

**CITY OF KENT, OHIO**  
**2012 RECOMMENDED BUDGET**

**CITY OF KENT  
2012 RECOMMENDED BUDGET  
TABLE OF CONTENTS**

**LETTER OF TRANSMITTAL**

**2012 BUDGET ASSUMPTIONS AND NOTES**

**DEFINITIONS OF EXPENDITURE CATEGORY**

**ELECTED AND APPOINTED OFFICIALS**

**CITY OF KENT ORGANIZATIONAL CHART**

**2012 RECOMMENDED BUDGET OVERVIEW**

Major Revenue Category Comparison - Table and Graph Chart	1 -	1,2
Use of Municipal Income Tax Dollars - Table and Pie Chart	1 -	3,4
Comparison of Major Appropriation Types - Table and Graph Chart	1 -	5,6
Program Area Comparison - Table and Pie Chart	1 -	7,8

**EXPENDITURES BY PROGRAM AREA**

**GENERAL GOVERNMENT**

City Council	2 -	1,2
Mayor	2 -	3,4
Community Support	2 -	5,6
City Manager	2 -	7,8
Human Resources	2 -	9-12
Civil Service Commission	2 -	13,14
Law	2 -	15,16
Financial Administration	2 -	17-20
Income Tax Administration	2 -	21,22
Service Administration	2 -	23-26
Engineering	2 -	27-30
Rental Units	2 -	31,32
Miscellaneous & Sundry	2 -	34

**PUBLIC SAFETY**

Safety Director	3 -	1,2
Police Services	3 -	3-6
Records & Communications	3 -	7,8
Juvenile Services	3 -	9,10
Support Services	3 -	11,12
Trust Funds	3 -	13-16
Police Pension	3 -	17,18
Fire Services	3 -	19-22
Community Services	3 -	23,24

Table of Contents (continued)

Technical Rescue	3 -	25,26
Hazmat	3 -	27,28
Confined Space	3 -	29,30
Fire Pension	3 -	31,32
Wireless 911	3 -	33,34
Capital Projects	3 -	35,36
Justice Assistance Grant	3 -	37,38
<b>TRANSPORTATION</b>		
Central Maintenance	4 -	1-4
Vehicle Maintenance	4 -	5-8
State Highway	4 -	9,10
Capital Facilities Management	4 -	11,12
<b>BASIC UTILITY SERVICE</b>		
Water Production	5 -	1,2
Water Reclamation	5 -	3,4
Capital Facilities Management	5 -	5-8
Refunds	5 -	9,10
Solid Waste	5 -	11,12
Storm Water Drainage	5 -	13,14
<b>HEALTH SERVICES</b>	6 -	1-4
<b>LEISURE TIME ACTIVITIES</b>		
Leisure Time Activities	7 -	1,2
KABC	7 -	3,4
K-6 Child Care	7 -	5,6
<b>COMMUNITY AND ENVIRONMENT</b>		
Community Development	8 -	1-4
Building Inspections	8 -	5-8
Land Banking	8 -	9-12
Shade Tree	8 -	13,14
Urban Renewal	8 -	15,16
Permit Parking	8 -	17,18
Public Planting	8 -	19,20
Main Street Program	8 -	21,22
Economic Development	8 -	23,24
Neighborhood Stabilization Program	8 -	25,26
Clean Ohio Assistance Fund Grant	8 -	27,28
<b>DEBT SERVICE &amp; CONTINGENCY</b>	9 -	1,2
<b>APPENDICES</b>		
2012 Recommended Capital Appropriations by Fund	10 -	1
Comparison of Positions Funded by Budget Divisions	10 -	3-7
Managed Reserve	10 -	8



# City Manager's Budget Message

## 2012 Proposed Operating Budget

October 7, 2011



To: Honorable Mayor and Members of City Council

The City Charter [Section 42. e] requires the development of an annual budget that provides a financial plan for all City funds and activities for the ensuing fiscal year, and I am pleased to fulfill that obligation with the submission of this draft 2012 Proposed Operating Budget for City Council's consideration.

### Overview

The annual budget process provides an opportunity for Council to reflect on the alignment of City resources with community priorities as we close out one year and prepare to begin another. On paper our budgets are approved for 12 months, but in our community, their impacts can extend for years.

Each budget inherits the budget decisions that preceded it, and the 2012 Budget will make choices that will carry forward in Kent for years to come. While the contents of the budget are individual line items on a balance sheet, it's the cumulative impact of our budgetary decisions that will be the legacy of our 2012 budget as it shapes the future opportunities available in our community.

As we wrestle as a community with the hard choices facing us in 2012, it will be imperative to consider both the short and long term perspectives of our final budget document.

### Budgetary Constraints

Stability, continuity and sustainability are highly valued attributes in City services and our budget upholds those commitments to our residents. Responsiveness and progress are equally important City service values yet the stagnant economy has constrained City budgets to such an extent over the last 5 years that little change in our operating services has been possible from year to year. Consistent with that trend, the Proposed 2012 Operating Budget has few new programs but it sustains the City's commitment to existing services and includes incremental gains wherever possible.

The economic reality of the last three years has slowed the pace of new initiatives but not the drive of the staff to improve the services we offer Kent residents. In the shadow of economic uncertainty, many of our services have been put in positions where all we can do is acknowledge new needs and wait anxiously for an economic recovery to restore some flexibility in our finances. Until then, we hold the line knowing that doing something is better than nothing, and we continue to work hard to take small steps towards our community goals despite our economic limitations.

The budget message last year was that Kent was "less worse" than most of our peer cities and the same could be said heading into 2012. While we are far from declaring the arrival of an economic recovery, our economic indicators started to trend up in 2011, suggesting that the gap between "most worse" and Kent's "least worse" position is actually widening in Kent's favor thanks to the significant private investments made in Kent during 2011.

Kent State University's economic contributions continue to buffer the City from downward declines in business cycles but as a public institution Kent State is an unlikely source of tax base growth -- growth remains primarily a product of private sector investment.

The good news coming out of 2011 is that Kent State held stable, as it has done for decades, but for the first time in many years the more volatile private sector made real gains, expanding Kent's tax base. With record levels of reinvestment in downtown Kent and the arrival of the largest manufacturer in Kent in that last 40 years, there were promising signs of the diversification of the City's tax base in 2011 which will be critical to a sustainable economic recovery.

Our efforts to make strategic investments to spark a resurgence of business activity in Kent appear to be working, but they come at a cost, and our finances walk a tight-rope between being adequate enough to ignite a recovery without over-extending the City's limited fund balances. It's a challenge we will continue to face in 2012.

Financially we saw evidence of private sector revenue sources rebounding in 2011 but unfortunately with unexpected cuts in State funding -- \$450,000 cut in government funds for 2012, and a \$200,000 hit from the elimination of estate taxes beginning in 2013 -- those private sector gains will likely get lost in the bottom line in 2012.

Further, the housing and mortgage troubles that besieged many of our neighbors has affected our community as well. Property assessments are down and foreclosures are up. In light of these challenges, City Council expressed in clear terms its concern for the community's ability to shoulder additional cost for local municipal services at this time and we've honored that objective in this budget.

We recognize that in times like these families work to stretch every dollar of income and the City government must also find ways of doing more with less. We continually review priorities, make decisions about what we can afford and what we cannot afford, and seek out better, less expensive ways to deliver essential services. We have done all of those things in preparing this budget just as we have in each of the budgets preceding it.

### 2012 Budget Strategy

The challenge for our organization is to prepare a budget for 2012 that recognizes the current stresses felt by many of our citizens without negatively impacting the organization's ability to consistently serve the public now and in the future. We believe we've accomplished that objective through the combination of a very tightly constrained Operating budget and a strategic, relatively aggressive, Capital Plan.

One way to reduce the tax burden on Kent residents is to obtain every available dollar of federal, state, and regional funding. City staff have diligently researched what funds are available and aggressively sought to bring those dollars home to Kent. Between our strong relationships with federal, state, and regional representatives, the support of our partners, and the expertise of our staff, we have been successful in obtaining capital grant funding in excess of \$50 million dollars over the last 5 years.

Those new funds have injected a degree of financial flexibility not previously available to us, which when combined with our cash balances in the undesignated fund, have enabled us to bridge operating budget gaps. Our tactic has been to leverage our more liquid funds to fill the gaps and be a catalyst for the restoration of the Operating budget sources. We have proposed to continue that approach in 2012.

We've worked hard to avoid letting our community goals be held hostage to the economic tide and it seems to be working. There is solid evidence in our community that while we've braced ourselves for short term economic stress with a constrained Operating budget, the strategic investments of our one-time funds have made a difference in attracting new private investment. If the City, Kent State University, and the community continue partnering fully and enthusiastically, I believe we will be positioned to emerge from the great recession stronger than we've been in decades.

Even as our confidence has been tested, we can see evidence of a resilient entrepreneurial spirit that is alive and well in our community as business development continues in our downtown and in other pockets around the City. Businesses, community groups and citizens are looking for opportunities to partner with the City in efforts such as neighborhood planning, community policing, beautification, and code enforcement. These signs of renewed engagement hold promise for the future of our community that we create together.

In a year when we are proposing to use undesignated fund balance to back-fill possible Operating revenue shortfalls, I think it's important to reference our fiscal resiliency. On paper, the City's undesignated fund balance will make an estimated \$2,800,000 contribution to the Operating fund in 2012. At that level of investment, the undesignated fund balance is projected to drop to a new balance of approximately \$5,600,000 in 2013.

It's worth noting that we projected a comparable contribution (\$3 million) from the undesignated fund balance in the 2011 budget but it looks like we will need something closer to \$1.5 million at year end. I don't want to understate the use of undesignated fund balance but it's important to recognize that we do our best to estimate 18 months out for our budget but we cannot predict with certainty – which means we take a very conservative approach with estimates and we have historically beat our estimates by as much as 30% to 50%. We assume that it is always better to be prepared than to be surprised, and our budget figures reflect that preference.

The undesignated fund balance is made up of previously budgeted funds that were approved by City Council to be spent in prior years but the staff was able to avoid those expenses, and in turn those savings are now available for unexpected needs that arise. Thankfully, previous City Councils and City staff had the foresight to set aside those funds long before anyone had ever heard of the great recession and that act of fiscal responsibility is what has enabled Kent to avoid the kind of employee furloughs, layoffs, and dramatic cuts in services that so many of our peer cities are struggling with today.

Just because we need to use undesignated funds in 2012 does not mean that we take them for granted. On the contrary, undesignated funds remain a revenue source of last resort. Below is a list of the types of fiscal vigilance that we will continue to use in 2012 to minimize any use of undesignated funds:

- We will track and forecast revenues and expenses utilizing historical and month-to-month trend analysis;
- We will monitor and work with our elected delegations to mitigate any legislative initiatives that could threaten our fiscal stability or impose more unfunded mandates on the City;
- We will research best practices in our industry and adopt productivity and cost savings measures wherever practical and affordable;
- We will collaborate and partner to lower our costs and take advantage of economies of scale;
- We will press for State and Federal funds for capital projects and available competitive grant processes.

Productivity improvements, efficiencies and cost savings remain a top priority at every level in the City organization. In 2011 we made changes in areas as small as our rug cleaning and phone service contracts to such major initiatives as steel snow plow blades and renting equipment to a neighboring city; saving upwards of \$250,000 in 2011.

When that quarter of a million dollar reduction is added to the cuts and savings made over the last 6 years takes, the non-personnel savings total \$2.25 million – with personnel savings at \$3.5 million.

### Budgetary Assumptions

We have applied conservative budget preparation principals to our initial budget draft, consistent with common practice in most governmental budgets. The most significant budgetary assumptions built into our Proposed Operating budget include the following:

- Income Tax receipts show a moderate (3.8%) increase; Local Government Funds show a decrease of \$450,000; and the Kent-Franklin JEDD will show an increase of \$140,000 due to a scheduled rate increase and growth in the JEDD.
- All authorized positions have been budgeted at the top of range for salary expenses  
The variance between top of range budgeting practice and actual for FY2012 is approximately \$490,000.
- Employer Medicare (FICA) expenses calculated at 1.45% of salary
- Workers' Compensation expenses calculated at 2.0% of salary
- Employer OPERS expenses calculated at 14.0% of salary
- Employer Police & Fire Pension expenses calculated at 19.5% and 24.0% respectively
- Employer Health Insurance expenses were increased to \$11,280 per family.
- Sellback expenses for sick and vacation time is based on prior two years activity.
- Overtime expense projections were provided by each department.
- Budgeted for 3 vacant firefighter positions and 2 vacant Finance positions  
Vacant positions totals approximately \$320,000 in savings.
- Public Safety budget reflects additional \$160,000 for anticipated retirements.
- General Govt. budget reflects additional \$20,000 for anticipated retirements.
- Utilities budget reflect additional \$35,000 for anticipated retirements.
- Operating Expenses in the Operations & Maintenance categories are to remain at 2010 levels except where there is substantiated variance on essential materials or contracts.
- 73.3% of full time City positions are covered by a collective bargaining contract.
- 76.6% of salary/fringe expenses are covered by collective bargaining contracts.
- Fuel – unchanged cost of \$3.00/gal from 2011.
- Utilities – unchanged from 2011.
- Insurance/Bonding – minimal increase over 2011 level.

The practice of utilizing conservative assumptions for personnel budgeting is to provide the City with a safety net for unanticipated and variable personnel expenses. One such unexpected variance has turned out to be health care. After 2 consecutive years (2009, 2010) of below average claims costs, 2011 health care claims costs doubled and as a result we're facing an additional \$250,000 in unexpected health care coverage rates heading into 2012.



### Budgetary Objectives

The principle role of City Council in the budget adoption process is to ensure that the City's policy commitments are in alignment with budgetary allocations. Have we appropriated the funds necessary to achieve our community priorities?

To that end, the budget is the most important policy action that we will take all year long. It's our investment plan for progress toward the vision we share for our community and for which Kent is proud to be known. Despite diminished resources, this budget will still push for progress on the City's strategic priorities. We will look to partner with our citizen advisory boards, commissions, peer governments, and of course, the public to fulfill our strategic goals as noted below:

- Financial Health and Economic Development  
"to be a prosperous and livable city for all citizens"
- Natural Resources  
"to protect and promote the City's natural resources"
- Quality of Life  
"to enhance lifestyle choices through physical and social environment"
- Community Safety  
"to be an exceptionally safe city"
- Communities within the City  
"to strengthen the quality and enhance the value of neighborhoods"
- City / University Synergy  
"to expand collaborative opportunities that enrich the community experience"
- Governmental Performance  
"to provide the best services at the lowest possible cost"

### 2012 Budget Numbers

The proposed 2012 budget assumes a continuation of aggressive cost containment. We asked staff to propose more cuts where they saw opportunities to do so, and to hold their budgets to 0% growth unless increases were clearly justifiable.

Once again the staff rose to the budget challenge and the recommended total for 2012 Operations and Maintenance compared to the 2011 Amended Budget reflects a \$961,573 decrease, or 10.87% overall reduction in O&M -- \$7,880,753 in 2012 vs. \$8,842,326 in 2011.

As a service provider the City's largest cost relates to its investment in personnel. In total, it costs about \$68,000 per day to perform City services -- with 50% of those costs are attributed to Fire and Police functions.

Following the cuts in positions that occurred from 2005 to 2008, in 2012 the City will be operating at a staffing level (full time) that is the same as we had 14 years ago (192 employees) and the Proposed Operating Budget total for 2012 Personnel Expenses compared to the 2011 Amended Personnel Budget reflects a \$54,450 decrease, or 0.28% personnel expense reduction -- \$19,224,891 in 2012 vs. \$19,279,341 in 2011.

It is important to note that the Personnel savings projected for 2012 are in large part a result of the leadership role the employee unions took with their membership to propose a 0% wage benefit for 2012. With every 1% increase pay, the Personnel costs amount to approximately \$125,000 citywide, so I am grateful for the willingness of the unions to work with us to be a part of the financial solution. As reflected in the numbers, a 0% wage change has a real impact on the bottom line for the 2012 budget.

From 2010 to 2011 total City revenues are projected to increase by a slim \$100,000 margin. In 2010, 21 out of 38 revenue categories declined, but there have been signs of improvement so for 2012 the staff is projecting a modest (2%) increase in operating revenues (excluding capital/grants/bond revenues).

In Closing

Despite the stress of delivering public services in such austere economic times, I am honored to work alongside our skilled City employees to implement our collective vision and I thank them for their hard work and dedication. I am particularly proud of the teamwork that Department Heads have exhibited with one another in charting new ways of going about our business.

I would also like to specifically acknowledge David Coffee, Director of Finance and Budget, Brian Huff, City Controller, and the entire Finance Department team for the many hours required to produce a spending plan of this complexity and scope.

As the end of another fiscal year looms, like most citizens of Kent, I am grateful to you, our Council Members, for your many hours of service and dedication to our community.

I submit this budget anticipating good things for Kent in 2012. While we might not have all the funds we need to support City services at the level we desire, we have invested well and there is evidence of a mini-economic recovery underway in Kent.

Whatever next year may bring, I look forward to working with the City Council, our staff and the citizenry to keep Kent strong and its future bright for generations to come.

Respectfully submitted,

A handwritten signature in black ink that reads "Dave Ruller". The signature is written in a cursive, flowing style.

Dave Ruller, Kent City Manager