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Ravenna City Council

Re: 2013 Tax Budget Highlights

Dear Council Members,

Outlined in this document is a synopsis of the 2013 tax budget and some of the major issues that the budget commission would like to make you aware of. With all the changes that have been made in the past three years with reorganizations, consolidations and cost reductions we find ourselves again at the crossroad of defining what services we can afford to provide our residents.

The 2012 operating deficit was originally projected at \$1,016,396.00 leaving approximately \$389,000.00 balance in the general fund at the end of the year. During 2012 the City received an unexpected \$559,067.00 in estate tax that was not budgeted. This unanticipated (one-time) revenue basically bought us an additional year of cash reserve to operate on, through 2013.

The general fund operating deficit in the original 2013 tax budget was greater than the cash reserve balance that was available to start the year. The annual operating deficit for 2013 actually increased over 2012 (\$126,980.00) due to another round of State-imposed cuts in local government fund revenues.

- 2012 local government fund cuts \$159,137.00
- 2013 additional local government fund cuts \$120,000.00

The beginning fund balance in 2013 was not sufficient to cover the deficit. The commission made over \$200,000.00 in cuts to bring the 2013 year to the break-even point. The following is a breakdown of some of the major changes.

2013 Tax Budget

- Began process by cloning the 2012 Permanent Budget
- Adjusted all salary items for scheduled step increases and longevity increases
- Focus was placed on General Fund. Began the process with a Fund Balance deficit of nearly \$210,000. This balance included some proposed staffing changes (addition of Dispatch Supervisor and Engineering Assistant) and a change to the tracking of IT related software moving all maintenance under IT for

payment and then allocation to departments.

- Identified possible areas of budgeting changes in order to pass the budget.
 - o Remove budget for Retirement liability in Fire Dept. There are currently 4 individuals eligible to retire 2 are budgeted in the current year (\$51K)
**note: the budget commission would like to bring to your attention that that true estimated 2013 exposure if eligible employees would retire in 2013 would be more than \$60,000.00*
 - o Remove budget for Retirement liability in Police Dept. There are currently 3 individuals eligible to retire 1 is budgeted in the current year (\$24K)
**note: the budget commission would like to bring to your attention that that true estimated 2013 exposure if eligible employees would retire in 2013 would be more than \$110,000.00*
 - o Change the allocation of Healthcare expense for 2 engineering positions to match allocation of salary (\$32k)
 - o Remove Dispatch Supervisor position (~ \$41K with PERS & Med)
 - o Increase Parking Rev (\$2500)

These changes were implemented leaving approx. \$75K deficit

- Further review line by line showed no obvious areas to cut. The budget commission's recommendation was, since the majority of the General Fund expenses are associated with Safety Forces (over 69%), the majority of the cuts must come from Police and Fire. The following changes were made to balance:
 - o Cut Police P/T Salary (\$30K)
 - o Cut Police Bldg Repairs, Vehicle Maintenance and Training (\$7K)
 - o Cut Fire O/T (\$35K)
 - o Cut Fire Vehicle Maintenance (\$3K)
 - o Cut Engineering Supplies (\$1K)
- Rec Levy Fund – in order to balance had to remove Retirement Liability for 1 employee (\$30K)

<p>New ending Fund Balance as of 12/31/13= \$4K 2013 General Fund Operating Deficit = \$929K</p>

Capital Items:

- Met with all department heads and reviewed the five year Capital Plans. For the 3rd year. This process continues to add structure to long term departmental planning and each year becomes more streamlined. The budget commission reviewed items scheduled for 2013 and whether they were still necessary and what impact these appropriations would have on the long term infrastructure improvements of the City. The budget commission also discussed and recommended new items to the current CI Budget. The reserves were also reviewed and strengthened to improve our long-term planning process.

- The budget commission recommended that we begin leasing Police Cruisers (4) for (\$35k) and a new Squad (\$31K) for Fire. The leases and delivery will start in 2012 with payments scheduled in 2013 and forward for 5 year leasing.
- A Voice Over IP System was added as a new item to occur in 2013. Our phone expenses (over \$90k) and services are in need of significant overhaul and standardization. (\$175K) CI65-74 \$125K, Wtr \$25K, Swr \$25K and Parks \$10K
- Renovation of City Hall (\$50K) CI65-74 \$25K, Wtr \$12.5K, Swr \$12.5K
 - o Improve security
 - o Improve technology
 - o Enhanced customer service
 - o Improved work flow and better record retention

Note: The Estimated Cash Balances as of 12/31/13 (page A of budget book) while significantly reduced reflect a more realistic picture of our operational status with a plan for future maintenance and upgrade of our facilities and plants and continuing attention to our infrastructure. While it appears that we are spending significant funds on capital improvement projects, by law these funds must be used for capital improvement projects and are not available to be utilized to meet our ever increasing operational expenses.

As you can see at this juncture, the operating changes and budget cuts that have been made over the past three years find us at a point that we are now operating at base levels while attempting to maintain City-wide service levels of the past. Despite the budgetary reductions of more than \$1.5 million dollars in the past three years, the continual loss of revenue (Local Government Funding) finds us back to where we started in 2010, operating our general fund at roughly a \$1.0 million dollar deficit.

We have now reached the point where it is incumbent on council and the administration to examine the services we can afford to offer and make some decisions as responsible fiscal managers of our taxpayer's money.

Joseph Bica



Chairman Budget Commission