



In partnership with the community, the City of Kent provides public services that strive to make Kent the city of choice in northeast Ohio for residents, businesses and students seeking to connect to their community in a personally meaningful and enriching way.

City of Kent Service Values

- Quality** matters in everything we do.
- Professional**, prompt and courteous service.
- Productive** and efficient use of resources.
- Ethical**, honest and fair.
- Innovative** and creative solutions.

Mayor and Members of City Council

John Fender, Mayor & President of Council

- Ward 1 Garret Ferrara
- Ward 2 Jack Amrhein
- Ward 3 Wayne A. Wilson
- Ward 4 John M. Kuhar
- Ward 5 Heidi L. Shaffer
- Ward 6 Tracy Wallach

Council At Large

- Michael DeLeone
- Rick Hawksley
- Robin G. Turner



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A web site has been created to make sure everyone has access to information on the City's finances.

www.KENT360.com

click on the "City Finance Study" in upper right corner.

2009 City Budget Brief



2009 City Budget Brief



Budget Reality

These are difficult and uncertain economic times and the 2009 City budget reflects the City's unresolved financial challenges. With no new revenue options on the horizon we have proposed no new or expanded services for 2009. After **cutting and saving \$2 million out of the budget** through employee initiatives over the

last 8 years, spending is again capped at prior year levels (with only a few exceptions where justifications were clear) and we are going back to freezing all but the most critical vacancies.

Despite the downward economic turn this budget provides a workable financial plan that ensures the continuation of municipal services to our citizens. We've accomplished this through a commitment across the organization to exercise fiscal discipline, deliver services with efficiency and provide improved results for the entire community. In 2009 we will continue to scrutinize all expenses and we will look for more partnerships to reduce ongoing costs anywhere we can.

Just as families are struggling with household budgets, the City is also struggling to make ends meet. The City faces volatile fuel costs, rising energy prices, lower investment returns, a tight credit market, higher retirement costs and increasing health care premiums at a time when unemployment and foreclosures are rising and home values are on the decline. Given this economic climate we felt that a status quo budget was the best we could expect and that's what Council approved. Unfortunately even the status quo is not sustainable. The City still **faces a \$2 million deficit** in our 2009 budget and we will need to rely on savings to pay employee salaries next year.

Budget Overview

The budget is a spending and management plan for the City's financial resources. It establishes the services for delivering the results that matter most to our citizens during the course of the year which is why the review of the budget is done in public meetings (of the Finance Committee and full Council) so that the public has multiple opportunities for input. The top Council priorities reflected in the budget include:

- Financial Health and Economic Development
"to be a prosperous and livable city for all citizens"
- Natural Resources
"to protect and promote the City's natural resources"
- Quality of Life
"to enhance lifestyle choices through physical and social environment"
- Community Safety
"to be an exceptionally safe city"
- Communities within the City
"to strengthen the quality and enhance the value of neighborhoods"
- City / University Synergy
"expand collaborative opportunities that enrich the community experience"
- Governmental Performance
"to provide the best services at the lowest cost"

The Operating Budget Major Funds

Looking at the numbers little has changed from the 2008 operating budget to 2009. In total the proposed budget is 4.8% higher in 2009 than 2008 but when you look at our Major Governmental Funds (where the deficit occurs) our Personnel costs are only **going up 1.5%** and our **O&M costs are up 2.5%**.

With the Consumer Price Index (CPI) up 5.4% and the Municipal Cost Index (MCI) up 8.4% from 2008 to 2009, our 1.5% and 2.5% increases mean we will lose ground in 2009. We've referred to the proposed 2009 budget as a "status quo" budget but it is more accurately a reduction budget in terms of real dollars as we've **lost the equivalent of \$700,000** in buying power by not keeping pace with inflation.

The City remains under significant spending pressure with City departments needing additional staffing, capital and other spending increases in order to meet our residents' desire for new and expanded services. Yet because of the uncertain nature of the City's financial recovery, it is not possible to meet these needs in the 2009 budget.

The Capital Budget

The City's commitment to infrastructure remains strong. Each year the City sets aside a minimum of 25% of total income tax receipts for capital projects. For 2009 the Capital budget includes **\$10,052,500 in capital** outlays for City facility and infrastructure repair projects. Capital expenditures include \$8.4 million in the General Fund and \$1.6 million in the Enterprise Funds. Noteworthy projects include the Fairchild Avenue Bridge replacement, Summit Street signal improvements, SR 59 signal improvements, SR 59 streetlight replacement, Middlebury Road water main replacement, sanitary sewer flow monitors, firefighting breathing apparatuses, City/County justice center, radio system upgrade, street resurfacing and sidewalk replacement.

Looking Ahead

There's no question that these hard times test our commitment to our goals and strategies but I continue to see positive signs from the actions

we have taken over the last couple of years that should give us hope for the future. In the same year of the credit crisis we saw **more private investment in Kent's downtown than in the last decade**. We've got more solid business prospects in the pipeline and City/University collaborations have never been stronger.

In 2008 our strategies were working. We witnessed progress on key community priorities. New companies opened in Kent bringing **new jobs, new products and new services**. Our timing was good. We made key investments that started paying off and spurred new growth.

Together we must continue to plan prudently by following sound financial management principles and developing long-term fiscal solutions that will carry the City into the future.

Budget Calendar

May	Departments submit O&M and capital budget requests
June	City finalizes County tax budget
July	Public hearings held on tax budget; Council adopts; City departments finalize capital budget requests
August	Public meeting(s) held on capital budget; Council adopts capital budget
October	City Manager finalizes proposed budget
November December	City Council holds public Committee meetings and hearings to review and approve operating budget

Dave Ruller, City Manager

2009 BUDGET BRIEF

The Budget Gap Challenge

The 2009 budget shows a \$2 million shortfall between projected revenues and expenses. This budget gap will be filled using savings that have accumulated from previous years and deposited in a reserve fund. The reserve fund was created for exactly this purpose but based on current budget projections the reserve savings will only last 3 to 4 more years (see reserve fund chart in lower right panel of page). That means we have to decide as a community what services to cut or what new revenues to raise as soon as possible to start preparing now.

REVENUE SUMMARY

CATEGORY	2009 BUDGET	SUB %	TOTAL %
TAXES			
Income Tax	\$11,100,000	76%	29%
Property Tax	2,841,132	19	7
License Tax	245,000	2	.6
Cable Franchise	200,000	1	.5
Franklin JEDD	180,000	1	.4
Brimfield JEDD	25,000	.1	.06
Lodging Tax	3,000	.02	----
SUBTOTAL	\$14,594,132		37%
FEES AND USER CHARGES			
Sewer	\$ 3,400,000	39%	8%
Water	2,650,000	30	7
Other (EMS)	694,700	8	2
Storm Water	560,000	7	1
Recreation	501,000	6	1
Intergovernmental	420,000	4	1
Recycling	386,000	4	1
SUBTOTAL	\$ 8,611,700		22%
FEDERAL, STATE AND LOCAL AID			
Shared Taxes	\$ 2,008,065	44%	5%
Local Gov't Fund	1,450,000	32	4
County Capital Funds	600,000	13	2
State HUD	298,370	7	1
KSU Capital Funds	165,000	4	.4
SUBTOTAL	\$ 4,521,435		12%
BOND PROCEEDS	\$ 8,823,000		23%
INTEREST EARNINGS	\$ 815,500		2%
FINES, FORFEITURES	\$ 271,000		.7%
PERMIT FEES	\$ 233,900		.6%
ASSESSMENTS	\$ 212,500		.5%
OTHER MISC.	\$ 153,500		.4%
RENTAL PAYMENTS	\$ 115,000		.3%
TAP FEES	\$ 103,000		.3%
TOTAL REVENUES	\$38,454,667		



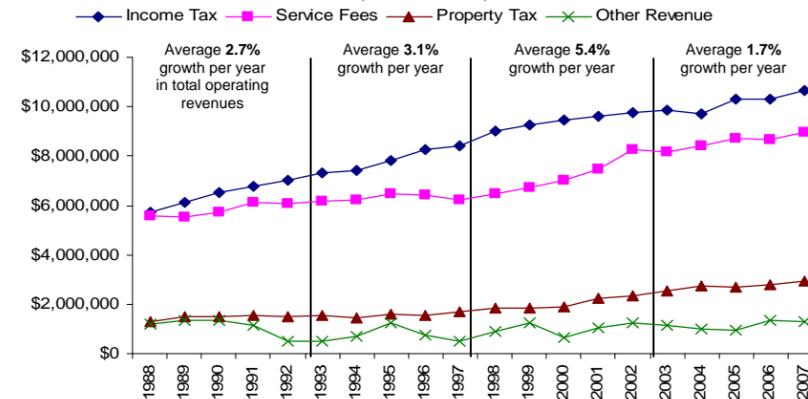
City Operating Revenues

The 2009 budget assumes no new tax or fee revenues other than the vehicle license fee increase (\$5 more per vehicle per year) that the former Council adopted in 2007 which will go into effect in 2009. Overall income tax receipts slipped in the second half of 2008, falling under 2% growth from 2007. The exception remains **Kent State University tax receipts which are running nearly 6% higher than last year and make up almost 40%** of the City's source of income tax revenues. We show a bump in income tax collections that we believe will occur from using the tax collection services of RITA in 2009.

City **income tax provides for 90%** of the tax revenues needed for General Government services such as Fire, Police, and street maintenance. Like all of the City's revenues, the income tax receipts have experienced slow growth over the last 20 years but in the last 5 years they have dropped to the point that they have **failed to keep pace with inflation**. For example, 2007 operating revenues rose 2.7% but with inflation at 2.85% the City lost financial footing. End of year results for income taxes in 2008 show growth of 1.98% which again lags behind inflation by 2 to 3%. Combine these figures with actual job loss statistics and you can see why income taxes have been a point of such concern.

The chart below illustrates the recently declining revenue trends across all revenue sources.

Revenue Trends (1988 to 2007)



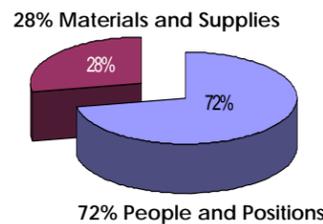
City Operating Expenses

On a percent of growth basis, expenditures are simply rising faster than revenues. This is because the major components of costs in our budget are labor, construction, fuel and energy, which happen to be under the greatest inflationary pressures.

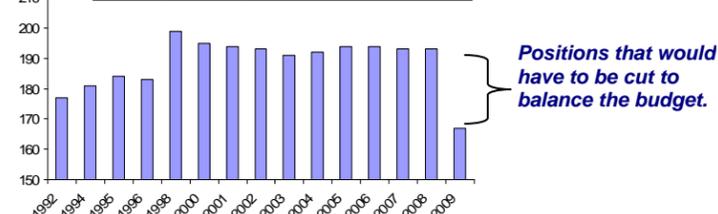
Cumulatively over the last 7 years inflation has pushed prices up 32% but our core service O&M expenses have risen only 18%, or slightly more than half the rate of inflation. That statistic may not be evident in the budget document but it is very real in service delivery when we go to buy asphalt mix for pothole repairs, fuel for trucks, computers, etc. From this perspective, as the costs for doing business have gone up by a third we've essentially had to **double our productivity and efficiency** just to keep pace with what we were doing 7 years ago, yet the needs today are arguably higher.

Expense containment has been the principle financial strategy for the City over the past five years – but with so few truly “discretionary” expenses the City is constrained by its ability to make significant cuts without cutting into City services. Approximately **72% of the City's O&M costs are “people” costs**, e.g., salaries, benefits, and 51% of those workforce costs are Police and Fire personnel so cuts of any consequence mean taking more police officers off the street and having fewer firefighters on duty to respond to 911 calls.

City belt tightening produced **\$1.2 million in position cuts and \$800,000 in annual operations savings** but citizen surveys done in 2007 showed that residents want more services and more employees on duty, not less, so closing the budget gap has proven difficult. Fixing the current deficit would require eliminating some 20 city employees and the only departments that have those kinds of numbers are Police, Fire and Service.



History of City Full Time Positions



EXPENSE SUMMARY

CATEGORY	Operating	Personnel	FTE
City Manager	\$ 54,900	\$ 233,782	2
Civil Service	24,100	74,790	1
Community Fund	55,000	0	0
Council, Clerk, Mayor	21,100	165,092	1
Development Services	818,280	857,391	9
Economic Development	110,300	98,111	1
Health Department	204,300	692,202	8
Human Resources	17,750	98,888	1
Finance Department	669,400	746,467	10
Law Department	116,700	301,117	2
Miscellaneous	343,100	0	0
Parks and Rec	519,550	918,683	8
Safety (police, fire)	1,054,850	9,169,953	94
Service Department	1,600,800	2,991,257	36
Utilities (water, sewer)	1,761,450	1,580,729	20
SUBTOTAL	\$ 7,371,530	\$17,928,462	193
TOTAL OPERATING EXPENSES	\$25,299,992		
CAPITAL EXPENSES	\$10,052,500		
DEBT/FINANCE EXPENSES	\$ 5,195,986		
TOTAL EXPENSES	\$40,548,478		
TOTAL REVENUES	\$38,454,667		
2009 BUDGET SHORTFALL	\$ 2,093,811		

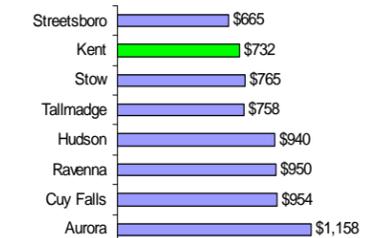
A Great Place to Live



From street sweeping to police and fire protection, City services keep Kent a great place to live – with all the conveniences of a big city in a small town atmosphere.

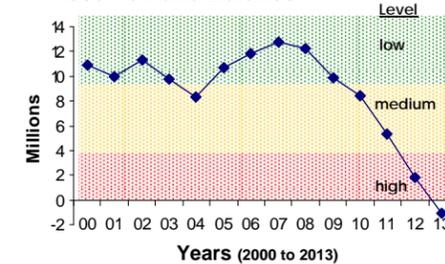
City services are funded through tax dollars, and the City has worked hard to keep costs down and taxes low – and it shows:

Average Tax Dollars Paid To City Per Person Per Year (2006)



The good news is the **City hasn't raised income taxes in 24 years**. The bad news is that the jobs in Kent that pay income taxes are down 15% while the number of homes that use City services are up 15% -- a financial worst case scenario.

Reserve Fund Balance



Where Your Income Tax Dollar Goes

