



2012 APPROPRIATIONS BUDGET

December 12, 2011

The City experienced another successful year associated with providing quality services to residents while controlling governmental expenditures. Staff continues to identify methods to maximize city revenue and reduce costs by utilizing innovative operational approaches, staff reorganization, and cost sharing with other local and regional entities. In addition various departments continue to aggressively apply for and receive grant monies available from federal, state and local sources. The City over the last few years has maintained the lowest cost per resident for municipal government service in the Montgomery/Greene County region. With this organizational culture and with monthly work sessions as well as annual strategy sessions with City Council, the City has established effective policy direction.

DEVELOPING THE BUDGET

The management team realized early that 2012 would be challenging not unlike most recent budget years. Department directors were instructed by the City Manager to maintain a high level of citizens' services while reducing operating expenditures. The line item budget approach, first introduced in 2008, provides detailed information to allow management to review each cost center and prioritize expenditures. After department directors completed their initial budgets, many internal meetings were held to review departmental justification, addressing short and long term initiatives, as well as program requirements and potential cost saving ideas. Following initial meetings, all departments were directed to reduce operational and capital expenditures in order to meet the City's fund balance objectives.

Following several months of internal review with the City Manager, City staff presented City Council with a proposed 2012 Appropriations Budget. City Council convened public work sessions on November 15th and 21st to review the proposed budget. As a result of this nearly six month process, the City has developed a fiscally responsible 2012 budget.

The City Council policy objective of maintaining a minimum 15% reserve balance for operating funds has been achieved. This was accomplished by anticipating well in advance State of Ohio revenue reductions, pursuing expenditure adjustments during the year in correlation with the revenue reductions, and utilizing available fund balances when appropriate.

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 adjustments were noted that impact the 2012 budget.

BUDGET HIGHLIGHTS

Revenue

- In 2011, two critical levies were set to expire. One was a three year 3.3 mill Police levy that generates over 52% of Police funds, and a five year 1.9 mill Street Levy that generates 63% of the Street Levy Fund (203) budget or 41% of the combined Street Department and Street Maintenance Funds. Residents approved in May 2011 the replacement of these critical levies with millage increases to maintain current customer service. The increased revenue from these two levies was incorporated in the 2012 budget. This passage of these two levies with an increase were critical as both the Police and Street funds were facing service and/or staff reductions to maintain the level of service expected by residents especially in light of the State budget revenue reductions.
- The State, in an effort to balance their budget, has shifted revenue generation burden onto local jurisdictions by reducing state funding. Between reductions in the Local Government Fund, and acceleration of the phase out period of the personal property and utilities deregulation taxes, the City's revenue from these three sources is projected to decrease by \$839,157 (56.4% decline from the 2011 budgeted amount) in 2012. This represents a decrease of approximately 5.25% of the total revenue from the three major operating funds.
- Also, interlocal agreements are slated for slight increases designed to cover the cost of services provided by the City to various entities. This includes increases to Beavercreek Township for dispatch services provided for the Fire Department, Rotary Park maintenance, In-Touch publications, and the Beavercreek School System for the School Resource Officer program.
- Other revenue such as interest income, which is economy driven, were decreased for 2012.

Expenditures

- Based on current and on-going economic conditions and state revenue reductions the City pursued a cost effective approach to balancing the 2011 budget. This included a reduction of two civilian employees in the Police Department, maintaining five vacancies to authorized positions, including two police officer positions in the Police Fund as well as two maintenance worker positions and a foreman in the Street Maintenance Fund. Several of these positions will not be occupied in 2012 or maintained at a lower pay scale due to organizational changes, to assist in controlling costs. The City did not budget a cost of living increase for employees in the 2012 budget.
- Anticipating the economic downturn nationally, statewide and regionally, the City negotiated into the collective bargaining agreements, the ability to reopen Union contracts and negotiate wages and health care annually. This strategy has allowed the City to adjust to current economic conditions and the volatility in the health care industry on a calendar year basis.
- Health insurance plan design changes made in 2011 along with increases in the employees share of the insurance premium and lower than expected utilization rates, resulted in a health care premium increase of only 1.63% for 2012. The City has also recommended increasing the employee's contribution for health insurance premiums to further control this significant expenditure. The City continues to review other healthcare options, including joining insurance pools, providing other health insurance products (H.S.A's), increasing employee participation, pursuing plan adjustments, and developing wellness plans to assist in controlling this major expenditure in the future.

- The City has been fortunate to receive State & Federal Forfeiture funds to purchase capital items that could not be purchased in the current Police operating budget. Included in this budget are the replacement of six new in-car video/DVR's (\$15,000), replacement of shotguns, rifles and tasers (\$22,500), and a new speed signs (\$10,800) which is received through a JAG grant.
- Approximately \$4,720,100 in street, bridge and signal improvement projects has been included in the 2012 Street Capital Improvement budgets. Of this amount, \$2,109,590 or 44.7% is funded utilizing federal and state grants. These projects include; North Fairfield Road Signals Project (\$880,000), Colonel Glenn Highway Signals Project (\$715,000), Dayton Xenia Signals Project (\$528,000), Factory Road at Richmar Drive Intersection Improvements (\$450,000), and North Fairfield and New Germany Trebein Widening Project (\$385,000). In addition bridge repairs on Grange Hall and Hanes Road (\$117,900), as well as \$1,644,200 in other road widening efforts and some smaller capital projects around the community are also included.
- The City will continue residential roadway rehabilitation and resurfacing projects in 2012 as well. The revenues for these projects are derived from Street Levy funds and have been budgeted at \$1,000,000 for 2012.
- Many capital equipment purchases have been delayed, however several key equipment replacements remain in the 2012 budget to upgrade aging departmental fleets and/or to increase the operational efficiency of a department. These capital purchases include the replacement of a 1995 dump truck (used as a snow plow, brine and/or salt spreader during the winter), replacement of a 2003 Street Sweeper allowing the City to remain compliant with EPA requirements, replacement of a 1999 pick-up truck with an extended cab truck to increase operational efficiency by permitting street crews to move an entire team in one vehicle to various job sites throughout the City and replacement of one zero turn mower for the parks division. Due to favorable rates in the current market, the majority of these large capital purchases will be accomplished using a lease program to distribute payments over the life of these vehicles.

Although the above items have been requested and included in this year's budget, there were a significant number of capital improvements, equipment and other program needs that were discussed and subsequently delayed until future budget years. Some of these delays were necessary as a result of emergency funding for three capital projects in 2011 including; North Fairfield Road culvert repair (\$205,000), Hanes Rd. Bridget Deck Replacement (\$163,400), and the Middlebrook Drive culvert replacement (\$52,700).

WHAT THE FUTURE HOLDS

Overall, the City has provided Beavercreek Citizens with a fiscally conservative and responsible budget. Fund balance reserves have been maintained at acceptable levels for a municipality of our size and service delivery requirements.

Although acceptable fund balances were maintained in the 2012 budget, the City has utilized in the recent past fund reserves to balance the budget and maintain funds at the desired level. The balancing of reductions from the State budget has been accomplished largely by reducing vital funding to local governments without providing replacement revenue or the mechanism to provide future funding. Although the State has emphasized the need for local governments to consolidate operations and to provide service more efficiently, the City has been utilizing these operational guidelines for many years with interlocal agreements mentioned previously. With the reduction of approximately \$893,000 in

State funding in 2012 and with the elimination of personal property tax and estate tax in 2013, the City must identify alternative revenue sources to offset these revenue losses in order to maintain critical services and repair aging infrastructure.

Along with State revenue reductions, there are several important economic factors the City will monitor closely that could negatively affect the City's budget. The economy continues to signal a negative impact on property values and new residential starts. Our community is experiencing some impacts associated with decreasing property values, where the majority of our revenue originates. With the minimal additional revenue generated from new commercial development, decreasing home sales and declining property values there is concern that property taxes will not keep pace with the increase in operating costs, which continue to escalate. Although some inflationary increases are budgeted in 2012, any significant increase in critical commodities (gasoline, salt, utilities) will require some additional expenditure reductions in other areas in order to maintain fund balances in the operating budget. The cost of oil is a large variable in street projects, including costs for asphalt, salt production and delivery. Any significant cost increases in the cost of oil could have an adverse effect on the City's current and future budgets.

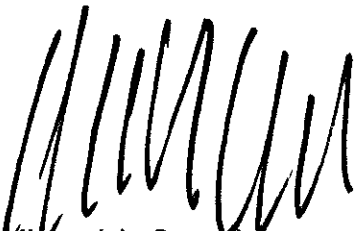
CONCLUSION

The budget represents the City's financial plan for the upcoming fiscal year. It is the most significant document for guiding the City's annual fiscal planning effort. This proposed budget includes input from residents, Council and staff related to goals and actions necessary to provide municipal services in a cost effective manner.

With municipal budgeting, there are traditionally more requests than revenue available. However, given realistic goals established annually by City Council and the Management team, creative service delivery by City employees is accomplished.

Based on the above process, analysis and fiscal summary, I recommend City Council approve the 2012 Appropriations Budget.

Respectfully submitted,



Michael A. Cornell,
City Manager