

May 27, 2009

From: Mayor Thomas Holocher

To: Members of City Council and Department Heads

Subject: Budget Message

General Fund Revenues

General Fund revenues are budgeted to decrease \$524,906 (9.4%). One-third of this decrease is due to an unusually large amount of grants received last year (\$330,000 for equipment purchases). The remaining 6% decrease is due to the downturn in the economy. A 10% decrease is budgeted for the City's two largest general fund revenue sources: insurance premium taxes and payroll license fees. Real estate taxes are budgeted to increase \$22,000 for new property and \$13,000 for existing property.

General Fund Expenditures

General Fund expenditures and transfers are budgeted to increase \$226,420 (4.13%). The mandated retirement increase accounts for \$80,000 of this increase. With the volatility of gas prices, a 25% increase was budgeted. Medical insurance costs were budgeted at a 7% increase after meeting with the City's insurance broker. A 3% inflation rate was used if the department heads thought there were no large changes in the line item.

General Fund Balance

The philosophy used in preparation of the budget is to estimate the revenues and expenditures conservatively, especially in the current economy. In other words, "plan for the worst and hope for the best." The fund balance is budgeted to decrease \$651,017. Due to the favorable prices for road work, the City is planning to accelerate the amount of road work in the fiscal year 2009-2010 and decrease the road work over the following two years to save the City money in the long run.

General & Administrative Department

Centennial Celebration-\$100,000

NKAPC Study-\$25,000

Beautification-Tree Planting, Receptacles, Benches

Revenue from Passport Application fees is expected to continue to decrease. The allowable fee decreased last year (from \$30 to \$25) and the volume continues to decrease (down 30% first quarter) following a rush when new passport requirements were initially phased in. There are also more acceptance agencies than ever in Campbell and Kenton County. However, customers continue to tell us they were referred due to our professional staff, expedient service and convenient location.

We anticipate no need for additional personnel in the Administrative Department. As you know in 2005, when Bill Goetz retired as our City Administrator, we consolidated his duties and assigned them to our Police Chief. In addition approximately two years ago after a retirement we decided once again to reduce staffing , by reducing the hours for the position of the Police Clerk (who also assists/is cross-trained in administration) from a full to part time position. We are very pleased to report these changes have worked very well and at a considerable savings for the city. We are fortunate to have such a dedicated group of employees that are willing to do whatever is necessary to get the job done in the most efficient and economical manner.

Costs for office and building supplies continue to increase. The staff is vigilant about getting the best prices possible even changing vendors when necessary and researching prices with competitors frequently. Printing costs also continue to rise.

Police Department

The Police Department does not anticipate any additional personnel or unscheduled capital purchases in the 2009-2010 fiscal year budget. However, with that being said, there are a few purchases that must be made out of necessity. This is the five year anniversary for our body armor which must be replaced. A new federal standard has been established which will ensure these vests provide the maximum ballistic protection. The down side associated with this new standard is a projected 20 to 25% cost increase. Historically we have been successful in obtaining grant funding to offset the cost of this purchase. In the past we have received 50% reimbursement from the Bureau of Justice Bulletproof Vest Partnership, and the other 50% from the Department of Local Government's Body Armor Initiative. We have also implemented the process of replacing our antiquated in-car video systems which are approximately 10 years old. These systems cost approximately \$4,000 each and we plan to replace two of them a year. We have applied for several equipment grants this fiscal year and if we are successfully awarded, the cost for these video systems will be reduced and/or eliminated. In addition to the video systems, we have also applied for grants to replace our portable and mobile (in-car) radio systems which are also approximately 10 years old. We have also applied for a \$48,700 TAP Grant; if this grant is funded it will provide additional revenue to be utilized for overtime and mileage to fund the program. **NOTE:** The body armor and the two in-car video systems are the only two items that will be replaced if we are unsuccessful in the grant processes mentioned above, none of the other items mentioned in this message will be purchased. Again, we **will not** spend these amounts unless the grants are received.

Summary of grant applications: \$48,700 TAP; \$7,500 for in-car video systems; \$6,000 for radar units; \$31,146 radio replacements; \$10,000 crime scene equipment.

Fire Department

In the past, the Fire Department's budget usually reflected the need for firefighting equipment to maintain a modern volunteer fire department. Over the last decade the Fire Department's budget has reflected the increasing need for manpower to offset the declining volunteer population. This year's budget will reflect an efficient use of our existing manpower to offset a greater decline in volunteerism, without adding a substantial cost to the City. The Fort Mitchell Fire Department will realize an historic milestone this July by reassigning a portion of our full time employees from a 40 hour work week to a 24 hour rotating shift. Not only will the full time staff continue to man our fire apparatus and complete administrative work by day, they will also cover our ambulance by night and on weekends. When a full time employee is paired along with a volunteer, our nighttime and weekend squad shifts will be consistently covered; thus giving the city a greater return on investment by our full time employees.

Public Works

The budget for the Public Works Department for the 2009-10 has no major purchases of equipment. The filling of the vacant laborer position is included in the budget. Road projects will be as submitted with the budget. Sidewalk projects include: Dixie Highway at Idaho and the proposed portion on Orphanage Road. The project for Orphanage Road still has issues to resolve with whether Council will go ahead with the project if we do not receive the grant and also whether the Orphanage Road residents will pay an assessment.

Recreation Department

We will be continuing the current program.

Storm Sewer Fund

Sanitation District 1 will be taking over.
Pending projects include Gettysburg/Allentown and Avon Drive.

Municipal Road Aid Fund

This fund covers normal road maintenance.

Park Fund

We will be continuing the current program.

Road Tax Fund

Upcoming projects include: Oxford, Huckleberry/Plantation, East Drive, Williamsburg, Seville, Thompson, and Louise Drive.
Plans are for aggressive road work / expediting the schedule due to favorable prices.

Capital Fund

Parking lot and building improvements-\$250,000
Ambulance-\$200,000
Fire Truck Grant-\$350,000 (Will only purchase if grant is received)
Orphanage Road sidewalk and Dixie Highway to Idaho sidewalk-\$191,000 (Grant applications were made for both projects.)

Conclusion

The City has been vigilant in building up a healthy fund balance (3-6 months), so that the City can better deal with economic down turns and unexpected expenditures. The City also continues to plan and supply funds for future capital purchases.

As a city, I believe we provide services that are of the highest quality that makes Fort Mitchell one of the most desirable cities to live in. I thank you for your time in reviewing the proposed budget and message. It is my intention to provide you with responses to any questions you might have prior to the council meeting.

Sincerely,
Thomas E. Holocher
Mayor