

## *City of Beavercreek, Ohio*

### **2010 APPROPRIATIONS BUDGET**

December 14, 2009

The City of Beavercreek experienced another active year in providing quality services to residents while maintaining governmental expenditures. Staff continues to find creative ways to stretch city tax dollars utilizing new operational approaches, staff reorganizations, sharing services and costs with other local and regional entities as well as aggressively applying for and receiving grants available from federal, state and local sources. Beavercreek continues to have one of the lowest costs per resident for providing government services in the region. With this organization cultural and the annual city council/management strategy session, the City has established well defined short and long term policy direction.

#### **DEVELOPING THE BUDGET**

Management realized early on based on economic indicators that the 2010 budget would be financially challenging thus Department Directors were directed to, if possible, maintain services while reducing operating expenditures. The detailed line item budget first introduced with the 2008 budget continues to provide the necessary information to allow department management to review each line item and prioritize expenditures. After Department Directors completed their initial budgets, several meetings were held reviewing their justifications, discussing short and long term initiatives, as well as program requirements and potential cost saving ideas. Following the initial meetings all departments were directed to reduce their operational and capital expenditures in order to meet City Council's objective to ensure a responsible budget that retained the 15% fund balance reserve objective.

Subsequent to several months of challenging decisions, City staff presented City Council with a proposed 2010 Appropriations budget. City Council scheduled public work sessions on October 20<sup>th</sup>, November 4<sup>th</sup> and 16<sup>th</sup> to review the proposed budget with some additional adjustments. As a result of these efforts the City has a fiscally responsible 2010 budget given very difficult economic times.

While a balanced budget (current revenues equaling current expenditures) could not be achieved in some funds, the minimum 15% reserve balance objective was achieved. This was accomplished by not only anticipating a challenging year for 2010 but with a vision that 2011 may be equally challenging unless a quick economic turnaround is experienced in the regional and national economy.

#### **BUDGET RESULTS**

As a direct result of City staff and City Council's desire to provide our community with a responsible budget, the following major changes are noted that impact the 2010 budget.

#### **BUDGET HIGHLIGHTS**

##### **Revenue**

- Property Tax projections from the County Auditor were relatively flat from last year's collection totals as continued concerns over the economy, reduction in property values and a likely increase in the delinquency rates were implemented into the projections by the County Auditor.

- The Golf Course negotiated a favorable contract for new golf carts that arrived at the end of the season in 2009. This along with favorable financing rates reduced the overall annual cost of capital lease payments. This preemptive action was taken as the old cart's warranty expired and maintenance costs were escalating. To offset the continued cost of operating the golf course, golf cart rental fees and green fees will be increased slightly in 2010.
- Also, interlocal agreements are slated for slight increases designed to cover the cost provided by the City to various entities. This includes increases to Beavercreek Township for Rotary Park maintenance, In-Touch publications, and the Beavercreek School System for the School Resource Officer. However, the actual cost of providing dispatch services to the Township are expected to decrease in 2010 as a result of the new software implemented in 2009.
- Other revenues such as interest income, planning and zoning fees, which are economy driven, were decreased slightly for 2010.

### **Expenditures**

- Based on economic conditions and the City's reliance on property taxes and levies for the majority of operational revenue, the City did not include a cost of living increase during the budget process to the employees for 2010. The management team believed that with significant reductions already in place with part-time positions that layoffs and furloughs of full-time personnel common to other communities should be avoided at all cost. Thus, reducing wage increases represented the best alternative.
- The health care expenditures for the City were projected to increase 14% in 2009. Although the City obtained bids for health insurance from regional vendors, the most recent rate increase is 20%. Plan modifications have been discussed with the city employees' Health Committee and union representatives to reduce the health insurance costs within the budgeted amount. At the 14% increase the City's share of employee health insurance premium is projected to increase by \$217,950. In addition, a Health Saving Account (HSA) insurance option will be introduced as a long term strategy to increase consumerism into the employees health spending decisions which is anticipated will reduce health care spending and assist the City in containing future premium increases.
- The City has been fortunate to receive Federal Forfeiture funds to purchase capital items that could not be purchased in the current Police operating budget. Included in this budget is an upgrade to the dispatch consoles (\$200,000) upgrade and replacement of portable radio's (\$25,000), mobile computers replacements (\$20,000), the purchase of four new in car video systems (\$20,000), and other smaller police operational items totaling \$7,700.
- Approximately \$5,637,000 in street improvement projects have been placed in the 2010 Street Capital Improvement budgets. Of this amount, \$4,662,350 or 82.7% is funded utilizing federal and state grants or donations. These projects include; Indian Ripple Road Widening - East of I-675 (\$2,875,000), North Fairfield Road resurfacing project (\$1,100,000), Beavercreek Substation (\$677,350), I-675 Pedestrian Bridge – Engineering (\$240,000), Col. Glenn Highway @ Grange Hall (\$157,000) and some smaller capital projects.
- The City will continue the annual residential resurfacing program including a curb replacement program. The funding for these projects derives from the Street Levy funds and has been budgeted at \$1,000,000 in the 2010 budget.
- The 2010 budget does contain several equipment purchases to upgrade the city's fleet or to increase operational efficiency within departments. Included are a new salt truck/snow plow/spreader, backhoe, four wheel drive pick-up truck with a snow plow kit, and two new efficient zero turn mowers for Parks all totaling \$235,400.

Although the above items have been requested and included in this year's budget, there are many other unfunded priorities including a number of new positions, capital items and other program needs that were discussed and subsequently delayed until future years based on financial limitations.

### **WHAT THE FUTURE HOLDS**

Overall the City has provided the residents with a conservative, fiscally responsible budget. Cash reserves have been maintained at acceptable levels for a municipality of our size and service delivery requirements. Although we remain optimistic about the financial outlook for 2010, with some growth in the commercial and residential sectors, we recognize the need to closely monitor the budget and maintain adequate reserves.

There are several important economic factors the City will be watching closely that could negatively affect the City's budget. The economy may continue to have a negative impact on property values and new residential starts. Although, our community may not experience the effects of a slight decrease in property values, the majority of our revenues are generated from property taxes and any decrease may have an adverse effect on our revenue stream. Although some inflationary increases are budgeted, any significant increase in critical commodities would require some additional expenditure reduction in order to maintain current balances in the operating budget. The cost of oil is a large variable in street projects including the costs for asphalt, salt production and delivery, and other related oil based products. These costs could have an adverse effect on the City's overall budget. In addition, reductions to the State budget will also have a negative impact on the City. Previously when the State experienced a decline in revenues, one reduction in their expenditures was to reduce the Local Government Fund allocation. These funds currently make up approximately \$916,000 or 20% of the City's General fund revenue. Although this was discussed several years ago, and was removed from consideration, the current budget crisis at the state level will again have Ohio legislators looking for options to balance their budget.

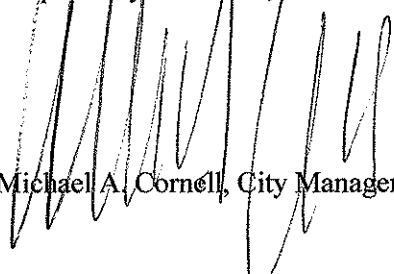
### **CONCLUSION**

The budget is the City's financial plan for the upcoming year. It is the most important document for guiding the City's fiscal planning effort. This budget includes resident, Council and staff goals and objectives to provide municipal services in a cost effective manner.

In municipal budgeting, there are traditionally more requests than revenue available. However, due to the realistic expectations established annually by City Council, creative service delivery by City employees is accomplished. In addition the City has developed a myriad of partnerships with local businesses and civic organizations, as well as with County, State and Federal Government, thus ensuring, the City of Beavercreek again has produced a responsible budget.

Based on the above process and fiscal summary, I recommend City Council approve the 2010 Appropriations Budget.

Respectfully submitted,



Michael A. Cornell, City Manager