runs A – F rather than A – D. This reflects similar changes to the City's pay plan governing non-bargaining groups. This change does not affect any current employees.
- **Section 21.1/21.2** – Removed language in the Insurance Clause offering a second, less expensive plan, at no cost to the employee. This gives the City more flexibility when bidding out medical insurance each year.

- **Section 21.6/21.7** – Removed redundant language.
- **Section 28.6** – Added language to the effect that if an employee is unable to return to work or does not return to work after expending their allotment of injured-on-duty leave, the City may consider terminating their employment.

Code Changes

Sections 133.18 -2 (g) as well as 131.07-2 (g) have been amended to reflect the change in wages for the three year term of the contract.

Please address questions regarding this ordinance to the Treasurer.

10.b.1. Ordinance No. 2012-8 – authorizing easement agreements for Osborne Blvd. Connector Road Project

The Public Works Director and his on-site inspection team have been working closely with our contractor building Ilmenau Way, and progress has been good given weather and ground conditions.

Proper “phasing” as to the various construction components is critical, and installing underground facilities, such as storm drainage and sanitary sewer pipes, and concrete-encased utility conduit banks must be completed as soon as possible.

Although most of the areas to be considered necessary for utility easements were placed on the subdivision plat approved by Council some months ago, an easement needs to be secured for utility burial on the west side of Reed Hartman Highway at the intersection of Osborne Boulevard and Reed Hartman Highway.

The owner of the office complex at that location (CMC Building owned by Reed Hartman Corporate Center Building Co., Ltd.) has been working with the Project Team as to the granting of easements, both temporary and permanent, to permit the installation of vaults, conduit banks, and conductors as a part of shifting utilities underground, etc.

Given the time compression, it is not certain whether the City of Blue Ash will actually be granted an easement, or whether the various easements will be granted directly to Duke Energy, Time Warner, Cincinnati Bell, and the providers of fiberoptics currently on the overhead services. Thus, it is necessary to secure Council approval of the acquisition of real property interests and to confirm the costs associated with the relocation of utilities required on this project.

Ordinance No. 2012-8 clarifies the need for the easements, provides for acceptance of easement rights of the City of Blue Ash if needed, and provides for a maximum payment to the property owners of an amount not to exceed \$26,000.

The area of the permanent easement is almost 24,000 square feet, and the conduit installation will involve trenching across the development's only access drive, as well as the placement of significant underground vaults and relocated facilities. We expect the actual payment to be less than \$26,000, but given the timing, it was thought best to secure Council approval as soon as possible.

As the utility relocation is a part of the overall Osborne Connector Road Project, payments will be made from the funds in the TIF Bond financed project account.

We believe this is the only permanent easement situation on this project in which the City may be a party, but have included language permitting the City Manager to accept other easement rights, if donated or are very reasonably priced, including potential sidewalk/bike path easements on the west side of Reed Hartman Highway.

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