



Financial Study Timeline

2004

Former City Manager Steinbacher warns of growing imbalance between city revenues and expenses in his budget message.

2005

City cut 5% of the workforce (saving \$650,000) and began freezing vacancies saving another \$586,000;

City had cut spending by \$1.4 million in materials, supplies and contracts;

City implemented new productivity improvements saving \$200,000.

2006

New City Manager Ruller notes concern for "structural imbalance" in City budget and commits staff to a year long study.

January 2006 thru August 2006

City Council forms a Blue Ribbon Panel of financial experts to study the City's finances and assist in developing a long term financial strategy.

Blue Ribbon Panel holds 8 study sessions, and spends nearly 100 hours formulating a financial strategy recommendation.

September 2006

Blue Ribbon Panel presents its recommendation to fix the structural imbalance and generate \$1 million for economic development.

November 2006 thru June 2007

Blue Ribbon Panel members, with assistance from City staff, hold 10 public meetings to present the Panel's recommendation and answer questions.

2007

City Manager holds department budgets to "no net increase" with vacant positions frozen and no adjustments for inflation.

January 2007

The City saves another \$1,100,000 in 2006 by holding as many as 20 positions vacant.

August 2007

City Council voted to enact the vehicle license fee but tables discussion of income tax credit.

Council directs staff to restore service levels and fill essential vacant positions.

2008 Budget

City Manager's budget is built around Council's desire to fill vacant positions and restoring city service levels.

January 2008

City ends 2007 fiscal year with another \$990,000 in savings from vacant positions.

June 2008

Blue Ribbon Panel members review their recommendations with Council.

Financial Management

Progress Report

July 2, 2008

For the past 30 months, the City of Kent has been engaged in an unprecedented review of its financial condition. City staff, working with City Council and a Blue Ribbon panel of financial experts studied, analyzed and evaluated the economic trends, costs, revenues, and service levels that affect the City's financial health.

From this review, the Blue Ribbon Panel developed a recommendation for fixing the structural imbalance and creating \$1 million in new funds for economic development to grow the tax base.

The Panel's short term goal was to balance the budget but that was part of a long term strategy to spur economic renewal and reinvestment using an injection of City dollars as a catalyst. As the impact of these dollars spread, the tax base would expand, which would give the City the revenues it needed to continue City services, while lessening the individual tax burden. To prove their point, the Panel's recommendation included a 7 year sunset clause for their proposed tax increases.

As of June 2008 City Council had approved one item in the Panel's recommendation – to increase the motor vehicle license tax by \$5 dollars/car. This fee change is anticipated to generate \$125,000 beginning in 2009.

It's All About the People – *city employees and the people they serve*

The City of Kent is a service organization. From emergency services provided by Police and Fire employees, to the routine customer services provided by the Planning, Finance and Health departments – the City is in the business of serving the Kent community.

As a service organization, City employees are the means by which the City adds value to Kent. City employees drive the trucks, patrol the streets, fix the problems, plan ahead and are ready in case of emergency.

As our greatest resource, City employees are also the largest cost center in the City budget. Over 72% of the City's General Fund budget is allocated to people costs, e.g., salary, health insurance, retirement, social security, etc.

Permanent Cuts and Savings

Planner to Part Time	\$ 38,500
Reduced 3 police positions	\$247,500
Reduced 1 secretary	\$ 58,000
Reduced 2 analysts	\$154,000
Reduced 1 tax auditor	\$ 60,000
Reduced 1 water specialist	\$ 92,000

TOTAL CUTS = \$ 650,000

Temporary Savings

7 Frozen positions in 2005 =	\$ 586,000
19 Frozen positions in 2006 =	\$1,100,000
16 Frozen positions in 2007 =	\$ 990,000
9 Frozen positions in 2008 =	\$ 730,000

TOTAL SAVINGS = \$ 3,406,000

*Doing more with less.*Sample List of Operations Savings
(2005-2007)

Blood Alcohol Testing	\$ 5,000
Sponsored Training	\$ 5,600
High Grass Transfer	\$ 1,500
One Stop Software	\$ 16,000
OSU Bicentennial Plan	\$ 100,000
In-House Design Work	\$ 16,000
Hook Lift Trucks	\$ 45,000
Vehicle Fuel Purchase	\$ 2,300
Oil Storage Room	\$ 1,900
Leaf Service Equipment	\$ 8,800
<u>Snow Plow Equipment</u>	<u>\$ 5,280</u>
SUBTOTAL	\$ 207,830

Phone Network Changes	\$ 15,700
Cell Phone Carrier	\$ 3,000
County-wide Rescue Team	\$ 52,000
Regional Haz Mat Team	\$ 23,000
Homeland Security Purchases	\$ 70,000
Smoke Trailer Elimination	\$ 6,000
Pager Contract Renegotiation	\$ 2,500
Digital Fingerprint Program	\$ 75,000
Deferred Vehicle Replacement	\$ 255,000
State Contract Purchases	\$ 30,000
Contract IT Services	\$ 35,000
<u>Firearms Qualifications</u>	<u>\$ 5,000</u>
SUBTOTAL	\$ 572,200

Road Salt Purchases	\$ 32,800
In-house Design of Area Q	\$ 12,450
Cuyahoga River Design Work	\$ 117,000
E. & W. Main Street Design	\$ 81,000
McKinney Blvd. Design	\$ 7,500
Glad Blvd. Re-Design	\$ 23,000
City Hall Parking Lot Design	\$ 6,000
Fish Creek Parking Lot	\$ 3,000
E. Main St. Ped Island Design	\$ 10,000
Liberty Garden Design	\$ 4,500
Middlebury Waterline	\$ 88,000
<u>Street Resurfacing</u>	<u>\$ 35,000</u>
SUBTOTAL	\$ 420,250

Uniform Contract Changes	\$ 19,000
Dissolved Floatation Savings	\$ 20,000
Clarifier Reductions	\$ 1,000
In-Sludge Presses	\$ 200,000
Electric Demand Meters	\$ 84,000
Risk Management Plans	\$ 6,500
In-House Training	\$ 8,000
Sludge Conveyor Bldg.	\$ 50,000
Plant Heating	\$ 10,000
Property Mtce. Contract	\$ 2,500
<u>Water Level Monitoring</u>	<u>\$ 3,000</u>
SUBTOTAL	\$404,000

TOTAL \$1,600,000

That means if you want to impact the City budget, you have to address the costs of employees. You have to get employees to do more with less, combining service innovations with technology to improve productivity. The City did that and is saving \$2.2 million a year as a result.

There are other budget areas that have been "tweaked" but the central issue is how many services do you offer and how many employees do you have on the City payroll to perform them?

Reducing the City workforce further will save money but fewer employees also means less people around to provide services. Less service can mean longer delays between a service request and service response. It can mean fewer people available to wait on customers, return calls, and answer questions. It can mean less time to study, plan and anticipate future needs, which usually means more reaction than pro-active strategy.

The question then is what service area do we feel we can do with less of? Less Police? Less Fire? Less street maintenance? Less people to answer customer calls? Less administration to manage City operations?

When faced with these questions in 2007 the community and City Council said no more reductions – 3+ years of frozen positions was enough. It was time to fill vacancies and restore service levels in 2008.

In defending this decision City Council pointed to the facts:

- The Kent workforce is smaller today than it was 9 years ago;
- Kent has fewer employees per capita than peer cities;
- Kent has higher service calls per capita than peer cities;
- In freezing positions the City has saved \$3.4 million over 4 years.

And Council noted the impacts that the reductions and prolonged vacancies have had on City services:

- We've heard complaints from residents that there are fewer Police Officers available to patrol City neighborhoods;
- More overtime is required to make sure the Fire Department has enough firefighters/paramedics on duty to handle multiple calls;
- There are fewer staff available to research and implement new initiatives or attract new businesses;
- Staff is having to 'catch up' rather than get out in front of critical issues;
- Existing employees are working harder and doing more than ever before but fatigue and morale are becoming problems.

Council recommitted to strategic planning in 2008 and acknowledged that if we're serious about achieving our strategic objectives than we have to devote the resources necessary to reach them. And they've lived up to that promise authorizing staff to fill positions and invest funds in economic opportunities that put our money to work for us.

The staff have made significant cuts but cuts alone did not spur an economic recovery.

Budget Points To Remember

Personnel Costs

1 vacancy saves \$80,000/year
10 vacancies saves \$800,000/year

Charter Capital Requirement

The City Charter requires 25% of Income Tax be dedicated to capital, so capital savings have to go back into new capital projects, not personnel or operations where we need it.

JEDD Dollars

In year 1 the Brimfield JEDD produced \$25,000 and the Franklin JEDD generated \$300,000 a year. These dollars should double in 4 years as the tax rate doubles.

State Tax Changes

Taxes in Ohio are going down. Over a 5 year period state taxes will decline by \$254 for the "average" Ohio household.

By comparison, if the Blue Ribbon Panel proposal was adopted, the average local tax bill would rise by \$250 a year, or \$4 less than the drop in state taxes.

Local Revenue Equivalents

- 1) Increase Income Tax - .25 increase in income tax rate raises \$1.7 million
- 2) Reduce Income Tax Credit - reduce from 100% to 50% credit raises \$2.1 million
- 3) Reduce 25% Charter Requirement - every 1% reduction creates \$100,000 in cash
- 4) Increase Property Tax - a 1 mil increase generates \$320,000
- 5) Increase Vehicle License Fee - a \$5 increase generates \$125,000

Blue Ribbon Panel Recommendation

The Panel provided Council with six ways to raise \$2.5 million:

- reduce the city income tax credit from 100% to 90%, or 75% (raises \$400,000 or \$1 million);
- raise the city income tax rate from 2.0% to 2.1%, or 2.2% (raises \$680,000 or \$1.36 million);
- increase property tax by 1 mil (raises \$320,000);
- raise the vehicle license fee by \$5.00 (raises \$125,000);
- make sure all sewer/water costs are included in sewer/water rates (raises \$200,000);
- City service savings and cuts (raises \$200,000)

If all these tax changes were adopted, the average Kent household would pay about \$250 more per year.

The Panel recommended \$1 million for economic investment.

City Council may have deferred acting on the tax recommendations of the Blue Ribbon Panel but they have lived up to the Blue Ribbon Panel's belief that you have to spend money to make money.

Over the last 2 years the Council has authorized the use of reserve funds for economic development projects at a rate of \$1 million/year, matching the target recommended by the Panel.

- \$365,000 in September 2007 for purchase of the Kent Hardware Store
- \$830,000 in June 2008 for purchase of the Riciardi property downtown

These one-time investments in land for redevelopment have been possible thanks to the vacancy savings but the reserve funds are not endless in supply and with Council requesting vacancies be filled in 2008, we will need to find a new source to fund our strategic economic investments in 2009.

Good News

We set out 30 months ago with a purpose to develop a financial strategy and we now have one from the Blue Ribbon Panel. Their recommendation is an aggressive and innovative approach that seeks to ensure long term sustainability in City finances.

The Panel's recommendation provides a solution framework for us to use, either in total or incrementally over time depending upon the severity of our financial conditions. In this way, the Panel has given us the means to take parts or pieces and assemble a strategy that is tailored to fit our needs. And just like physical health, fiscal health is constantly changing and evolving, so we need a dynamic framework that is capable of responding to unforeseeable events.

The recommendation is by the Panel's own admission a business solution to a political problem, which means we as the leadership of the City need to work towards translating those business priorities into the political realities of the community. Fortunately, as a result of favorable interest rates, good JEDD revenues, and continued aggressive cost cutting measures, we bought ourselves time to make a thoughtful decision.

When Council agreed to undertake a study of City finances the staff agreed to hold the line on all spending until a solution was forthcoming and they have lived up to that promise. Staff held budgets down for years and as a result the fund balance is back up to 2005 levels and the City leadership has had the time it needed to outline a path forward to financial stability.

It's time to make a decision on where we go from here. The staff have done their part and the Panel members have done theirs. We've taken their ideas out into the community and now we're faced with making the decisions that need to be made that will guide the 2009 budget and years beyond.

Our finances will always go up and down but it is time for Kent to move forward.