
City Hall, 76 E. High Street, Springfield, Ohio 45502

November 1, 2009

RE: 2010 Preliminary Budget

Dear Mayor & City Commission:



In accordance with the Springfield City Charter, we are presenting the 2010 Preliminary Budget for your review. This General Fund budget is presented in balanced form, but requires the use of carryover funds (reserves) to achieve that balance. The continued control of staffing levels over the last five years, coupled with diligent expense control and reductions have enabled us to keep this budget in balance. Achieving balance was no small chore this budget year.

We project a reduced fund balance by the end of 2009, which will be carried over into 2010. The fund balance at the end of 2009 will be \$2.45 million, which is roughly \$1.4 million less than originally anticipated. The projected fund balance (reserve) for 2010 will be slightly over \$1.4 million, or approximately 3.7% of General Fund expenditures. We continue to struggle in achieving the 10% fund balance target set by Commission policy, but this is understandable given the state of the national economy.

While the General Fund is balanced, our most pressing areas of concern involve maintaining appropriate staffing and services in the struggling economy, and growing the Permanent Improvement Fund. This budget anticipates additional staff reductions through combinations/reorganizations, conversion of full-time positions to part-time, and savings through attrition. With the current debt service and the continued slow growth of income tax, we continue the recent trend of inadequately funding the Permanent Improvement (PI) fund. This is impacting our ability to properly maintain rolling stock and maintain facilities. Our neighborhood streets program will see some significant activity in 2010, but this is due to \$1.1 million in ARRA funds and approximately \$600 thousand in CDBG-R funds. Without these dollars we would again have no neighborhood streets program in 2010, as was the case in 2009.

The Central Stores Fund and Police Levy fund did not have enough revenue to sustain the expenses currently funded. A

General Fund subsidy of \$100,000 and \$200,000 respectively are necessary to balance these funds.

In short, we previously experienced a trend of slow revenue growth that has now become an actual revenue reduction problem. Coupled with our desire to maintain service levels, budgeting becomes an increasingly challenging task. We are projecting total revenue levels at or below those experienced in 2006. Given this economic environment, city staff has done an excellent job of managing and controlling its available resources and should be commended for their efforts.

General Fund Revenues

Our review of the income tax returns for 2009 indicates that we will finish significantly below 2008 levels and nearly \$3.0 million short of our original '09 budget projections. We are projecting an operational budget deficit for 2009 in the amount of \$1,465,791.

When we look at revenues for 2010, the largest source for the General Fund will again be our income tax. We are projecting an actual decrease in total revenues for 2010 when compared to our revised 2009 numbers. There continues to be major concerns about the economy as a whole, although we remain optimistic that we have bottomed-out and hope to see signs of general economic recovery by the second half of the year.

The second largest category of revenues for General Fund operations comes from state shared taxes, which are primarily comprised of Local Government Funds and the Revenue Assistance Fund. We experienced a decline in this area during 2009 of approximately \$450,000, most of which was a reduction in Local Government Funds. Fines and forfeitures were also down in 2009, despite a helpful restructuring of court fines. The reduction in this area was mainly due to a substantial decrease in red light camera revenues which have dropped off significantly as the program has matured and the number of violations has gradually decreased.

The sum of these areas is expected to yield total revenues of \$37,277,000. This amount represents a significant decrease when compared to prior years.

General Fund Expenditures

The 2010 General Fund total expenditures reflect our efforts to significantly reduce expenses in 2010. We have gone back to each of the departments repeatedly for expense reductions and trimmed in excess of \$2.3 million in expenses in 2010 as compared to 2009.

With the exception of our safety forces, very few vacancies that occurred in 2007 or 2008 were filled. In 2010, staffing in the Police Division will be at 131 sworn positions thanks to a CHRP grant that saved 7 positions, and Fire Division staffing is authorized at 127 positions matching the Charter required minimum manning. Total staffing for the City will be less than it was 2009 and will further decrease through attrition, reorganizations and possible conversion of some positions to part-time as the year progresses.

Personal services account for more than 80% of the city's total expenses. We have worked closely with our various employee groups to communicate our financial situation and have sought "no increase" contracts. A budgeted 2.25% 2009 pay raise for non-union employees was held for most non-represented employees, with the lone exception of the municipal court judicial group who granted a 2009 pay increase to their employees. The City's AFSCME employees accepted a one year, no increase contract and the City's IAFF employees ratified a two-year, no increase contract. We are currently in negotiations with our police unions and will seek similar terms.

In order to balance the General Fund Budget, the City's funding to NTPRD was reduced to \$1.4 million for operating and \$150,000 for capital and the amount allocated to subsidize transit was limited to \$200,000.

Also included in this budget is the fourth year escrow payment amount for an Ohio Department of Development Loan used to assist with the hospital project.

We have not recommended the elimination of core services delivered to residents in the coming year. We will continue to provide leaf pickup, street sweeping services and the Safe Streets Task Force as recently re-instituted. We will provide slightly reduced snow removal services in the coming season due to budget shortfalls and the success of our reduced program last season.

Permanent Improvement Fund (PI)

The Permanent Improvement (PI) Fund is budgeted with \$3,237,500 in revenues. Of this amount, \$2,072,605 must be used for debt service. The modest remainder will be used for a small number of other projects. The Permanent Improvement (PI) plan for 2010 does provide a local match for the ODOT paving allocation to cover the resurfacing of Lagonda Avenue (Rt. 4) from Columbia to Belmont and from Belmont to Mitchell Blvd. The PI plan includes the purchase of 5 police cruisers and a dump truck with a plow package for the Service department. There are separate monies for the purchase of several vehicles from Utility Funds, representing a cost effective way to upgrade the Service Fleet.

Included in the PI budget is \$150,000 for Capital projects within NTPRD. This is part of the \$1.2 million dollars the City has pledged to help maintain the infrastructure of our park system. Originally, the plan was to provide NTPRD with this Capital over three years. With the current state of the budget, it will take closer to five or six years

Although we will be able to fund a replacement of aging vehicles in our Police Division fleet, we continue to fall behind in replacing capital equipment in other departments.

Utilities Funds

The 2010 Water and Sewer Fund budgets are presented with healthy fund balances at year-end. There are no personnel increases provided in this budget. The City Commission passed a utility rate ordinance in early 2006 to support certain capital projects and to offset the inflationary increase in general operating costs. The rate increases were based upon a study completed by Black and Veatch that same year. These rate adjustments also resulted in uniform rates for residential customers in the CEDA area. The last of these rate increases was implemented in 2009. For 2010 the water and sewer rates will remain unchanged.

As we have mentioned in previous budgets, the most significant issue facing us in future years will be a commitment to address the Combined Sewer Overflows (CSO's) as mandated by USEPA. The cost of correction could easily exceed \$125 million over the next 15-20 years. In 2009 we started the steps necessary to address the first phase of this project. We issued 10 million dollars of bonds to begin the design of enhancements to our Waste Water Treatment facility. Additionally, we contracted with Black and Veatch to consult with us for the establishment of a Storm Water Utility.

Effects of the Economy

The economic recession experienced by the U.S. and State of Ohio has not left Springfield untouched. We are facing the same harsh realities as many other communities. In some ways we can feel fortunate, our 6% drop in income tax revenues is actually less than many of our fellow municipalities throughout the state. We have also had the hospital as a major construction project in our community. The local economy seems to be stabilizing, however, we are not expecting to see any significant growth in income tax revenues until after 2011. Our challenge once again is to try to deliver the core services the citizens of Springfield expect with fewer resources. The staff continues to look for ways to cut costs, maintain vital services and be increasingly innovative.

We look forward to working with you in the coming months on the development of the 2010 Budget and related programs for the coming year.

Respectfully submitted,

James A. Bodenmiller
City Manager