

BLUE ASH CITY COUNCIL

August 30, 2010 – Preliminary 2011 Budget Work Session

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A Work Session of the Council of the City of Blue Ash, Ohio, was held on Monday, August 30, 2010. Mayor Mark F. Weber called the meeting to order in the Blue Ash Conference Room at approximately 6:00 PM.

OPENING CEREMONIES

Mayor Weber led those assembled in the Pledge of Allegiance.

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, Deputy Clerk of Council Sue Bennett, Treasurer/Administrative Services Director James Pfeffer, Parks & Recreation Director Chuck Funk, Public Works Director Mike Duncan, Fire Chief Rick Brown, Police Chief Chris Wallace, Deputy Treasurer/Tax Commissioner Sherry Poppe, Assistant to the City Manager Kelly Osler, and interested citizens

Resolution No. 2010-10 – formally naming the Amphitheatre after Tom Stone

The Deputy Clerk was asked to read Resolution No. 2010-10 by title only:

THEN WAS PRESENTED AND READ BY TITLE ONLY:

RESOLUTION NO. 2010-10

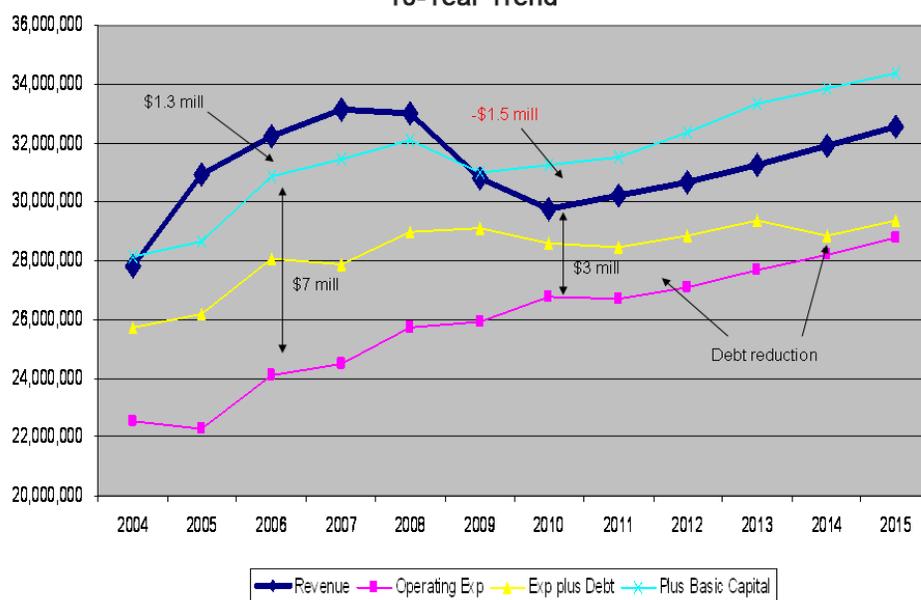
A RESOLUTION FORMALLY NAMING THE AMPHITHEATRE AFTER TOM STONE

Councilman Sumner moved, Councilman Bryan seconded to adopt Resolution No. 2010-10. There being no discussion, the Clerk called the roll. Councilpersons Stoller, Sumner, Buckman, Czerwonka, Adamec, Bryan, and Mayor Weber voted yes. Seven yeses. Resolution No. 2010-10 passed.

WORK SESSION – Topic: Preliminary 2011 Budget Discussion

City Manager David Waltz explained that the purpose of tonight’s work session is informational and to provide an early look for Council at the overall financial “big picture” in preparation for the upcoming budget planning process. Mr. Waltz utilized PowerPoint slides to assist with his presentation and discussion.

REVENUE VS. OPERATING EXPENSES / DEBT / BASE CAPITAL (non-Issue 15)
10-Year Trend



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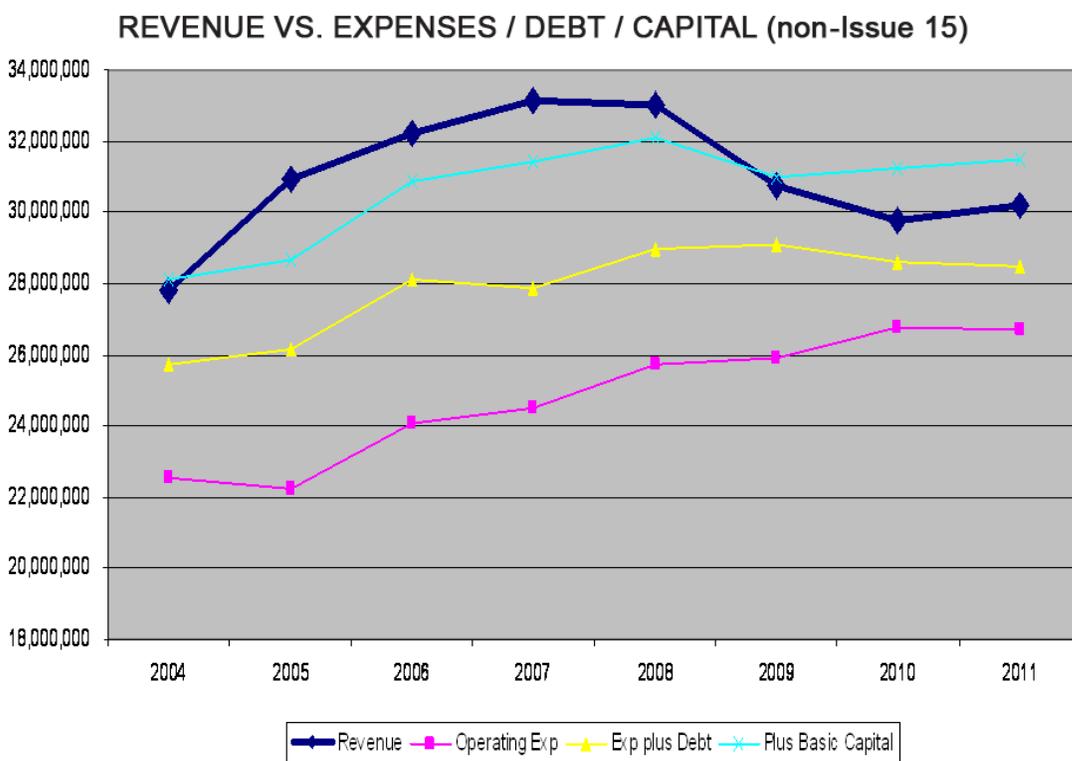
Mr. Waltz explained that all of the information within the slides utilized in tonight’s presentation represent non-Issue 15 funding. In the slide above, the dark blue line shows recurring operational revenue and the pink line displays the operational expenses (such as salaries, utility costs, insurance, etc.). The yellow line shows operational expenses plus debt payments, thus the difference in space between the pink line and yellow line represents debt service for capital projects (since debt is issued only for capital). The aqua line represents operational expense plus debt plus basic capital (thus the space between the yellow and aqua lines shows the amount spent on basic capital items). In 2006, the City spent approximately \$7 million in capital projects – about \$3 million of which is considered basic capital (police cruisers, street paving and maintenance, etc.) and about \$4 million in debt. The debt outstanding between 2006 and 2008 included that associated with the north firehouse, Kenwood Road, and Reed Hartman Highway projects. Debt was reduced in 2009 due to payoff of the Kenwood Road bonds (explaining the decrease of the yellow line in the above graph). Current debt now includes the firehouse and the Reed Hartman Highway projects, as well as a 10-year State financed loan at 0% interest for Blue Ash Road.

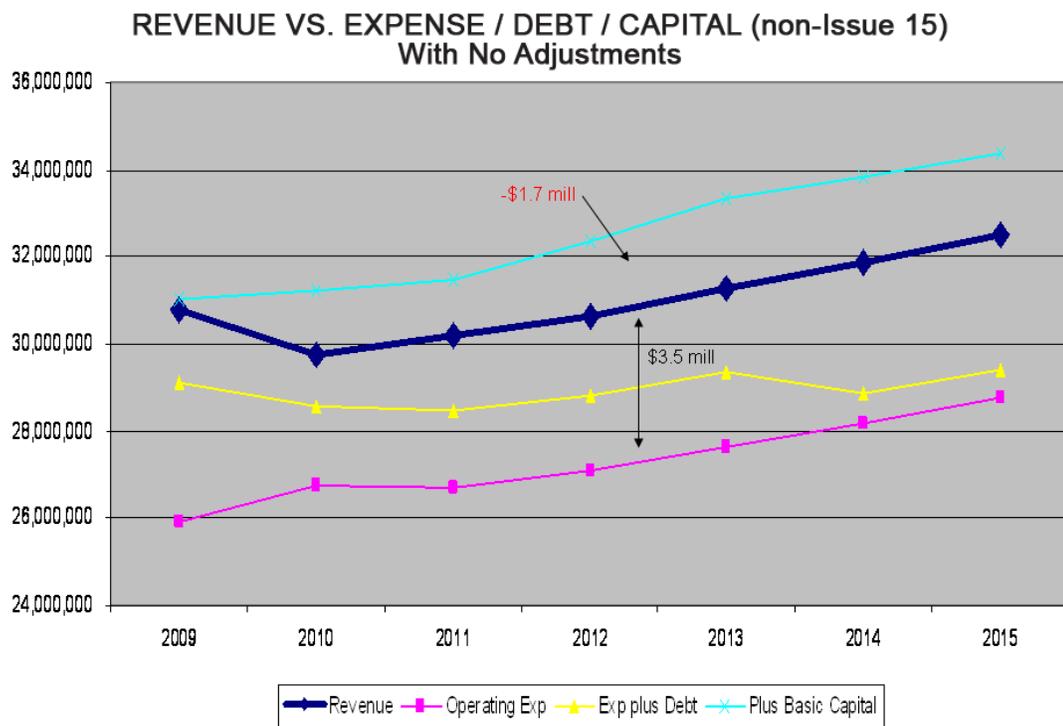
Mr. Waltz explained that even though the City is paying off debt, because revenue levels are declining, the City has less capacity for future capital improvement projects. In recent past healthy years, the City typically had \$7 to \$9 million in funds beyond our operational expenses. In 2009, the City made an adjustment in capital expenses via sharp reduction of capital expenses (evidenced by the aqua line decreasing).

In terms of the 2010 budget, the City is essentially on target; however, Mr. Waltz reminded Council that this is a “good news/bad news” scenario since the budget projection was 4% less than previous year’s revenue levels.

In addressing a question from Councilman Sumner, it was explained that the Rumpke/solid waste collection expense would be included within the pink line (as an operational expense).

In addressing a question from Councilman Bryan, Mr. Waltz commented that it is not necessary that debt always be decreasing (i.e., the space between the yellow and pink lines). Treasurer Jim Pfeffer added that the City has not issued non-Issue 15 bonds since the Reed Hartman Highway project, and added that in 2013/2014, the firehouse bonds will be paid off. He explained that the benefit that could be experienced by debt payoffs are being absorbed by additional operational expenses and decreasing revenues.





The above slide represents what the Administration predicts in near future years if there were no adjustments and if the City would continue to operate at similar levels as today. The above scenario assumes that the economy has already hit the “bottom” and that operational expenses increase between 1.5 and 2% annually, consistent with revenue projections. In the year 2012, a difference of \$3.5 million is shown between the revenue and operational expense lines (with \$1.7 million of this difference representing debt). This model would allow only about half of the needed funds for capital/debt funding since normally the City requires about \$7 million for this. If the City were to continue to operate as it does today, it does not provide the needed capital funding and our reserves would be spent in about three years.

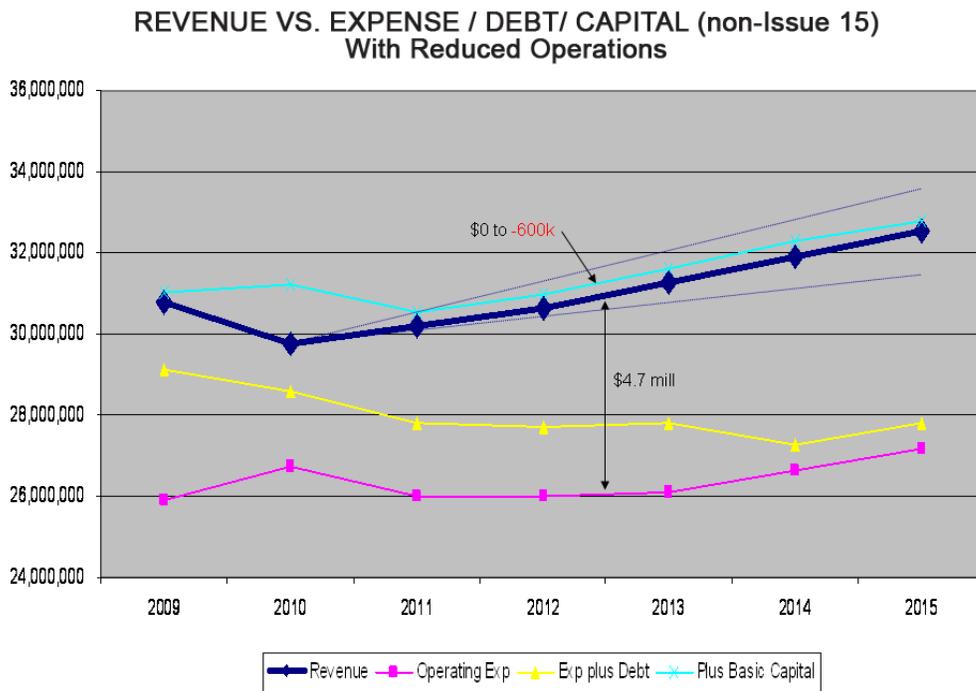
Because the difference between expected revenues and expenses is not great enough, Mr. Waltz explained the need for changes in City operations.



Fiscal Sustainability



- Should not continue to allow operations to eat into % of overall budget (preserve reserves/capital ratio)
- Only ~3 years left in reserves w/out continued adjustments
- Need to re-size operations (assuming modest growth)
- Must be permanent, not one-time deferrals
- Assumes 1.5-2% revenue growth 2011-15
- Good progress made the last few years, more needed
- Projects we cannot currently do, perhaps >2015
 - Downtown, Fire Pumper, Hunt/Plainfield, I-71, Other Major



In explaining the slides above, Mr. Waltz explained the need to reset the City’s operational expenses (note the flattening pink line). Once a new base is set, operational revenues and expenses are assumed to increase between 1.5% and 2% each year. The purple lines shown above and below the blue revenue line represent what revenues would be should the estimates be one-half percent above or below those revenue estimates. The above model with reset operational expenses shows that reserves could start to be replenished in approximately 2015.

Mr. Waltz reiterated that in order to be sustainable, it will be necessary for the City to reduce its operational expenses beginning with the 2011 budget (note the declining pink line), and then to keep those expenses at that level in future years. He added that the key task of the City will be to reduce operations; however, to do so in a manner that will continue to provide excellent services and infrastructure for its residents and businesses.



Cost Reduction Strategies



	<u>2011</u>	<u>2012</u>	<u>2013</u>
Attrition	\$450,000	\$750,000*	\$1,050,000*
Reduced Capital	\$250,000	\$250,000	\$200,000
Fees/CMA/Efficiencies	\$250,000	\$350,000**	\$450,000**
Total	\$950,000	\$1,350,000	\$1,700,000

*Attrition is cumulative, resulting in net new figure. \$450,000/\$300,000/\$300,000
 ** Also cumulative. \$250,000/\$100,000/\$100,000



Future Action Steps/Strategies



- Attrition and succession planning to deal with reduced personnel
- ICMA Prioritization Programs (permanent)
- Revenue/Fees
- Departmental Cost Efficiencies
- Staff develops future specific budget proposals consisting of above strategies
- Results: Ability to Rebuild Reserves/Tackle Major Capital Projects >2014-15

The above two slides represents operational cost reduction strategies discussed by Mr. Waltz. Though somewhat difficult to project, attrition refers to the concept of not replacing certain personnel when the person leaves or retires. The above shows cost reduction estimates in 2011 of \$450,000 plus an additional \$300,000 each in the next two years (as there are several persons expected to retire annually within this time frame). The challenge for the City will be to continue to provide the services we currently offer; however, to provide those services with substantially less staffing hours. He explained that there will have to be some changes to services provided by the City since the City could not possibly eliminate 25,000 to 30,000 staffing hours while still delivering the same, exact services as it does today. Over the next few months, the Administration will be looking at succession planning, and will bring forward suggestions to Council. However, he stressed the need for Council to understand the likely need for changes in services.

Mr. Waltz also suggested the need to reduce capital expenses over this three-year period by \$250,000 over each of the first two years, plus an estimated \$200,000 the third year. He noted that fortunately, our overall road conditions are good, so some deferral in those categories of capital expense may be delayed.

The row in the chart above indicating “fees/ICMA/Efficiencies” relates to the potential of the City’s increasing revenues or decreasing costs utilizing the results of the prioritization project /exercise completed earlier this year (and to be discussed later in this meeting), as well as reducing costs via improvement of overall organization efficiencies. Mr. Waltz explained that the City will need to decrease its operational expenses by approximately \$1.7 million in order to narrow the gap between the aqua and blue lines shown in the previous graphs.

In addressing a question from Councilman Sumner regarding Issue 15 funds, Mr. Waltz explained that Issue 15 funding is mostly capital and is not operational. He noted that he believes the City will be able to continue with those projects promised to voters, however, the impact of the recent economic conditions will likely result in a delay of those capital improvements. Councilman Sumner noted that before sacrificing public safety issues, he would want to consider redirection of the Issue 15 funds. He asked the Administration to prepare similar information that is presented this evening; however, including the information relating to Issue 15 funds. He supported the idea of utilizing Issue 15 funds for recreational operational expenses, not just capital, and to revisit how those funds are directed overall.

Mr. Waltz noted that the Administration would not recommend any change which would “sacrifice” public safety. Rather, he explained that there may be different ways to provide

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similar services while reducing operational costs. He stressed that just because costs relating to public safety services may decrease, it does not mean that the quality of service is decreasing. He noted that there are many similar communities providing quality public safety services at substantially less cost.

In addressing a question from Councilman Bryan, Mr. Pfeffer explained that the City would not be able to refinance its current long-term debt since the bonds issued were non-callable (the City would have to pay the rate upon which the bonds were bid upon). The rate that is currently being paid, still considered relatively low, will remain. He noted, as an example, that the Recreation Center bonds are approximately 4%.

Mr. Pfeffer explained that current reserves in the General Fund are estimated to be about \$5 million by the end of 2010. By the end of three years at current operational levels, the City will have no non-Issue 15 reserves.

Councilman Adamec noted that he believes the approach described tonight is correct. He encouraged the City to look at operational efficiencies, and before redirecting Issue 15 funds somewhere else, the City has to be sure that it is as efficient as it can be.

Assistant to the City Manager Kelly Osler reviewed the overall prioritization process with ICMA consultants which the City went through earlier this year. She explained that the process included inventorying of all City programs and services, and each of those programs/services was then weighed against the City's overall "results" (City objectives) and "basic attributes" (described below). The results of those ratings allowed the consultants to develop quartiles of which all City services and programs fell into, with the first/highest quartile being those that more closely related to the desired results (higher priority), and the fourth quartile projects ranking lower in terms of relationship to the desired results.

The desired results, or overall City objectives, defined by that process include:

- Quality and diverse leisure-time activities
- Connected, accessible, and reliable transportation network
- Quality and desirable neighborhoods
- Strong and vibrant economic environment
- Attractive and well-maintained community
- Safe community

In addition to rating each service/program against the six desired results described above, each program and service was rated against the "basic attributes" described below:

- Mandates to provide the service (is the program/service required by Charter, state, federal, etc.)
- Reliance on City to provide service (can someone else besides the City provide the same service)
- Cost recovery of service (did the program have any offsetting revenue)
- Change in demand for service (was demand increasing, decreasing, or staying the same)

She noted that most of the City's programs did fall within the top quartiles (a positive result as noted by the consultants); however, she reminded all that it does not mean that the City cannot improve efficiencies and decrease costs even in those higher-rated programs. The following handouts were distributed:

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4th Quartile Programs (includes scoring against basic attributes as well as stated results)

Department	Program Name	Total Budget	Net Savings
Administration	Inscribed brick program	\$8,300	\$975
Administration	Residential Tree Program	\$15,000	\$15,000
Administration	Student Government Day	\$6,043	\$1,000
Fire	Fire Rescue Equip. Maintenance	\$86,600	\$0
Fire	On Board Computer Management (MDC's)	\$500	\$0
Fire	General Fire House Maintenance	\$24,600	\$0
Fire	Carbon Monoxide Program	\$4,150	\$2,000
Fire	Smoke Detector Program	\$22,150	\$10,000
Golf Course	Carpenters Run Subdivision	\$12,035	\$0
Golf Course	Golf Instruction	\$897	\$0
Parks and Grounds	Greenhouse and cold frame	\$30,965	\$13,000
Parks and Grounds	Holiday Decorations	\$44,585	\$39,815
Police	Women's Self Defense Presentations	\$913	\$0
Police	D.A.R.E.	\$12,206	\$3,014
Police	Bilingual Officer Program	\$3,838	\$3,838
Police	Vehicle Impound Services	\$72,604	\$72,604
Police	Property Auction Program	\$2,146	\$0
Police	Research & Planning	\$18,767	\$150
Police	Key Control	\$6,365	\$0
Police	Court Control	\$3,065	\$0
Police	Labor Relations	\$12,541	\$0
Police	Fitness Room/Dept. Program	\$5,539	\$3,210
Police	Computer Forensics	\$102	\$102
Police	Intelligence	\$14,022	\$14,022
Police	DART	\$7,200	\$7,200
Police	Canine Program	\$118,246	\$1,692
Police	Juvenile Diversion Program	\$42,000	\$42,000
Police	Unofficial Juvenile Referee Court	\$1,018	\$0
Police	NECC	\$6,149	\$4,350
Technology	Cable Channel Administration	\$1,650	\$0
Public Works	Residential Solid Waste Program	\$413,000	\$393,166
Public Works	Residential Recycle Program	\$107,646	\$71,246
Public Works	Household Hazardous Waste Drop-off	\$30,498	\$28,371
Public Works	Freon Appliance Removal Program	\$7,091	\$4,964
Public Works	Community Solid Waste Drop-off	\$221,766	\$219,943
Public Works	Community Recycling Containers	\$44,820	\$26,485
Public Works	Flag Program	\$10,669	\$6,840
Recreation	Tot Room	\$41,844	\$25,000
Recreation	Food Service-Amphitheatre	\$29,115	\$15,000
Recreation	Hazelwood Community Center-programs	\$22,480	\$15,000
Recreation	Hazelwood Community Center- events	\$21,210	\$15,000
Recreation	Hunt House Programs	\$12,768	\$6,000
Recreation	Beautification Award	\$4,910	\$2,000
Recreation	Blue Ash/ Montgomery Symphony	\$23,000	\$23,000
Recreation	UC Raymond Walters Artrageous	\$10,000	\$10,000
Total		\$1,585,013	\$1,095,987

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The above handout shows those programs which fell within the fourth (lowest-ranking) quartile. The third column estimates the cost of the program, and the last column shows what the City's overall net savings would be if that program were eliminated (incorporating cost recovery aspects of the program as well as who performs the services associated with the program). She noted that the decision has already been made to eliminate some of the above-noted programs, such as Student Government Day, and that changes are already being looked into for the provision of others (such as the vehicle impound service and others). She summarized that programs such as these may represent a starting point in determining operational or program changes.

"Un-mandated, Un-self-sufficient, Less Needed, Available Elsewhere" Programs

Department	Program Name	Quartile Ranking	Total Budget	Net Savings
Police	Vehicle Impound Services	4	\$72,604	\$72,604
Fire	On Board Computer Management (MDC's)	4	\$500	\$0
Fire	City AED Program	4	\$300	\$0
Police	Property Auction Program	4	\$2,146	\$0
Police	Fitness Room/Dept. Program	4	\$5,539	\$3,210
Police	NECC	4	\$6,149	\$4,350
Fire	Smoke Detector Program	4	\$22,150	\$10,000
Public Works	Freon Appliance Removal Program	4	\$7,091	\$4,964
Recreation	UC Raymond Walters Artrageous	4	\$10,000	\$10,000
Administration	Residential Tree Program	4	\$15,000	\$15,000
Parks and Grounds	Holiday Decorations	4	\$44,585	\$39,815
Police	Bilingual Officer Program	4	\$3,838	\$3,838
Recreation	Blue Ash/ Montgomery Symphony	4	\$23,000	\$23,000
Public Works	Residential Solid Waste Program	4	\$413,000	\$393,166
Administration	Blue Ash Business Assn. (BABA) Rep/Blue Ash Montgomery Rotary (BAM) Rep.	3	\$6,201	\$1,000
Recreation	Hunt House Programs	4	\$12,768	\$6,000
Recreation	Beautification Award	4	\$4,910	\$2,000
Golf Course	Carpenters Run Subdivision	4	\$12,035	\$0
Recreation	Hazelwood Community Center-programs	4	\$22,480	\$15,000
Recreation	Hazelwood Community Center- events	4	\$21,210	\$15,000
Police	Business/Residential Security Surveys	3	\$50	\$50
Police	Women's Self Defense Presentations	4	\$913	\$0
Recreation	Tennis- High School	3	\$2,495	\$1,000
Recreation	Hazelwood Community Center-rentals	3	\$22,030	\$5,000
Police	Annual Bike Safety Rodeo	3	\$913	\$0
Public Works	Curbside Brush Pick-up Program	3	\$239,321	\$27,746
Public Works	Curbside Leaf Removal Program	3	\$163,806	\$27,416
Fire	Knox Box Program	3	\$3,000	\$0
Administration	Senior Center Support	3	\$80,400	\$80,400
Economic & Comm. Dev.	Downtown Planning Projects	2	\$2,180	\$0

Total **\$1,220,613** **\$760,559**

Ms. Osler explained that the above handout shows those programs falling within the third or fourth quartiles that were "un-mandated, un-self-sufficient, less needed, and available

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elsewhere” programs. Again, this information represents those programs the City may want to look at first in determining changes resulting in cost reductions.

In addressing a question from Councilman Czerwonka, Public Works Director Mike Duncan explained that the City has already adjusted its brush pickup schedule to be one time per week (Mondays), as opposed to multiple times per week based upon the resident’s regular refuse pickup day. This change has resulted in some efficiency, as staff hours have been redirected towards other activities.

Mr. Waltz reiterated that the Administration is not seeking specific direction from Council at this point and is not necessarily recommending elimination of all of the services listed in the handouts. He reiterated that the purpose of tonight’s meeting was to present information with which Council can use to further consider in the upcoming budget process as operational cuts will be necessary. In the meantime, the Administration will continue to fine tune what it will present to Council during the upcoming 2011 budget planning process.

In addressing a question from Councilman Sumner, Mr. Waltz and Mr. Pfeffer indicated that they will prepare information related to Issue 15 funds. In addressing questions related to operational cost changes with the recent Recreation Center expansion, the Administration explained that there have been no cost changes in staffing at the Rec Center and that the major operational cost change associated with the new center was an increase of about \$40,000 to \$50,000 annually in energy costs for the new, expanded facility. After some discussion, Councilman Sumner noted that no promises were made to voters by City Council as a body as to how the additional revenues would be spent, and he believes it is Council’s discretion as to how those funds could be directed. He noted that the charter change effected by Issue 15 was to change the earnings tax rate from the former level of 1.0% to 1.25%; however, that charter change did not specify where those additional revenues would be directed. He noted that he would be in favor of looking more closely at how those additional funds are directed. For example, he may be an advocate of redirecting all operational costs associated with the Recreation Center towards Issue 15 funding, not just the incremental costs associated with the Center’s expansion.

Mayor Weber disagreed with Councilman Sumner and noted that he believes Council made promises to voters during that campaign; specifically, the campaign promised that the additional tax revenues would be directed towards completion of the Recreation Center, golf improvements, acquiring the airport park land, and the future 130 acre park at the airport. He noted that it is his opinion that nothing on the horizon justifies the “dismantling” of the plans or redirection of the Issue 15 funds towards roads and other basic capital expenses.

Some discussion followed. Councilwoman Stoller noted that she believes Blue Ash voters expect the 130 acre airport park to be built as soon as possible. Councilman Adamec noted that he believes changes can be made to the operational expenses while not sacrificing public safety. He added that because things may be done differently or more efficiently does not mean it will sacrifice safety and agreed that whatever changes are made, they will have to be properly explained to the public.

Mr. Waltz reminded all too that change in the direction of the Issue 15 funds will also impact future capital expenditures and would likely severely delay development of the airport park. He noted that the City will need to continue to provide the bulk of the services we provide, but perhaps to do so differently and more efficiently. It is possible that services can be maintained, however, done differently, more efficiently, and at less expense.

EXECUTIVE SESSION

After all items on the agenda were acted upon, Councilman Sumner moved, Councilwoman Stoller seconded to convene an Executive Session to discuss matters pertaining to personnel (to consider the appointment of a public official). The Clerk called the roll. Councilpersons Sumner, Buckman, Czerwonka, Adamec, Bryan, Stoller, and Mayor Weber voted yes. Seven yeses. Motion carried.

After matters pertaining to personnel were discussed, Councilman Buckman moved, Councilman Bryan seconded to convene to the regular meeting. A voice vote was taken. All Council members voted yes. Motion carried.

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ADJOURNMENT

All items on the agenda having been acted upon, Councilman Buckman moved, Councilman Bryan seconded to adjourn the meeting. A voice vote was taken. All members voted yes. The Council meeting was adjourned at approximately 7:17 PM.

Mark F. Weber, Mayor

MINUTES WRITTEN BY:

Susan K. Bennett, Deputy Clerk of Council