

City of Springdale

DOYLE H. WEBSTER
Mayor

JOHN J. JONES
City Administrator

KATHY McNEAR
Clerk of Council / Finance Director

To: Lawrence Hawkins III, Finance Committee Chair

From: John J. Jones, City Administrator



Re: 2020 Annual Budget

On behalf of the City Administration, I have enclosed the 2020 Annual Budget submitted for Council's consideration. We are extremely grateful for the residents' support in increasing the income tax rate from 1.5% to 2.0%. Without their gracious approval, we simply could not do the things we highly desire to do for our residents. The previous 0.5% increase helped to sustain our City for 15 years. You have our assurance that we will be responsible and outstanding stewards of the extra money being generated. We enthusiastically, and with optimism, want the increase to take us 15 years into the future. Please keep in mind that the additional money will allow us to tackle projects and replace staff that have been pushed back for years. It has been the goal of the City to have around a \$1.5 million dollar carryover each year. We are currently projecting a carryover of \$1.79 million. It will take time to increase the General Fund balance while at the same time trying to complete delayed projects and have the appropriate amount of staff in place. It will continue to be our goal to improve the General Fund balance.

General Fund Revenues

Revenues for 2018 were \$18,215,520. We have witnessed an increase to an estimated \$19,811,282 for 2019. This increase is contributed to the income tax increase kicking in subsequent to its passage. In our proposed budget for 2020, we are expecting our revenues to rise to \$22,364,991. During 2020, we will not yet see the full increase in effect from the tax increase, however, a much larger impact than the partial year in 2019. The full impact resulting from the passage of the levy will become apparent in 2021.

General Fund Expenditures

Expenditures in 2018 amounted to \$19,081,329. The estimated expenditures for 2019 are coming in at \$19,789,221, an increase of \$707,892. We anticipate a significant increase in the proposed 2020 Budget with the expenditures reaching \$22,741,893, up \$2,952,672 from 2019. The substantial upsurge can be contributed to an increase in the transfer to the Capital Improvements Fund (090) from \$150,000 in 2019 to \$1,875,000 in 2020, an increase of \$1,725,000. Additional contributing factors include: \$100,000 budgeted for the Comprehensive Plan; \$92,000 increase in Fire Department budget (personnel expenses); \$523,000 increase in Police Department budget (personnel expenses, facility upgrades, vehicles); and \$398,000 increase in Public Works budget (personnel expenses and equipment).

Personnel

In 2019, the City hired three new employees at the Fire Department as part of the Federal Government's program known as the "SAFER Grant." The Government covers 75% of wages for all three in the first two years and 35% the third year. The City is responsible for their pension, health care, and all other benefits. After three years, the City will be 100% responsible for those three employees. The Fire Department has also created three Lieutenant positions, and those promotional opportunities are in process. In the Building Department, two contract Property Maintenance Inspectors were hired in 2019. A full-time Property Maintenance Inspector is being pursued at this time. In 2020, we intend to add a part-time Property Maintenance Inspector as well. In the Public Works Department, a part-time Administrative Assistant is currently being pursued and one Maintenance Worker will be advanced to a Crew Leader position in 2020. We are also in the process of seeking a new Economic Development Director, Building Official, and Police Chief for 2020.

Personal Service Costs

The 2020 Budget includes a 2% wage increase across the board for all full-time employees and part-time employees. Employees with room to advance within their pay table are expected to receive an increase in pay. Longevity compensation will increase for some employees. In addition, sick, vacation, and compensatory time, for those that have reached the threshold, will also increase. We are in the middle of negotiations with the Police Union as their contracts are scheduled to expire on December 31, 2019.

Capital Improvements

A minimal amount of work was completed in 2019 as a result of budget constraints. We were able to complete the Olde Gate Drive Reconstruction and the 2019 Street Maintenance Program. We paid our leases on the fire engine (\$209,399) and the bucket truck (\$48,800). In 2020, we will again pay the fire engine lease for \$209,399 as a final payment. We will also pay the bucket truck lease in amount of \$44,300 with the final payment coming in 2021.

In 2020, we anticipate a busier year with projects to include: Landan Lane Reconstruction (\$280,117); Beacon Hills Grind and Repave (\$543,170); Police Department Locker Room Renovation (\$250,000); Police Department Generator Replacement (\$150,000); radio upgrades in the Police and Fire Departments (\$79,000); a portion of the Community Center Roof Replacement (\$325,000); Community Center Playground Replacement (\$40,000 City match and \$40,000 via a CDBG grant); Street Improvement Programs (\$450,000); and Phase I of Traffic Signal System Upgrade (\$128,125). The amounts listed are the estimated construction costs only and do not include engineering costs. We also have a loan payment due for Landan Lane in the amount of \$6,950 through OPWC. This is our first payment of 20 to be made in total.

City Bonds and Notes

Former Sheraton Hotel Note

In January 2016, the City purchased the former Sheraton Hotel located at 11911 Sheraton Lane for \$1,950,000. In April 2016, the City issued a note in the amount of \$2,640,000 to reimburse the purchase of the hotel as well as have the hotel demolished. It was the intention that the hotel be demolished, the property sold, and the note paid off by December 31, 2016. Since the property has not yet been sold as anticipated, the note principal has been rolled annually with the City paying interest. For the 2017 note rollover, the City paid down half of the principal (\$1,320,000). The most recent note rollover was dated November 29, 2019 for \$1,320,000 at an interest rate of 3.55%. In 2020, we will be required to pay down a portion of the note. Currently, we are budgeting a payment of \$50,000.

Street Improvement Bonds

In March 2017, the City issued \$8,200,000 of fifteen-year General Obligation Bonds to pay the cost of various road improvements under the Comprehensive Capital Improvement Program. The bonds were issued at an interest rate of 2.94% and mature in December 2031. Payments on the bonds are made twice a year in June and December (two interest payments and one principal payment). Bond payments from the Street Improvement Debt Fund (088) are subsidized by a transfer from the General Fund. A portion of the bond interest (\$225,000) was paid in 2019 from the Street Maintenance Fund (061) with \$175,000 scheduled in 2020.

Tax Increment Financing (TIF) Funds

Northwest Business Center TIF

Phase I

In 2000, the City issued \$3,040,000 of thirty-year bonds for Phase I of the NW Business Center for infrastructure improvements and professional service fees. The interest rate on the bonds is 6.7%, and the bonds mature in 2029. Phase I covers the IDI Building site, the General Advertising site, the restaurant sites, and the fifteen acres. Service payments (payments in lieu of taxes) are generated for each parcel. Since the service payments do not cover the bond payments and other costs, a shortfall amount is collected annually from the developer. No funds are transferred from the General Fund to cover the TIF Phase I bond payments. In 2018, the Post Office moved into the 230,000 square foot industrial building on the fifteen-acre site. Based on the value of this building, it is expected in 2020 that service payments will generate enough to reduce the shortfall from the developer, then eliminate it in subsequent years.

Phase II

Phase II covers the Pictoria Office Tower and the public parking garage. In order to pay for the public improvements, \$10,000,000 of bonds were issued by the Port Authority of Greater Cincinnati. When the bonds were issued, the value of the public parking garage was reduced to \$0; therefore, special assessments on the Pictoria Tower were created to cover the shortfall on the bond payments. The City has no responsibility regarding the bond payments for Phase II. The City does receive service payments and special assessments but has to pay these to the bond trustee within fifteen days of receipt of the funds.

Phase III

The site proposed for the six-story office tower continues to be vacant and owned by the Frederick's Steel family. At present, it is unclear if they will proceed with the second office tower and associated parking garage or pursue an alternate development. The property has been vacant since the development began in 2000.

Tri-County Mall TIF

The Tri-County Mall TIF (TCM TIF) was created in February 2005 to help finance public improvements and aid in the redevelopment of Tri-County Mall. The TCM TIF was established on one mall parcel that included J.C. Penney. The only project undertaken through the TCM TIF was in 2007 and involved the construction of a new signalized intersection on Kemper Road, with construction costs and professional services totaling \$516,341. To cover the cost until the TCM TIF could generate service payments, the City advanced the funds from the General Fund to the TCM TIF Fund. It was anticipated that when the TCM TIF generated service payments, the General Fund would be paid back. Over the next two years, service payments were received at approximately \$76,000. Unfortunately, in 2009, the value of the mall was reduced by the County Auditor at the request of the mall owners, and as a result, no service payments are generated. To date, the amount owed to the General Fund is \$492,379.

Commerce Park TIF

In 2018, the Commerce Park TIF was created to further development at the former GEEAA Park. It is anticipated that four large warehouses will be constructed on the site. The City does not expect to receive any service payments on the parcels until 2021.

Conclusion

The income tax increase will facilitate us doing some things identified in the aforementioned paragraphs that would not have been possible otherwise. Although we are unable to accommodate all desired needs, we are able to commence many capital projects and address some staffing concerns. The citizens of this community will begin to see the importance of passing the increase effective 2020.

A special thanks to Amanda Zimmerlin and Stephanie Morgan for their work on this budget. Their efforts are truly appreciated. I also want to thank the Department Directors, Jeff Williams, and Mayor Webster for their contributions. A budget of this magnitude is not possible without the cooperation of so many.