



Mayor John Cranley:

May 11, 2017

## INTRODUCTION

Guided by your strong vision, and the continued direction and support provided by the City Council, we are pleased to present the City Manager's Recommended Fiscal Year (FY) 2018/2019 Budget (Proposed Budget). This document is the result of the most challenging fiscal exercise we have tackled during my tenure. While there are difficult decisions to make, this proposal is structurally balanced, does not include employee layoffs or furloughs and does not reduce services or close City facilities.

Importantly, this proposal allows our work to make Cincinnati the best managed local government to persist on all fronts. We continue to see enhanced efficiencies, cost savings and avoidance and customer service improvements as a result of our full suite of performance management initiatives housed within the Office of Performance & Data Analytics (OPDA). They include: CincyStat, the Innovation Lab, Open Data and department director performance management agreements.

These efforts are guided by our 5 Strategic Priorities and integrated into this Proposed Budget.



**SAFER STREETS**



**THRIVING & HEALTHY NEIGHBORHOODS**



**A GROWING ECONOMY**



**INNOVATIVE GOVERNMENT**



**FISCAL SUSTAINABILITY & STRATEGIC INVESTMENT**



**RECOMMENDED FY 2018 AND FY 2019 BUDGET**

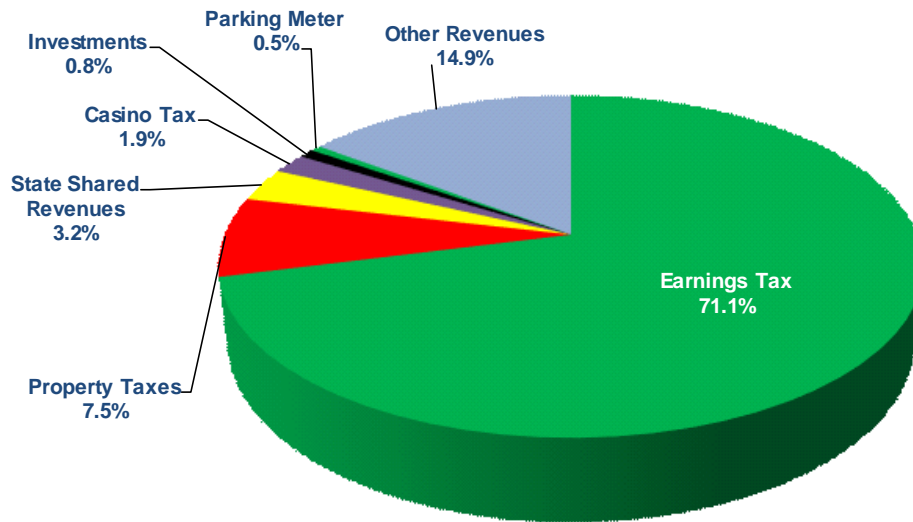
The All-Funds Operating Budget totals \$1.1 billion for FY 2018 and the Capital Budget totals \$504 million. All funds are balanced.

**BUDGET DEFICIT**

Creating this proposal meant overcoming the \$26 million FY2018 (FY18) operating budget deficit. This gap was brought on by the culmination of a number of factors resulting in operating expenses outpacing operating revenues. These include a \$15.6 million reduction in the income tax projection coupled with increased payroll and non-personnel costs for City employees.

Adding additional pressure are the possibilities of reductions in federal, state and local funding that could impact the FY 2018 and 2019 (FY19) budgets and subsequent years. Because these are not yet known, they are not factored into the revenue projections for the Proposed Budget.

This trend of shrinking revenues and rising expenses means the FY 2018 funding decisions need to be scrutinized for the long-term effects in FY 2019 and beyond. As the diversity of revenue sources dwindle, and the City becomes more reliant on the income tax, other discernible trends are detected as demonstrated by the pie chart below:



As you will discover, this budget focuses primarily on basic services and customer service. While we have avoided layoffs and service reductions, lagging revenue will make achieving these outcomes in the future much more challenging.

Through a lot of work, research and innovative thinking a number of measures are proposed to address the budget deficit. None of these items are presented lightly or without a great deal of consideration. Given the magnitude of the gap, and the trend of expenses outpacing revenues, both revenue enhancements and budget reductions are presented. A complete listing, including explanations, may be found on page 23. Below are several items of note.



## REDUCTIONS

- As detailed herein, \$8.8 million in targeted departmental reductions of 3-7% per department have been identified. Though challenging the limits of what staff may accomplish within existing resources, none of these reductions result in layoffs, service reductions or facility closures.
- Non-represented employees will receive no merit increase and a 1% Cost of Living Adjustment (COLA), saving \$1.3 million. This is compared to the 4% COLA represented employees will receive in addition to the 3-10% increase they are eligible for depending on the respective bargaining unit and salary step. This is necessitated by the difficult budget circumstance and will undoubtedly compound morale, as well as pay compression issues amongst our staff. Historically this group has not received comparable raises and has had to endure cost saving days and increased health care expenses. This is necessitated by the budget circumstance and is no reflection of the value placed upon the work they provide.
- External agencies are recommended for an across the board 25% reduction resulting in \$2 million in savings. While these agencies provide valuable services to the community, few other places to reduce spending exist to avoid layoffs and service reductions.
- \$5.1 million in bond repayments will be made from the debt service funds and other sources to avoid a transfer out from the General Fund in FY18.
- Delay the start date of the FY 2018 police recruit classes by 6 months saving \$2.3 million.
- Stormwater maintenance costs including street sweeping and yard waste collection will be transferred to the Stormwater Management Fund saving \$1.4 million in the General Fund. Other costs in the Stormwater Management Fund have been reduced to offset the expenditure increase.
- Winter Operations funding will be shifted to the Street Construction Maintenance and Repair Fund. This will not affect the ability to respond to harsh winter weather conditions.
- The relatively new Strategic Enforcement and Economic Development (SEED) Program, that encourages neighborhood stabilization and reinvestment through receivership and blight abatement operated by the Buildings and Inspections Department, will be eliminated saving \$500,000. While the program has had success, it does not represent a core service.
- The Reserve for Contingencies account will be reduced by \$130,000 leaving a balance of zero.

## REVENUE ENHANCEMENTS:

- Our successful efforts to overhaul the building permit process, enhance customer service and revamp the fee schedule, coupled with a Consumer Price Index (CPI) adjustment and the strong development activity in the city, will result in an additional \$2.4 million in building permit fee revenue.
- Increasing parking tickets from \$45 to \$60 will generate \$900,000. Additionally, contracting for booting services for parking fine enforcement will generate \$600,000.



- Raising parking meter rates based upon market analysis will generate \$640,000.
- \$486,000 in net revenue increases including: the successful electric aggregation program, increased admissions taxes and better than expected collections of litter and weed violations as part of the revamped Private Lot Abatement Program (PLAP).

While the decisions faced are difficult, there is encouraging news:

- Development in the city continues to boom. Total building permits issued including residential and commercial are up 12% year to date. This is the third year in a row we have experienced an increase.
- Revenue from building permits continues to increase.
- With your support, and that of the City Council, our performance management program is continuing to make inroads, including a \$3.4 million cumulative fiscal impact in FY 2017.
- Though slower than originally thought, income tax growth is projected to continue at a rate of 2.3% over the next 5 years.

The Proposed Budget, though stopping short of layoffs or furlough days, unfortunately represents workforce ramifications affecting employee relations, and ultimately productivity. This will need to be managed closely to minimize service delivery issues.

The reductions and adjustments proposed in FY 2018, coupled with the troubling revenue versus expenditures trend, means the margin to balance the FY 2019 budget is thin. The Proposed Budget addresses the FY19 projected deficit of \$19.7 million with a 4.7% across the board reduction, including public safety services.

From a magnitude and manageability standpoint, the budget outlook will remain challenging. As a result, work is beginning now to identify new and alternative options to reduce costs and enhance revenues in FY19 and beyond. This will allow us to maintain future structurally balanced budgets and mitigate some of the pressure.



## **5 STRATEGIC PRIORITIES**

Given the challenges faced, it is more crucial than ever to remain committed to long-term priorities and seek out strategic investments with the ability to leverage resources for enhanced strategic effect. The next section describes how these priorities are strengthened in the Proposed Budget.

### **SAFER STREETS**

Public safety is an area that will not be compromised.

The Proposed Budget will continue efforts to maintain and enhance police and fire street strength including maintaining a budgeted sworn strength of 1,074 police officers and 840 firefighters. However, due to the expected attrition and delays in the start of the next recruit class, the police sworn strength is unlikely to reach that strength level during the biennium.





SWORN FTE	JANUARY 2016	JULY 2017 23 POLICE RECRUITS GRADUATE	MAY 2018 31 POLICE RECRUITS GRADUATE	JANUARY 2019 27 POLICE RECRUITS GRADUATE	AUGUST 2019 40 FIRE RECRUITS GRADUATE
POLICE	1,020	1,030	1,061	1,062	1,038
FIRE	824	854	840	880	870

The FY18 Proposed Budget includes a police recruit class of 35 police officers to begin in November 2017. Aided by a Firefighter SAFER grant, it also includes the resources to support the 40 person fire recruit class, which is graduating in July 2017.

The Proposed Budget avoids the use of fire “brownouts” as a budget savings device.

As has been detailed at the Law and Public Safety Committee and in written memos, the current 9-1-1 call system is in critical need of repair in order to ensure reliable emergency response capabilities. This is largely due to the manner in which cell phone service is organized throughout the nation, causing issues for many jurisdictions across the US. The City of Cincinnati is not in a position to wait for a national solution. To this end, the Administration has identified a streamlined approach to resolve these technical issues, now and \$850,000 in the capital budget has already been identified for this purpose.

In addition, the Proposed Budget supports several projects aimed at preventing and reducing crime including the Place-Based Investigations of Offender Territories (PIVOT) strategy, the Cincinnati Initiative to Reduce Violence (CIRV), the Community Policing Partnering Center, the Citizen Complaint Authority (CCA) and the brand new ShotSpotter project.

Additionally, the successful body worn camera program will continue, enhancing transparency, accountability and police officer training.



**THRIVING AND HEALTHY NEIGHBORHOODS**

Fostering thriving and healthy neighborhoods improves the quality of life for residents and is critical to our success as a city.

The Proposed Budget includes funding to maintain our revamped litter and weed efforts leading to dramatically increased numbers of blighted lots cleaned, improved greenspace maintenance and support of a new program to sweep every street in the city once per month.

With your continued support and that of the City Council, the City's Engage Cincy efforts are continued in this proposal, including the Engage Cincy Grant Program. The latter is a unique community building competition providing residents, organizations and local charities a chance to



receive funding for the development, launch and promotion of innovative ideas for bettering a specific place in the city, or all of Cincinnati.

This year's winners were Healthy Food for All Northsiders, Just Hire Me, Physi, Bridgeable, and Faces of Homelessness. Given its continued success and popularity we are recommending continuation of this program in the Proposed Budget.

As part of the implementation of the Golden Cincinnati Initiative, as directed by you and the City Council, the Proposed Budget includes funding for the recently added Chief Advocacy Officer for the Elderly and the Disabled position. This initiative will identify ways to ensure the City of Cincinnati serves, and is an accessible city for all segments of the population.

### **A GROWING ECONOMY**



Through data and innovation we have systematically worked to make it easier to do business in, and with the City. We have also enhanced the ability of all segments of the community to compete for City contracts.

The Proposed Budget includes full funding to continue the City's Small Business Enterprise (SBE) and Minority and Women Owned Business (M/WBE) programs. In the first year of the M/WBE program, the City more than tripled the amount of money awarded to M/WBE firms and worked with developers involved in City projects to voluntarily commit to even more. In addition, over 200 vendors were certified, increasing the pool of M/W/SBE firms available to compete for public contracts.

The Administration remains committed to providing opportunity for youth to gain valuable real-life career experiences. The Proposed Budget includes the funding necessary to achieve the goal of having 1,000 youth participate in the Youth to Work program by 2020.

In 2016, the City attained \$420 million in total investment and added 2,300 jobs. The Proposed Budget continues to support the growth of Cincinnati and the development momentum showcasing Cincinnati as a city on the rise. Key development initiatives include:

- Promoting strategic investments that provide the necessary amenities for city residents to live in their own community safely, independently, and comfortably.
- Seeking opportunities to activate underutilized properties to create business and housing opportunities.
- Continuing to support the growth of small and medium-sized businesses, particularly those that are minority and women owned.

The Department of Community and Economic Development does a stellar job of utilizing federal funds to promote transformative development in our neighborhoods. Given the potential for funding cuts federally, continuing the level of economic development initiatives having the greatest impact on our neighborhoods could be restricted.



## INNOVATIVE GOVERNMENT

Cincinnati has become a national leader in performance management by stretching our resources further, working smarter and elevating our level of service. The Office of Performance & Data Analytics is engaging the entire organization through data-driven strategies and tactics including: CincyStat, an Innovation Lab, Open Data and performance management agreements with each department. In addition to the cost savings and avoidance benefits, the customer experience is improving. In April 2017, 75% of survey respondents were satisfied with how their customer service requests were handled and closed out. This is a more than 10% increase in customer satisfaction since October 2015, and a 6% increase over the last year.

Since being overhauled in 2016, the City's website is in a state of continual improvement, always seeking new and more engaging ways to present information about government operations to visitors. This has included the creation of CincyInsights, available here: <https://insights.cincinnati-oh.gov/>.

This site maps massive amounts of City data allowing users to interact in real-time. Anyone interested is invited to explore road conditions, potholes filled, heroin overdoses, crime statistics and much more.

The tool has proven quite popular with over 56,000 hits since the December 2016 launch. Resources to maintain and further develop this site are included in the FY18 budget.



## FISCAL SUSTAINABILITY AND STRATEGIC RE-INVESTMENT

Given the present financial challenges, advancing this priority will prove the most challenging. However, with smart long-term decision making, our efforts to steady the City's financial ship will continue.

As an organization, we will continue to look for opportunities to better use technology and stay ahead of current trends. Put simply, as an organization we must stay relevant, or we will become obsolete. The Smart Cities initiative announced earlier this year will provide new and exciting opportunities for the City to become even more efficient, financially stable and responsive to our customers.

The \$97.5 million Capital Acceleration Program (CAP) over FY 2016-2021 is in full swing. The Proposed Budget includes the resources needed to fully continue the CAP program during the biennium. Not only will this improve our roads and customer service, maintaining this initiative is wise given it will lessen the need for spending on roads and fleet in the long-term, thus relieving future budget pressure.

In this biennium, \$31.5 million is being invested to fix our roads and update our fleet of vehicles. As a direct result of CAP, 80 additional lane miles will be repaved by the end of CY 2017 and preventative maintenance will be performed on approximately 282 lane miles of streets in 32 neighborhoods. A complete breakout, including the lane miles done as part of the traditional Capital Improvement Plan (CIP) are below:



<b>STREET REHABILITATION PROGRAM - LANE MILES</b>			
	<b>FY 2016</b>	<b>FY2017*</b>	<b>FY 2018*</b>
<b>CIP</b>	<b>83.8</b>	<b>82</b>	<b>68</b>
<b>CAP</b>	<b>43.5</b>	<b>38</b>	<b>28</b>
<b>CAP Preventive Maintenance</b>	<b>132**</b>	<b>150</b>	<b>150</b>
<b>TOTAL</b>	<b>259.3</b>	<b>270</b>	<b>246</b>

\*Projected as of May 1, 2017

\*\*In progress, under contract

By comparison in FY14, prior to CAP, the City rehabbed 70 lane miles and performed no preventative maintenance. And the fleet will benefit from 281 new vehicles and dozens of pieces of new equipment by the end of FY19.



**CONCLUSION**

Creating a structurally balanced Proposed Budget that avoids layoffs, service reductions, and facility closures has not come without many hurdles. However, once again our dedicated team has risen to the challenge. I want to thank all of the City staff, especially Christopher Bigham and his team, who has guided this process in a professional and methodical manner.

I also want to thank the hundreds of residents and interested individuals who have taken advantage of the re-vamped budget engagement process and participated in surveys, attended meetings, and submitted ideas. This Proposed Budget is better because of your interest and action.

I fully realize the decisions you now face are complex and more difficult than in recent years. To this end, the Administration stands ready to work with you to answer every question, and outline any impacts of any additional proposals to balance the budget so as to mitigate customer service effects.

I want to thank you Mayor Cranley, and the entire City Council, for the leadership, direction and support on so many of the priorities outlined herein. The City Manager's Recommended Fiscal Year 2018/2019 Budget is a reflection of those priorities and is built upon the successes your collective, steadfast support has allowed. This recommended proposed budget is structurally balanced.

Harry Black

City Manager