

The page features abstract blue geometric shapes on the left and right sides. On the left, there is a solid light blue trapezoidal shape. On the right, there is a complex arrangement of overlapping translucent blue triangles and polygons in various shades, ranging from light sky blue to dark navy blue. The central text is positioned between these two decorative elements.

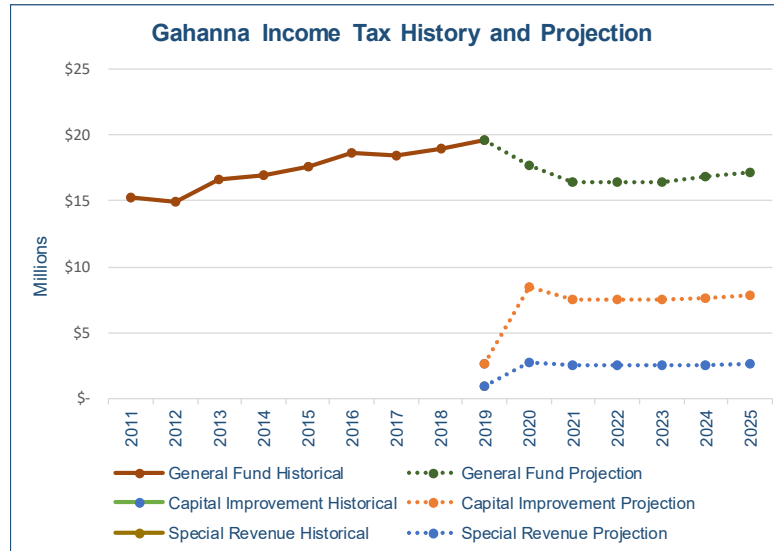
2021 PROPOSED BUDGET

Presentation Outline

- ▶ This budget presentation will focus mainly on the General Fund as the City's main operating fund.
- ▶ We will first discuss the assumptions used to estimate revenue.
- ▶ Then expenditure assumptions.
- ▶ The impact on General Fund balance.
- ▶ The five-year forecast.
- ▶ Summary of other key funds.

Income tax revenue is the main source of revenue for the General Fund representing 76% of total revenue. The following were used to estimate income tax revenue over the next five years.

- Actual income tax revenue through September 30, 2020. We are currently experiencing a 9.5% decline. A 10% decline was anticipated due to COVID-19.
- COVID-19 infection rates which are rising.
- Federal reserve policy which establishes a 0% interest rate for at least the next three years. This signifies there is no expectation for recovery or growth during the next three years.
- Economic trends. Hospitality, lodging, retail, beauty and personal care are the hardest hit which is not a significant part of our economic base but will still result in reductions to income tax collections.
- The Great Recession of 2008 and income tax trends during that time. The worst was a 6.93% decrease in 2009 followed by 4.62% in 2010 and recovery began in 2011.
- Based on the above we are anticipating an 8% reduction for 2021. Followed by 0% growth through 2023 mirroring Federal Reserve policy. Then 2% increases in 2024 and 2025.



Other Revenue Sources

- ▶ Property taxes are the next largest source of revenue for the General Fund and is estimated by the County Auditor to stay relatively flat for 2021 at \$1.69M which is a \$4,000 or .23% reduction from 2020.
- ▶ COVID-19 is not currently impacting property values and the triennial appraisal, which is being conducted now for 2021 collections, and sexennial appraisal which will be conducted in 2023 for 2024 collections will reveal any impacts COVID-19 may have on property values.
- ▶ Beyond 2021 a 2% increase per year has been estimated with a 10% increase for 2024 assuming a similar outcome as the sexennial appraisal from 2017 which resulted in a 13% increase in 2018 collections.

Other Revenue Sources

- ▶ The third largest revenue stream for the General Fund is Charges for Services. As capacity allows, Parks & Recreation divisions have been moved to the Parks & Recreation Special Revenue Fund including revenue charged by these divisions for activities and programming. The following Charges for Services remain in the General Fund:
 - Administrative charges from proprietary funds for services provided by the General Fund. This is anticipated to increase by \$76K as it is based on proprietary revenue which is anticipated to increase for 2021. Beyond 2021 this amount is anticipated to double as a 50% reduction was made to the charges for 2020 and 2021 to alleviate large increases to utility rates. A rate study is pending and may result in a significant change to these charges.
 - Charges for park rentals was significantly impacted by COVID-19 and 2020 is currently at 21% of 2019 annual revenue collections. For 2021 and beyond, we believe COVID-19 will impact these rentals but not as significantly as 2020 and are estimating revenue of \$120K for each year as compared to a revised estimate of \$48K for 2020.
 - Creekside rent is based on rentable square footage and occupancy. It is unclear what impact COVID-19 may have on this revenue source as many businesses in the Creekside area are struggling from the previous shutdown and continued public health orders. Until more information is known this will remain at the 2020 estimate of \$136K for 2021 and beyond.
 - Public Safety and Fleet charges for services and are estimated to remain close to 2020 levels at \$15K and \$8K respectively

Other Revenue Sources

- ▶ The Final two revenue sources for the General Fund that I would like to discuss is intergovernmental revenue and investment income.
 - Intergovernmental revenue mainly consists of Local Government Funding which is based on the health of the State's general revenue resources. Since 2011 this revenue source has experienced a 60% reduction based on allocation changes made by the State. It is unclear at this point what the full impact of COVID-19 will be on State revenue sources. The County Auditor has estimated \$673K for 2021 which is close to 2020 estimates of \$675K. Beyond 2021 this is estimated to remain flat until more information can be obtained regarding COVID-19 and State general revenue resources.
 - Investment income will be significantly impacted by COVID-19 not only as a result of the 0% interest rate set by the Federal Reserve, but also a lack of inventory to invest in as maturities occur. We are expecting \$318K for 2021 which is a \$566K or 64% reduction from 2020 based on current holdings, yields and maturities. Beyond 2021, it is estimated that this revenue source will continue to decline by 43% and 12% for 2022 and 2023 respectively with a 29% and 50% recovery in 2024 and 2025.

Expenditure Assumptions

- ▶ Expenditures for the General Fund are broken into three major categories, Salaries & Benefits, Contract Services and Materials & Supplies.
- ▶ Salaries & Benefits are based on:
 - Negotiated union agreements
 - Unclassified employee ordinances
 - Changes to insurance premiums based on claims experience and plan design changes
 - Staffing levels required to provide services at an appropriate level

Expenditure Assumptions

- ▶ Contract Services are based on known or anticipated contracts with third parties for services. These include but are not limited to income tax administration services; public safety 911 services; technology software solutions; public health contract; mosquito spraying; fleet management services; & building maintenance services.
- ▶ Materials & Supplies are based on historical requirements and are adjusted for the upcoming years planned services, programs and activities.

Expenditure Assumptions

Below is the General Fund request based on the above.

Obj Description	2018 Actuals	2019 Actuals	2020 Revised Appropriations	2021 Request	2020 vs 2021
Salaries & Benefits	15,990,546	15,024,021	15,658,528	17,165,160	1,506,632
Contract Services	4,830,713	13,810,169	4,310,895	4,121,564	-189,331
Materials & Supplies	2,268,271	2,110,755	2,158,791	1,669,820	-488,971
Interest & Fiscal Charges	0	0	176,669	63,063	-113,606
Capital Outlay	1,401,442	891,588	39,022	0	-39,022
Debt Service	0	0	0	455,000	455,000
Advance Out	630,000	0	0	0	0
Transfer Out	8,286,280	4,718,190	1,661,190	818,845	-842,345
Grand Total	33,407,252	36,554,723	24,005,095	24,293,452	288,357

Salaries and Benefits

- ▶ \$412K increase includes negotiated pay increases ranging from 3% to 3.34% and a stepped unclassified pay increase of 1.5% in January and another 1.5% in July.
- ▶ Total net insurance change is \$310K. Insurance premium increases of 5.5% for union employees and a plan design change for non-union employees to a High Deductible Healthcare Plan with a Healthcare Savings Account which decreases premiums by 13%. The savings will be used to fund employees' Healthcare Savings Accounts and nets to a 0% increase over 2020 costs.
- ▶ Requests to fill 2020 vacant positions that were not filled as a result of COVID-19 and the uncertainties of the immediate impact. The 2020 budget was reduced when it was determined these positions would not be filled, however, the need to fund these positions is apparent and reinstates \$309K from the 2020 budget for salaries & benefits.
- ▶ Additional staffing and a reorganization is necessary for 2021 after analyzing critical services, programs and activities to ensure the safety, health and welfare of residents. This results in a \$475K increase. It is important to note that staffing levels will still be below 2018.

Contract Services/Materials & Supplies

- ▶ The General Fund has a reduction in both these areas as a result of the use of restricted resources, when appropriate. Although the General Fund experienced a decrease in income tax revenue, the three funds established for the 25% of the 1% increase received significantly more dollars than anticipated.
- ▶ As you may recall we anticipated receiving 65% of the estimated increase for 2020 and are receiving closer to 100%.
- ▶ Also, the Parks & Recreation Fund appropriations for 2020 were reduced as COVID-19 resulted in the cancellation of programs and activities.
- ▶ Because revenue in the special funds is more than originally planned, and expenditures are less than originally planned, resources are available to fund public safety, parks & recreation and public service activities originally accounted for in the General Fund.
- ▶ It is the City's policy to use restricted resources first when restricted and unrestricted resources are available for the same activity to avoid the unnecessary accumulation of funds that may only be used for specific activities.

Estimated Revenue & Appropriations

2021 General Fund Operations	
Planned Revenue	\$ 22,062,535
Planned Operating Expenditures	\$(24,293,452)
Balance	\$ (2,230,917)

- The previously discussed assumptions and estimates results in \$2.2M more in operating expenditures versus planned revenue.
- Unreserved General Fund balances will be used to cover the remaining operating expenditures.
- The following slide shows the impact on General Fund balances.

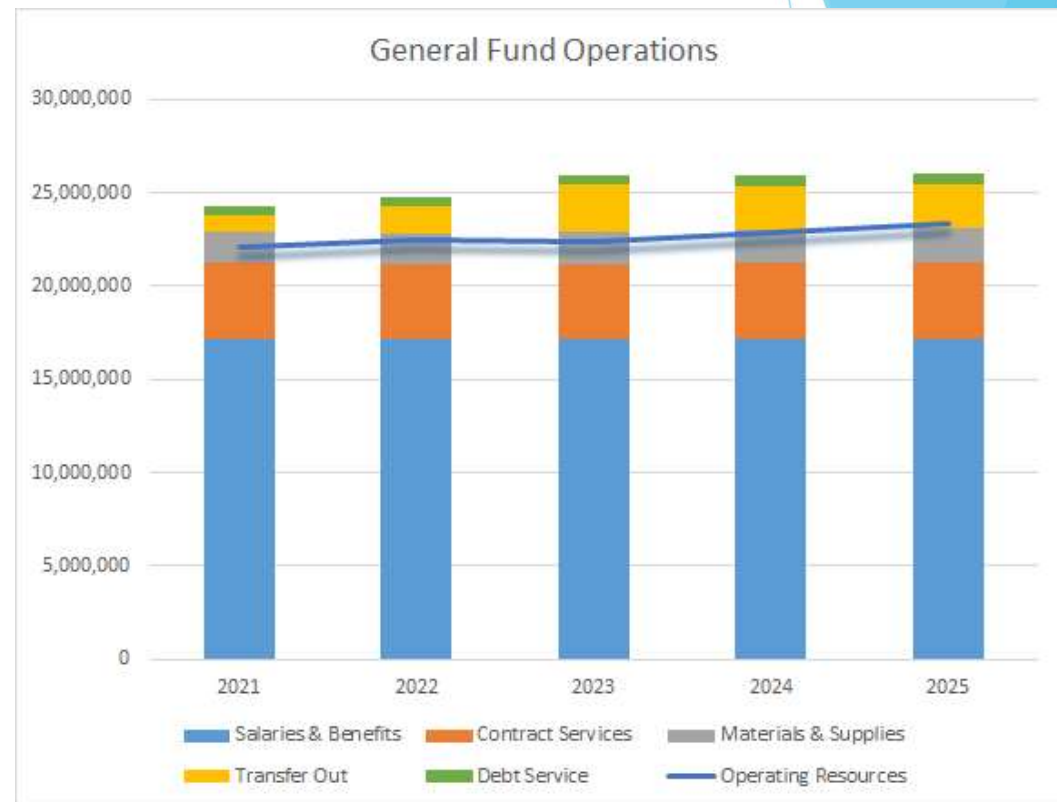
Impact to General Fund Unreserved Fund Balance

- We are projecting to end 2021 with fund balance of \$13.2M.
- The Emergency Reserve is calculated to be \$5.8M and remains intact for 2021.
- This leaves an unreserved fund balance of \$7.4M and using \$2.2M for operational costs results in more than 2 months of operating expenses still available which is in line with best practices.
- The loss in revenue due to COVID-19 does not eliminate the need to provide services. On the contrary the pandemic puts even more demand on the City for services.
- Using unreserved fund balance is an acceptable means to weather the economic impact of the pandemic. Ohio Revised Code defines resources for appropriations as planned revenue plus unreserved fund balance estimated to be carried forward.

General Fund Analysis Unassigned Fund Balance	
Total General Fund Appropriations 2021	24,293,452
Less Debt Service	1,087,000
Total Operating Appropriations 2021	23,206,452
25% of Operating Appropriations for Emergency Reserve	5,801,613
Rounded Reserve to be set aside	5,805,000
Projected Ending Fund Balance	13,181,368
Less Emergency Reserve	5,805,000
Remaining Projected Unassigned Fund Balance	7,376,368
Use of Unreserved Fund Balance Due to Economic Conditions	2,230,917
Remaining Unreserved Fund Balance	5,145,451
Total Operating Appropriations 2021	23,206,452
Divide by 12 for approximately 1 month	1,933,871
Times 2 for 2 months of operations	3,867,742
Amount of Projected Unassigned in Excess of 2 Months	1,277,709

Five Year Forecast

- ▶ The full economic impact of COVID-19 will not be known for a number of years. Income tax revenue is estimated to be \$3.3M less for 2021 when compared to 2019 actual collections with \$0 growth until 2024. This will continue to strain the General Fund.
- ▶ Unreserved fund balance may not be enough and at some point, the emergency reserve may be needed to continue providing basic services.



Capital Improvement Fund

- ▶ The Capital Improvement Fund is estimated to receive \$7.5M in income taxes. This along with unreserved fund balance funds all capital maintenance items in the amount of \$6.9M and \$4.4M of capital improvements. Project information is located within the Capital Improvement section of the book.

Public Safety Fund

- ▶ The Public Safety Fund is estimated to receive \$1.2M in revenue with income tax estimated to be \$968K. This along with unreserved fund balance funds the School Resource Officer program and covers pension costs in excess of property tax revenue received for police pension costs. This is represented by a transfer out of the Public Safety Fund and into the Police Pension Fund.

Parks & Recreation Fund

- ▶ The Parks & Recreation Fund is estimated to receive \$1.7M in revenue with \$447K in income tax. This along with unreserved fund balance funds, recreation programming and activities; camps; both pools; senior center and the golf course. Charges for Service revenue takes into consideration COVID-19 and the impact on programming. Except for the Golf Course, which is fairing well during the pandemic, estimates were set below previous pre-pandemic estimates.

Public Service Fund

- ▶ The Public Service Fund is estimated to receive \$1.6M in revenue with \$1M in income tax revenue. This along with unreserved fund balance funds the Engineering division; parking garage and General Services division of the Public Service Department.

Conclusion

- ▶ I hope this presentation provides Council with enough information to begin reviewing the 2021 proposed budget which will be e-mailed shortly and will be available on the website under Finance and Budget.
- ▶ The Administration looks forward to addressing questions and listening to Council and citizen feedback.
- ▶ Please send all questions, concerns and suggestions to the Finance Chair, Michael Schnetzer, he will coordinate delivery to the Administration for responses.