



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: **2022 Annual Budget**

The 2022 Annual Budget is being submitted for Council’s consideration. It has been the goal of the City to have around a \$1.5 million carryover each year. We had a \$3.8 million carryover in 2020. We anticipate ending 2021 with a balance of \$6.1 million. We are exceptionally pleased with the large carryover, however we recognize it for what it is. As a result of COVID-19, the City received a total of \$1,029,633 in CARES Act money from 2020 through 2021. The Health Department continues to benefit from grants in excess of \$400,000. In 2021, the City received the first of two payments as part of the American Rescue Plan Act in the amount of \$584,825. These grant revenues have greatly offset our General Fund Expenditures and therefore helped to contribute to our exceptional year-end balance. We recognize that this money is not likely to be available in the future, and it is incumbent upon us to plan accordingly.

General Fund Revenues

General Fund Revenues for 2020 were \$22,553,846 and are projected to increase in 2021 to \$25,856,634. In our proposed budget for 2022, we are expecting our revenues to **decrease** to \$21,314,871, a loss of \$4,541,763. The reduction in revenues is due in large part to the “work from home” policies for the City’s major office employers and a reduction in the amount of Federal and State funding for COVID-19.

General Fund Expenditures

Expenditures in 2020 amounted to \$21,361,455. The estimated expenditures for 2021 are coming in at \$23,597,183, an increase of \$2,235,728.

Personnel and associated costs continue to be the primary source of our expenditures. The building maintenance and repair lines also continue to burden us as we deal with aging facilities and a lack of attention over the years. The City unfortunately experienced an unusually robust year for public property damage causing expenditures well in excess of \$150,000. The transfers and advances in 2021 to support other funds totaled \$3,780,010. Several vehicles and mowers were purchased for use in our Police, Building, Parks, and Public Works Departments.

One must remember the 2021 General Fund Revenues and General Fund Expenditures both include \$1,600,000 to account for the transfer to pay off the former Sheraton hotel note and the subsequent reimbursement once closing on the property occurs.

Personnel

A total of 24 full-time positions and 9 part-time positions were filled in 2020. A total of 11 full-time and 13 part-time employees were hired this year.

Personal Service Costs

The 2022 Budget includes a 2% wage increase across the board for all non-union full-time 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. Police and Fire Unions are in negotiations with the Administration at this time regarding 2022 wages.

Grant Funding

The COVID-19 pandemic has resulted in the City receiving Federal, State, and local funding in the amount of \$2,075,215 to date.

Capital Improvements

Both phases of the Community Center roof replacement are nearly complete at a total construction cost of \$578,173. In addition, the locker room at the Police Department has been finalized with a final construction cost of \$310,428. The final bucket truck lease payment of \$44,331 was paid this year. A three-year lease for the new fire engine started in 2021 with an annual payment of \$265,100.

Engineering costs in the amount of \$745,568 were necessary in 2021, and \$183,725 in 2022 for the complete reconstruction of Northland Boulevard that will take place in 2024. Traffic Signal System Upgrades (Phase II) are scheduled for 2022 in the amount of \$621,490 for construction. East Crescentville Road will see major improvements to the estimated tune of \$6,100,747. The East Kemper Road/CSX Bridge Rehabilitation Project will also occur in 2022 at an estimated cost for construction in the amount of \$902,341. For all of these named road improvement projects, the City has been fortunate to receive some sort of financial assistance, either through a grant or partnership with another agency. The majority of our other Capital Improvement Projects were moved out of the 2022 Budget except for those already in progress or receiving outside funding.

City Bonds and Notes

Former Sheraton Hotel Note

In January 2016, the City purchased the 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. 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 is dated November 27, 2020 for \$1,270,000, which reflected a principal pay-down of \$50,000, at an interest rate of 2.75%. This note was due November 26, 2021 and has been retired in full.

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. The bonds were issued at an interest rate of 2.94% and mature in December 2031. Payments on the bonds are made annually 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 (\$175,000) was paid in 2021 from the Street Maintenance Fund (061) with \$150,000 scheduled in 2022.

Tax Increment Financing (TIF) Funds

Northwest Business Center TIF

Phase I

In 2000, the City issued \$3,040,000 of thirty-year bonds at 6.7% interest for Phase I of the NW Business Center for infrastructure improvements and professional service fees. The bonds mature in 2029. Phase I currently covers the IDI Building site, the Post Office site, the General Advertising site, the Hilton Home2Suites hotel site, and the restaurant sites. Service payments (payments in lieu of taxes) are generated for each parcel. Through 2020, the service payments have not covered the bond payments and other costs, therefore a shortfall amount was collected annually from the property developer. In 2021, service payments exceeded bond payments and other costs, therefore a reimbursement of past shortfall has been returned to the developer. No funds are transferred from the General Fund to cover the TIF Phase I bond payments.

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 from Hamilton County but has to pay these to the bond trustee within fifteen days of receipt of the funds.

Phase III

The five-acre site proposed for the six-story office tower continues to be vacant. At present, it is unclear if the owners 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. There is no debt associated with Phase III.

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 parcel that included, at the time, J.C. Penney. The only project undertaken through the TCM TIF was the 2007 construction of a 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 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. In 2009, the value was reduced by the County, and as a result, no service payments were generated from 2011 to 2019. In 2019, it was determined this parcel should have

TIF value associated with it. In 2020, the City received a current year and two past years of service payments totaling \$61,398. In 2021, the City received service payments of \$48,677, which were advanced back to the General Fund. As of year-end 2021, the amount owed to the General Fund is \$383,761.

Commerce Park TIF

In 2018, the Commerce Park TIF was created to further development the former GEEAA Park. In the fall of 2020, Phase I of the project was completed. Two warehouses have been constructed and are still vacant. It is expected that Phase II will be started in early 2022, and two additional warehouses will be constructed. The City has no responsibility regarding the bond payments for Phase I. The City receives service payments from Hamilton County but has to pay these to the bond trustee. The City received service payments on Phase 1 in 2021 totaling \$654,875. The City does not expect to receive service payments on Phase II parcels until 2023.

Debt

We currently have one vehicle lease which is paid from the Capital Improvements Fund (090). The fire engine (2020) is a three-year lease for a total of \$775,000 through U.S. Bank at an interest rate of 1.304%. Annual payments of \$265,100 began in 2021.

Conclusion

In 2022, we expect to **decrease** our revenues from 2021 in the amount of \$4,541,763. Our 2022 expenditures will increase an additional \$735,801 over 2021. The loss of revenues and increase in expenditures amounts to \$5,277,564. The combination of over \$5.2 million is devastating to the City and not sustainable. We were very pleased with three years running of revenues exceeding expenditures. As you can clearly see, 2022 reverses this trend in a negative and unsustainable way. The “work from home” impact delivered a crushing blow to our City and many others in Ohio. Based on the information provided from our major office employers, the City anticipates a loss of over \$2.8 million dollars due to “work from home.” Although we have a sizeable General Fund carryover going into 2022, the sale of the Sheraton and all of the grant funding will not be available in future years.

As a result, this Administration is currently assessing all City services and vacant positions to determine potential cost savings. It is concerning to the Administration that we have been forced to move major projects regarding buildings and infrastructure to future years, further compounding maintenance of our facilities and roadways. Delaying necessary upkeep will only increase overall expenditures in future years. We will not be purchasing any vehicles in 2022 and will only replace designated positions as employees retire, resign, or are terminated.

A special thanks to Mayor Webster, Brian Uhl, and Stephanie Morgan for their work on this budget. All Department Directors greatly contributed to the budget process as well and are committed to fiscal responsibility. We appreciate Mrs. McNear and the Finance Committee for their assistance in finalizing the budget.