

To: Ad Hoc Advisory Committee
From: Scot F. Lahrmer, Village Manager
Re: 30% Budget Reduction Scenario
Date: January 19, 2012

The Ad Hoc Advisory Committee (AHAC) has requested to see a scenario of a 30% reduction in Village expenses for the General Fund. The difference between 2012 estimated expenses of \$5,466,574 compared to 2012 estimated revenues of \$3,920,018 is \$1,546,556 or 28.3%. This memo provides background information then describes how basic services in the Village would be delivered if the General Fund budget was decreased by 30%.

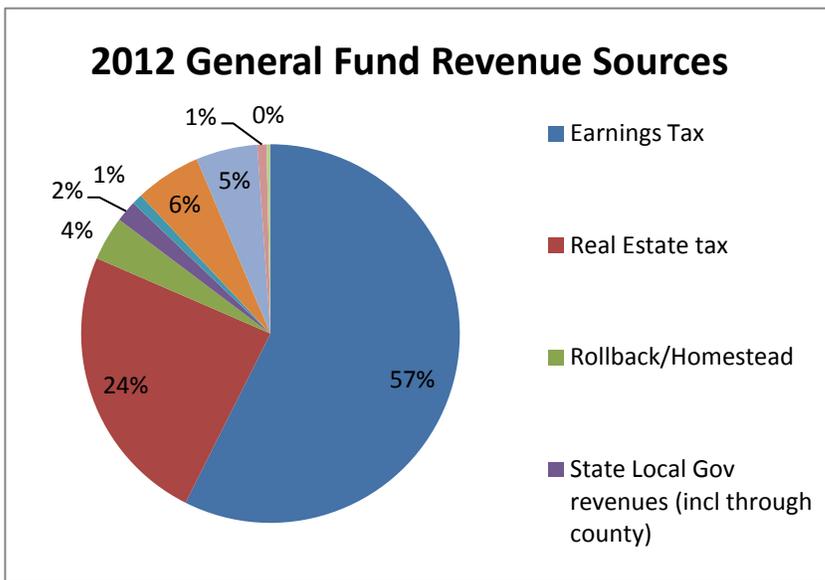
Amberley Village isn't the only jurisdiction facing financial challenges. A recent white paper issued by IBM claims local governments in the US are collectively facing a \$225 billion structural deficit, which constitutes about 12% of their total spending.¹ The article stresses that structural deficits, like what Amberley Village has experienced the last few years, will not diminish even when the economy starts expanding again.

Revenues

Amberley Village has various funding sources for its General Fund, which is the fund from where nearly all services (police, fire, maintenance, administration, etc.) are funded. However, the primary source of revenue is derived from our earnings tax and property taxes. 2012 General Fund revenues are estimated as follows:

<u>Revenue Type</u>	2012 Budgeted <u>Revenue</u>
Earnings Tax	\$2,250,000
Real Estate tax	945,432
Rollback/Homestead	147,243
State Local Gov revenues (incl through county)	71,943
State Income Fund	35,000
Charges for services	221,080
Fines, licenses and permits	205,600
Interest Income	30,720
Miscellaneous	<u>13,000</u>
TOTAL REVENUE	\$3,920,018

¹ Smarter, Faster, Cheaper, An Operations Efficiency Benchmarking Study of 100 American Cities, IBM.



Estimated Village revenues for 2012 are less than previous years because our revenues have been negatively affected by a variety of factors. The State Budget dealt a financial blow to Amberley Village by eliminating the inheritance tax² and significantly decreasing revenue sharing from the State via the local government fund³. The Village is also affected by declining property taxes, with a \$17 million property value loss throughout the Village. The Auditor’s Office has notified the Village to expect less property tax revenue⁴. For tax year 2010/collection year 2011, the total valuation in Amberley will be decreased by over 10%. This includes a 7% decrease for residential, 13% decrease for commercial and 9% decrease for industrial in addition to adjustments for the public utility value due to the Duke Energy appeal. This decreases our total property value from \$185 million to \$168 million for tax year 2011/collection year 2012 which translates into less property tax revenue. *Attachment A* shows General Fund Revenues from 2006 through 2011.

An article in the Wall Street Journal highlighted the fall in property tax revenue for local governments that have relied on the property tax, noting local governments have endured the first back-to-back declines in property tax revenue on record.⁵ Our declining property values in the Village are comparable to other Hamilton County communities and typical of what is happening across the country. However, this decline combined with State elimination of revenue sources, creates a severe financial setback for Amberley.

² Over \$8 million has been generated over the last decade for the Village from inheritance tax. The Village typically receives between \$500,000-800,000 per year from the Inheritance Tax.

³ The Village will receive 25% less this year followed by another 25% decrease the following year. While the Village has received as much as \$125,000 per year, the Village will likely receive only \$72,000 in 2012 and \$49,000 in 2013.

⁴ The Village will receive \$200,000 less in various property tax revenue than anticipated in 2011.

⁵ WSJ July 16-17, 2011

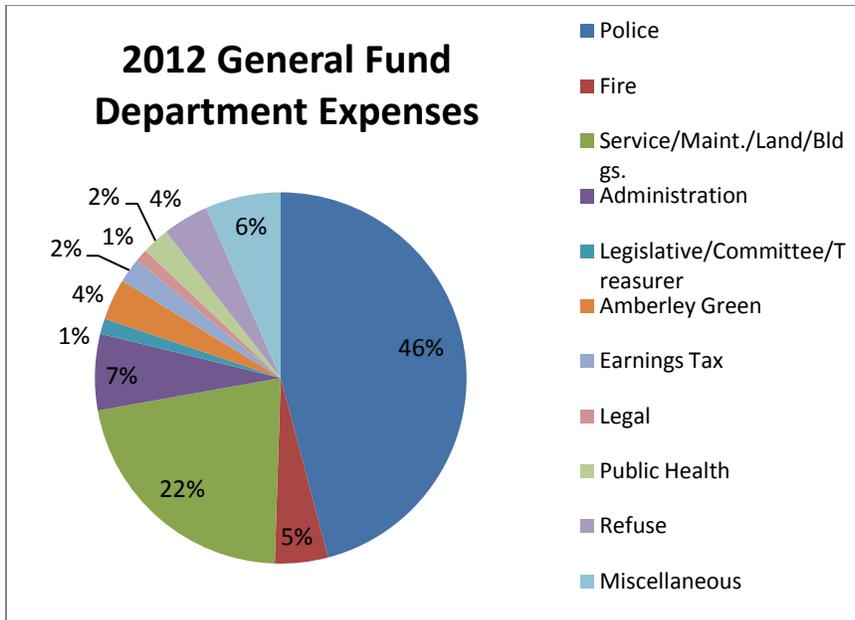
The State has eliminated the inheritance tax and tangible personal property tax as revenue streams to the Village. They have also decreased the Local Government Fund allocation to the Village by 50%. To understand the magnitude of the State cuts, the chart below takes our revenue from the last 6 years and shows what percent of the State revenue relied upon by the Village has been cut. This includes the inheritance tax and tangible personal property tax but does not include the 50% reduction of the local government fund.

<u>Year</u>	<u>Revenues</u>	<u>Inheritance Tax</u>	<u>State Tangible Personal Property</u>	<u>% of Village revenue cut by State</u>
2006	\$5,118,184	\$993,947	\$25,482	20
2007	7,767,151	3,398,577	16,416	44
2008	4,619,456	183,568	48,511	5
2009	5,097,752	1,107,816	45,831	22
2010	4,355,154	256,747	55,229	7
2011	4,450,057	407,294	10,624	9

Expenses

Expenses for the Village General Fund can be broken into various categories as shown below but most often is lumped into the area of Police/Fire, Maintenance, Administration and Other.

<u>Category</u>	<u>2012 Budget</u>
Police	\$2,508,455
Fire	252,494
Service/Maint./Land/Bldgs.	1,185,218
Administration	362,979
Legislative/Committee/Treasurer	73,771
Amberley Green	196,118
Earnings Tax	117,969
Legal	60,600
Public Health (EMS and Health)	130,470
Refuse	218,800
Miscellaneous (contingent, auditing,etc.)	<u>359,700</u>
TOTAL EXPENSES	\$5,466,574



Estimated Village expenses for 2012 are less than what was originally budgeted in 2011 and less than the 2012 Tax Budget that was prepared in June 2012. Expenditures for the Village have ranged from a low in 2006 of \$4.5 million to a high of \$5.4 in 2008. Expenses have actually been declining since 2008 as shown on *Attachment B*, which shows General Fund Expenses from 2006 through 2011.

<u>Year</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Yearly Balance</u>
2006	\$5,118,184	\$4,500,658	\$617,526
2007	7,767,151	5,032,345	2,734,806
2008	4,619,456	5,445,154	- 825,698
2009	5,097,752	5,393,666	295,914
2010	4,355,154	5,353,569	- 998,415
2011	4,450,057	5,151,860	- 701,803

The Village has been in an expenditure reduction mode for the last few years and the expenses for 2011 ended up at \$5.1 million, the lowest since 2007.

<u>Year</u>	<u>General Fund Expenditures</u>
2006	\$4,500,658
2007	5,032,345
2008	5,445,154
2009	5,393,666
2010	5,353,569
2011	5,151,860

While there are a variety of reasons for this decline in expenses, the most impactful has been vacant positions going unfilled. In 2011, 3 positions were unfilled for a period totaling 14 months⁶ and with 64% of the Village's costs related to personnel, when positions remain vacant, the savings to the Village is significant. The three full time positions that became vacant in 2011 included; police lieutenant, maintenance worker and finance administrator. The finance administrator position has been assumed by the existing tax administrator which leaves the tax administrator position vacant. The Village will continue to have 3 full time positions unfilled during 2012 and seasonal workers in the Maintenance Department have gone unfilled as well.

Staff levels in most areas of the Village are extremely lean. From a business standpoint, it is short sighted to have the Village finances being handled by one staff person. While in the interim, part time staff can be hired to assist in the financial affairs of the Village, in the long run, there should be additional help to provide financial security, oversight and internal controls for the Village.

Additional personnel savings will occur in 2012 by not promoting a sergeant within the police department. A 4-2 work schedule (4 days on/2 days off) with officers working between 8 and 10 hour shifts has been implemented in the Police Department which will reduce overtime yet extend coverage for the Village. As additional vacancies occur within the Police Department, the structure of the Department will change resulting in more savings. A full-time front desk position in Administration will remain unfilled while it is staffed a few hours per week with part time staff, saving some additional money for the Village. Job sharing is occurring between the Police Department and Administration resulting in savings as well.

Budget Cuts Already Made

The Village has cut its expenses the last few years. In 2011 and 2012, the emphasis has shifted to reducing personnel costs because 64% of the Village budget is driven by personnel costs. This has been done through attrition, passing the cost of health benefits on to employees, outsourcing work and doing business with fewer personnel. So far, the Village has been able to reduce personnel costs without layoffs. The 2012 Budget reflects the following cost saving measures involving its workforce:

⁶ Finance Administrator position vacant from July through December; Police Lieutenant position vacant from August through December; and Maintenance Worker position vacant from October through December.

<u>Year</u>	<u>Item</u>	<u>Amount</u>
2011	Wage freeze	\$64,644
2012	Wage Freeze	65,937
2011/2012	Employees pay 10%/15% of healthcare premium	40,080
2011	Spousal coverage restricted	34,109
2011/2012	Employees' health insurance benefit plan reduced	63,178
2011/2012	Unfilled police lieutenant position	130,000
2012	Tax administrator full time position unfilled (net)	25,000
2011/2012	Unfilled maintenance worker position	83,374
2011/2012	Front desk Administration position reduced to part-time	28,183
2011/2012	No seasonal help for leaves, mowing, etc.	<u>46,371</u>
Total		\$580,876

Including the cost savings mentioned above, the staff has identified over \$1 million of cost savings to the Village. Some examples to equipment savings include:

2010	New cruisers were not purchased	\$59,642
2011	New cruisers were not purchased	60,242
2012	New cruisers were not purchased	65,000
2011	1997 dump truck replacement deferred since 2010	90,000
2011	Chipper replacement delayed	45,000

A report was prepared last year showing cost savings the Village has actively engaged in over the last few years. It is referenced as *Attachment C*.

2006 vs. 2012

There has been discussion and questions within the AHAC about expenses in 2006 and comments that returning to that level of spending could solve our financial issues. Staff has looked at 2006 expenses, chosen 13 areas to highlight and compared expenses of 2006 vs. 2012 and tried to provide a perspective on what has changed since then and how it affects the Village Budget. Keep in mind, 2006 was prior to the Great Recession. Six years ago the Village earned \$259,125 in interest compared to \$32,317 last year. In 2006, the housing market was still vibrant, consumer debt was at an all-time high, consumer spending was strong and unemployment was 5.6% compared to 9% currently. The weekly average gas price began 2006 at \$2.28 per gallon, and peaked at \$3.02 per gallon in August. This reflection from 2006 can be found as *Attachment D*.

2012 Budget by Expense Category

To provide a different perspective, *Attachment E* reflects the total Village General Fund Budget by category, regardless of the department in which it was incurred. This perspective shows how monies are allocated by categories instead of by department or function.

30% Budget Cut Scenario

The AHAC has been reviewing the Village financial situation since early November. Their request to see the effects of a 30% budget cut is what follows.

The ability of the Village to cut certain expenditures may at times be limited by law, mandate, or sound business practice. The intent of discussing consequences of possible cuts is to point out real challenges the Village faces if such cuts are made. In my short tenure as Village Manager, it is amazing how often residents express how proud and appreciative they are of Village services. I have come to understand that Village services significantly define Amberley's identity and go a long way toward creating the community's ambiance.

In an organization where efficiencies have not existed or lean principles not applied, a 30% budget reduction exercise could identify certain expenditures, positions or services that stand out as no longer having significant value. While the service level is high in the Village, generating such a list was extremely difficult. Part of this is due to our lean staff that is performing multiple functions such as:

1. Police officers serve as firefighters.
2. Maintenance workers double as firefighters and parks department.
3. Police officers perform property code enforcement.
4. Public works supervisor provides zoning administration and compliance work.
5. Clerk of council doubles as assistant to manager.

Likewise, while the Village can discontinue brush pick up and eliminate a 2 or 3 man crew; those same employees are the ones necessarily to provide the high level of snow and ice control. They also serve as firefighters so reducing certain services will not necessary translate to savings, since a minimum number of employees are required to deliver certain services.

While government in general tends to operate in silos, without coordination between functions, my observation is the culture of this organization brings together cohesiveness that would make other local governments envious. Perhaps it is because the staff is small in numbers or the working relationship among the employees is so strong, but working in harmony is the overriding principal in delivering quality services. It is a hallmark of this Village and while this may seem trite, the value of delivering effective services is not a given in local government.

There are various ways to apply the 30% reduction but the most effective is to see its effect on each of the 3 prime functions of Village expenses: Police/Fire, Maintenance and Administration/Other. Each section is summarized to familiarize the reader with what is included in the budget and how the 30% cut can be applied.

Administration and Other

The Village Manager's Office operates with an extremely lean staff. To reduce staff in this situation is risky and does not represent good business practices. Other areas of expense were profiled to reduce the budget.

This expense category of Administration and Other Department refers to the classification of expenses in each of the following areas as you see on Attachment B:

Village Manager's Office	\$362,979
Council	63,597
Environmental Stewardship Committee	1,125
Website/outreach	4,700
Planning commission	924
Mayor's court fees	225
Treasurer	3,200
Advertisement/delinquent tax	450
Public health	130,470
State examiner's fees	14,000
Legal administration	60,600
Earnings tax	42,519
HSA expenses	76,700
Contingent	250,000
Auditor's deductions	19,000
Income tax	<u>75,000</u>
	\$1,105,489

The budget for Administration and Other totals \$1,105,489 and to achieve a 30% reduction, cuts in the amount of \$331,000 need to be identified.

Personnel included in this \$1.1 million budget include 3 full time personnel, 1 part time employee working 25 hours a week (\$309,000 for manager's office) and 1 part time employee working 20 hours a week in tax collections (\$24,650). It also compensates 7 council members (\$300/month for mayor;\$100/month council for a total of \$15,000), 1 treasurer (\$1,732) and 1 solicitor (\$60,600 contractual).

There are certain mandates with which the Village has no choice but to comply therefore, these expenses are fixed:

Income tax refunds	\$75,000
Auditor's Deductions	19,000
State Examiner's fees	<u>14,000</u>
	\$108,000

When financial crises affect local government, there are typical programs that are targeted for elimination or reduction. These areas either are not significant for Amberley or don't exist here. Some of these areas include:

Registration and Travel

Administration	\$5,000 (of which \$3,000 is a car allowance)
Council	1,275 (for council)
Environmental Stewardship	425
Earnings Tax	850

Wellness Program

Village doesn't have.

Tuition Reimbursement Program

Village doesn't have.

K-9 Program

Village doesn't have.

Employee Assistance Program

Village doesn't have.

Village Newsletter

Village doesn't have.

This leaves \$997,489 in which to derive a 30% reduction in costs (\$331,000). Items that could be decreased or eliminated from the budget include:

1.	100-7020.3390	ICRC taping and playback of council meetings:	-\$20,000
2.	100-7020-3340	Codification of ordinances	- 4,000
3.	100-7020-3380	Printing	- 2,500
4.	100-7021	Environmental Stewardship Committee	- 1,125
5.	100-7022	Website communications	- 4,500
6.	100-7010-2210	Administration travel and registration	<u>- 2,125</u>
	Total		- \$34,250

There are two large ticket items included in the remaining \$997,489 such as the \$250,000 contingency line item budgeted in 2012. This line item is intended to capture items that were not budgeted during the year. The amount actually charged to this line item over the years has ranged between \$13,366 and \$61,532. The reason \$250,000 was budgeted for 2012 was twofold: to pay for items not anticipated or budgeted given my newness to the organization and to pay the refund of the \$389,548 estate tax the Village was erroneously issued in 2006 due to an estate improperly handled by the heir's attorney. This was a financial liability of the Village that would be due in August 2012 unless additional estate tax dollars flowed into the Village. The County Auditor last month indicated additional inheritance tax dollars had been received and we have met our liability, therefore, the \$250,000 will not be necessary for the estate tax refund. Removing the \$250,000 leaves no dollars for unbudgeted or unanticipated items.

The second large ticket item in the remaining \$997,489 is \$120,000 for paramedic services from Silverton/Deer Park and Golf Manor. These are contractual items with both entities that became effective January 1, 2011. The terms of the agreement: \$55,000 each for 2011; \$60,000 each for 2012 and \$65,000 each for 2013. While there may be an opportunity to renegotiate the contract, it is unlikely any significant dollars will be saved since the agreement was negotiated a little over one year ago.

There are only 3 full time positions budgeted in the Village Manager’s Office plus 2 part time positions. If both part time positions were eliminated, the savings would be approximately \$46,750. Without these two part time positions, it leaves 3 full time positions: Finance/Tax Administrator, Clerk of Council/Assistant and Village Manager. The office cannot operate at this staffing level and such a structure would eliminate customer service, phone answering, code enforcement, pay-ins of tax dollars and website hosting. There would be additional savings not reflected above as a result of eliminating these services and positions such as telephone expense, copier costs, less pension costs, etc. The Village Manager’s Office is the leanest operation of other comparable villages and cities as referenced in *Attachment F*. Reducing the staffing level further than what currently exists jeopardizes the integrity of the Village and is not realistic.

To summarize the 30% (\$331,000) cuts in Administration and Other,

100-7020.3390	ICRC taping and playback of council meetings:	-\$20,000
100-7020-3340	Codification of ordinances	- 4,000
100-7020-3380	Printing	- 2,500
100-7021	Environmental Stewardship Committee	- 1,125
100-7022	Website communications	-4,500
100-7010-2210	Administration travel and registration	- 2,125
100-7095-000	Contingency	- 250,000
100-7010-1110	Part time administrative assistant	-22,100
100-7090	Part time help	<u>- 24,650</u>
Total		- \$331,000

There would, of course, be costs to reducing the workforce, whether there are early retirement incentives offered, the Village’s share of the unemployment costs or employee litigation.

Maintenance

The Service Department has been in an expenditure reduction mode. Reductions were implemented in 2010 and 2011 when all seasonal employees were eliminated and a full time maintenance worker was not replaced. This resulted in the reduction of 32% of the available man-hours as compared to 2007.

For the Maintenance Department, their consolidated budget includes:

Traffic signals/signs	\$29,992
Park activities	11,750
Community environment	19,512

Basic utility service	218,800
Street maintenance/repair/construction	102,116
Street cleaning/snow/ice control	549,809
Public works	32,748
Street/corporation signs	6,000
Mechanical equipment	171,512
Hardware/miscellaneous supplies	10,500
Uniforms	9,000
Lands/buildings	242,279
Amberley Green	<u>196,118</u>
Total	\$1,600,136

This includes funding for 8 employees in the Service Department, utilities for all the buildings and traffic signals plus the waste collection and recycling contract which cannot be significantly reduced. The utilities and the waste/recycle contract account for a total of \$338,760.⁷ Achieving the 30% reduction requires decreasing this budget by \$480,041.⁸

The initial step was to reduce all non-essential line items, leaving only funds to maintain critical services and infrastructure. These budget reductions are of a temporary nature since this would not be sustainable in the current form. This exercise yielded a total of \$71,550 in savings from the already austere 2012 Budget:

1.	1030-3350	Remove county line striping; remove in-house line striping	-2,500
2.	1030-4420	Remove paint, beads other pavement marking expenses	-2,000
3.	1030-4430	Reduce guardrail maintenance, reduce sign (regulatory), reduce traffic control devices	-2,000
4.	3010-4420	Reduce B/G: landscape contract, reduce tennis court and walking track supplies but we must retain safety surface (play ground)	-2,600
5.	3010-4430	Reduce maintenance for tennis courts, ball fields, drinking fountains, fence repairs and exterminator fees	-3,250
6.	4010-3340	Reduce community environment engineering and legal services	-8,000
7.	4010-3390	Eliminate regional planning membership	-1,500
8.	6010-3390	Reduce Maintenance Department memberships	-500
9.	6010-4440	Reduce mail box repair	-1,000
10.	6020-4420	Reduce salt and snow/ice fighting supplies	-13,000
11.	6020-4440	Reduce chipper blade sharpening, mower repair parts	-1,000
12.	6040-4430	Reduce street signs and corporation sign maintenance	-4,000
13.	6050-4420	Eliminate parts cleaner service, oil separator service (HCBOH BMP)	-3,000
14.	6050-4421	Cannot reduce motor fuels	-0
15.	6050-4430	Cannot reduce repair and maintenance while utilizing old equipment	-0
16.	6050-5520	Eliminate general capital purchases	-3,700
17.	7040-3310	Reduce basic utility funding*	-15,000
18.	7040-4440	Eliminate small tool & minor equipment purchases	-500
19.	7040-5520	Eliminate general capital purchases	-6,000
20.	7045-4440	Eliminate small tool & minor equipment purchases	<u>-2,000</u>
TOTAL		Additional budget reductions	-\$71,550

*Extreme weather-hot in the summer or cold in the winter will likely nullify any savings here.

⁷ 21% of the \$1,600,136

⁸ \$1,600,136 x .30 = \$480,040

This leaves \$408,491 in reductions yet to be identified. Achieving this level of cutbacks is not possible while providing the same services with the same staffing levels. The balance required to achieve the 30% reduction (without cutting utilities or waste collection/recycling significantly) will need to come from personnel related accounts.

The reduction in personnel to the levels required to meet the 30% reduction, with 21% of this budget unable to be reduced due to being fixed-cost utilities or the waste/recycle contract, will significantly reduce our ability to respond to the basic needs of the Village. The budgeted costs for the seven remaining full-time employees of the Maintenance Department and the Public Works Supervisor total \$695,145⁹. Removing \$408,491 in reductions from the budget leaves approximately \$286,654. Using the average budgeted cost of the eight employees (including salary and benefits) of \$83,166 each (without factoring in that seven are fire fighters), means the Village could only afford to retain three of the eight remaining employees. This would mean eliminating five positions including the administrative-based position of the public works supervisor. This would leave 3 employees to provide maintenance work.

There would, of course, be costs to reducing the workforce, whether there are early retirement incentives offered, the Village's share of the unemployment costs or employee litigation.

What would be Different?

Attachment G shows a table of organization for the Maintenance Department currently and what the department would look like after a 30% Budget Cut was administered. But, what would the remaining workforce be capable of accomplishing? Since there are certain levels of staffing required for certain job functions (many in the right-of-ways), the remaining crew would be severely limited. The Village could field one leaf crew (without flaggers), or one short-staffed plow crew with no second shift for an extended storm, or a litter patrol and some brush trimming or grass cutting could be accomplished but not both at the same time or two flaggers and one person filling potholes. If the remnants of the department were to be tasked with the job of outsourcing the work they were no longer able to accomplish in-house, the time spent getting multiple quotes, setting up work agreements and the contract administration of those agreements along with closing out the jobs would further reduce the available manpower to accomplish any of the remaining in-house tasks. Functions such as zoning review and inspections would be outsourced increasing the cost and lead-time for review and permitting. Compliance responsibilities would have to be distributed throughout the remaining employees within the organization. The task of outsourcing, inspecting, contract administration and closing out of the jobs would likely occupy one person throughout the year. This person would likely supervise and coordinate the remaining two staff/crew members and keep the department records etc. In certain circumstances, the supervisor would avoid having contract work underway to allow enough time to join the crew for leaf collection or snow and ice fighting.

⁹ \$695,145 (personal services total 1 under "general service" \$673,366 + \$21,779 total 1 personal services from account # 100-7045-Amberley Green).

The year by the seasons: typical scenarios at reduced staffing levels

Winter- The three remaining maintenance employees would likely spend their time as follows:

The supervisor would be busy planning maintenance type outsourcing projects/jobs along with the annual street and storm water projects. Staff would be servicing the leaf collection equipment and disassembling it to prepare for storage, servicing trucks and equipment, preparing snow and ice fighting equipment, calibrating spreaders and brine equipment since there would be no time to do this in the fall. As needed, this crew would patrol the roads for litter, dead animals and keep the Village owned culverts and catch basins clear.

For snow and ice control, there would likely be several strategies based upon expected weather conditions. Currently, the 7 member department dedicates an average of 685 labor hours to fighting snow and ice per winter season.

Assuming a moderate snow with temperatures in the mid to upper twenties:

During the daytime hours, all 3 department members would respond to the snow utilizing three plow trucks. All roads would likely be treated and some might be cleared within 8 to 10 hours after the storm ended. This extended timeframe is in part due to unplowed snow being compacted by traffic before the plow and salt could clear the street, thereby complicating the task.

If the storm were to arrive at night, one plow driver would concentrate on keeping the main roads passable, calling the other two drivers in several hours before rush hour to better clear the main roads, hills and collector roads. Subdivision streets would not be addressed until later in the process. All roads would likely be treated; some would be cleared within 10 to 12 hours after the storm ended.

If the storm was expected to be of duration beyond one shift, two plow trucks would work during daylight hours and one truck would attempt to keep the main roads passable through the night. Based upon the storm, little or no attention would be given to the collector streets or subdivision streets until just prior to rush hour when/if the main roads are cleared to the point that plows could leave this responsibility and go to the lower priority streets. All roads would likely be cleared 24-36 hours after the storm ended.

These street conditions will likely impact emergency response times during and shortly after winter storm events. Emergency response by Police or EMS would be impeded by streets with inclines. Accidents will likely occur as a result of decreased snow and ice control services further hampering the efforts of the crew. Additional congested traffic will become an obstruction making the efforts of the Maintenance Department less effective.

Spring and Summer- Tasks that would likely be addressed with the remaining staff would be limited to the supervisor primarily addressing the responsibilities of creating, awarding, monitoring and closing outsourced jobs and programs in addition to the street and storm water programs for the Village and any utility projects that involve the Village rights of ways. The remaining two crew members would likely alternate weeks between mowing, litter collection and dead animal removal with pavement maintenance, limited patching, limited crack sealing, sign maintenance and trimming obstructions from signs and intersections. Since some of these

details are typically done simultaneously, contracting one does not relieve the need to send a crew to an area to accomplish the others.

Fall- Fall would see all employees on the single leaf collection crew. This is a service that the Village would likely have to continue to provide due to the difficulty of finding a service capable of removing the volume of leaves from the properties in the Village. If these leaves are not collected, they would likely end up in the creeks and storm sewer systems causing untold problems. Although leaves do fall in the forest, they are not generally falling into the creek in ten to twenty cubic yard piles; they are falling over the season spread across months in time and acres of space. The dumping of leaves in concentrated piles will impact the fore-mentioned systems greatly. In an average year, 1,550 labor hours are dedicated to this task that yields approximately 5,000 cubic yards of mulched leaves per season. The collection season would start earlier to provide enough time for a single crew to collect the leaves extending at least through the end of December.

Other considerations- These scenarios above have not taken employee leave into account whether its vacation, sick or compensatory time. A two-person crew cannot operate with one person on leave. There would be numerous miscellaneous tasks for the remaining staff member but the crew work would not be accomplished until a later date. Another likely issue will be any wind or ice storm that creates any volume of brush. Under this staffing scenario, there is no staff available for any regular brush collection. If a storm causes limbs or trees to fall, a combination of maintenance workers and police/fire personnel will likely re-open the roads as soon as they have completed their police/fire related duties, however, the cleanup would have to be contracted. Typically these storms have taken the fully staffed department six to eight weeks to clear utilizing two three-person chipper crews and a three-person log crew with a dump truck and a backhoe due to the volume of brush generated in this heavily treed community.

These hypothetical personnel reductions are in addition to the reductions already implemented in 2010 and 2011 (eliminating all seasonal workers and not replacing a retired full-time worker) which resulted in the reduction of 32% of the available man-hours as compared to 2007. Under this 30% cost reduction, there would be a total of 72% cut in available man-hours compared to full staffing in 2007. The Village would be left with a mere 28% of the formerly available labor hours to do the Village's work.

This reduction in staffing will reduce fire fighter staffing by four and administration by one. The impact of losing maintenance staff to augment fire would likely render this service as ineffective and the Village would need to contract for fire service.

This budget includes no capital purchases. Eventually the deferred maintenance items will require attention, meaning, this paradigm is not sustainable. Ultimately it will cost more to repair and replace the infrastructure than it would to have maintained it all along. As part of a reduction of this magnitude, the Village will lose a wealth of institutional knowledge gained over more than eighty years of combined service to this Village.

Police/Fire

The Amberley Village Police/Fire total operating budget for 2012 is budgeted at \$2,760,949. The combined budget in 2006 was \$2,507,499 which reflects an increase of 10.1%. This is an average increase of 1.7% per year, despite adding two additional police officers/firefighters and four additional maintenance workers joining the department as firefighters.

With the 2012 budget for the police and fire department set at \$2,760,949, to meet the 30% reduction exercise, the budget would need to be reduced by \$828,000. Having made cuts to the budget over the last few years, it is difficult to make further cuts, however, capital purchases can again be deferred along with a reduction in fuel costs, but with the erratic cost of fuel this savings may not be realized. Additional reductions to the following accounts could occur:

1.	1020-2210	Eliminate Registration and travel	-4,500
2.	1020-4423	Reduce fire department uniforms	-4,500
3.	1020-5520	Eliminate capital expenditures- fire	-7,700
4.	1010-3342	Eliminate criminal investigations	- 150
5.	1010-5520	Eliminate capital expenditures- police	-5,000
6.	1010-4423	Reduce police uniforms	-7,000
7.	1010-4421	Reduce fuel cost	-8,000
8.	1010-4444	Reduce Small tools	- 200
9.	1010-4420	Reduce operating supplies	<u>-2,000</u>
	Total Reduction		\$39,050

After taking these steps, an additional \$790,000 is required to meet the \$828,000 goal of the exercise.

The only area of the budget capable of reducing this amount of money is in personnel. In order to reach the 30% reduction, the police/fire department would have to eliminate eight positions, which would realize a savings of \$720,000 and an additional \$65,000 from the fire budget. Factoring in the reduction of four fully trained firefighter maintenance personnel from the 30% cut offered in the Maintenance section of this report, there will be an additional reduction in the fire budget of \$24,000. These personnel cuts would generate a savings of \$809,000.

What Would Be Different - Police?

Attachment H shows a table of organization for the Police/Fire Department currently and what the department would look like after a 30% Budget Cut was administered. The community would be severely impacted by these cuts. When cutting eight officers, patrols would have to be scaled down to one officer per shift on most days. As a result of this reduction, the Village would lose revenue in the form of officer initiated traffic citations and parking citations. Often times, these patrol functions lead to other crime discoveries such as wanted subjects, intoxicated drivers, burglaries, thefts, criminal damages and drug offenses. The operation of the department would change to be mostly reactive verses proactive. With only one officer on the road, the officer will have to remain available for answering calls for service. In the event the one road officer is unavailable to respond to the dispatch call, mutual aid would need to be requested from

other agencies providing they are available. Our residents will need to be informed there may be a time delay when requesting calls for service. Attempts would be made to prioritize calls for service but in the event two serious calls are received, one will have to wait for the officer to become available or for a mutual aid officer.

These cuts will also have a major impact on the operation of Amberley Village Dispatch. Currently dispatch is a 24 hour operation with 3 full time dispatch personnel. It is impossible to operate a 24 hour operation with only 3 full time staff. What has occurred in the past is an officer would be assigned to dispatch which is an inefficient use of resources. In 2011, Chief Wallace implemented the use of part time dispatchers to reduce overtime costs sometimes incurred by the absence of a full time dispatcher. While there is a cost associated with the use of part time dispatchers, this eliminates the use of police officers covering dispatch when a full time dispatcher is unable to work due to having the weekend off, comp time, vacation, holidays or sick leave. When an officer is assigned to work dispatch, it reduces Village road patrol by one officer, eliminates their presence in our neighborhoods and ability to respond to emergencies. Having officers on the road is much more productive than having them provide dispatch.

The benefit of having part time dispatchers available to work when needed helps to alleviate overtime. However, when a dispatcher isn't available and an officer is called in under the 30% Budget Cut Scenario, the Village's ability to dispatch may be jeopardized since one officer would be assigned to dispatch and one officer is responding to calls. One additional option is to eliminate dispatch totally and have Hamilton County dispatch for the Village. This would not realize any financial benefit and potentially cost more if Hamilton County raises their dispatch rates. Agencies that contract with Hamilton County dispatch are charged per call based upon dispatched runs. The Village would have a savings in personnel cost of \$218,000¹⁰, but the Village would also have a loss of revenue for the 911 PSAP (Public Safety Answering System) of \$17,000 and JV Alarm monitoring fees of \$70,000 annually.

An important factor that must be considered regarding dispatch is Amberley Village currently owns one of the four 911 PSAP's in Hamilton County, along with Cincinnati, Norwood and Hamilton County Communication Center. If we were to eliminate dispatch, the Village loses our PSAP with no chance of getting it back in the future. Currently when one of our residents calls 911 needing police, fire or EMS assistance, the 911 call comes directly to our dispatch. This allows our personnel to automatically dispatch the necessary units with no delay in transferring the call from another PSAP center. The Village has been in discussion with other jurisdictions about utilizing dispatch which could generate some revenue.

These changes in dispatch would also affect our ability to collect fines and payments after normal business hours since this is a function of dispatch and there would be no personnel available to staff it. Also, if the public would need assistance and stop at the police station after normal business hours, they would be required to call Hamilton County dispatch and submit a request for an officer to respond to the station, providing one was available. This would likely necessitate adding an emergency phone in the vestibule for this purpose resulting in a cost to install and maintain. Each time this occurs, the Village will incur a cost of \$18.30 per call from the County for the dispatch of the officer. There will be no public access to the building after hours, on weekends or holidays. Residents' house keys that are currently maintained and

¹⁰ Represents retaining two dispatchers plus part time dispatch.

accessible 24 hours a day would no longer be kept by the department. JV Security System would no longer be monitored by the Department and residents would have to seek another monitoring company at a cost to them. The department currently monitors approximately 350 residences generating revenue of approximately \$67,000. The loss of the 911 PSAP would result in all calls going to Hamilton County which is located in Colerain Township. This would result in slower dispatch and response times for officers. Amberley dispatchers currently know the majority of the residents that call them for questions or assistance and are very knowledgeable.

As a community, our crime statistics have increased even with our current manpower levels. Our neighboring communities are also experiencing an increase in calls for service as well as crimes reported. It would stand to reason with a decrease in police personnel and patrols, our call volume will continue to rise as well as the number of reported crimes. If forced to reduce manpower, it would be necessary, in addition to road patrol reductions, discontinue or reconsider performing functions such as vacation house checks, assisting lock outs and fire inspections. Only felony criminal investigations would be investigated when time and personnel permit; crime surveys, radar patrol, security checks for businesses, fire inspections, hydrant maintenance, truck maintenance, pump testing, and special functions such as Holy Days and visiting dignitary protection and others would not be performed.

Another function that is often overlooked and forgotten, but is provided by both the police/fire department and some members of the village service department is fire protection and suppression. Currently the fire department is budgeted \$252,494 for operating costs associated with fire. The personnel cost of this function, \$177,438, is minimal because all police personnel are cross trained as full time firefighters possessing a minimum of 240 hours of state certified training. Even with the staff currently maintained, the Village is below the National Fire Protection Association (NFPA) standards regarding response to a residential house fire. NFPA 1710 standard recommends a minimum of 15 firefighters on scene within eight minutes. The numbers are further broken down by assignment as follows:

- (1) Incident Commander
- (1) Apparatus Operator
- (2) Attack Team Personnel
- (1) Hydrant Man
- (2) Search & Rescue
- (2) Ventilation Personnel
- (2) Back-Up Personnel
- (2) EMS personnel
- (2) RIT (Rapid Intervention Personnel in case of trapped or down firefighter)

The Village operates at far less than NFPA recommendations. The Village can offset some of the required personnel because many of our homes are alarmed or sprinkled and having our own dispatch decreases the time it takes to engage an aggressive attack. Currently when an alarm is received, a minimum of two police officers/firefighters respond with an engine company that contains 500 gallons of water in its tank. These two personnel can affect a rescue and narrowly be in compliance with the OSHA two in/two out rule. OSHA states that as long as there are a minimum of two personnel en route, a crew may enter an IDLH (Immediately Dangerous to Life and Health) environment for rescue only. During the daytime hours, the Village has additionally

trained firefighters on duty working for the Village service department. Reducing our department by eight personnel will eliminate our ability to continue firefighting/fire suppression operations including all necessary maintenance functions such as pumper testing, hose testing, equipment maintenance, hydrant maintenance, required fire inspections of businesses and mandatory training requirements. It would then be necessary to contract for fire services either from other public fire departments or private fire protection services. In discussing outsourcing our fire department to other neighboring departments, these departments agreed to provide the service with a levy equivalent to 4 mils. This millage would increase taxation to our citizens an additional \$300,000 annually, costing more than it currently costs to run our own department.

Another aspect that will be negatively impacted is the current ISO (Insurance Services Office) rating. Fire Departments are rated on a scale of 1-10 (one being the highest), our current rating is a 3 which puts us in the same category as several other professional departments, such as Norwood, Evendale and St. Bernard. Of the 1,034 fire departments in Ohio, only 100 in Ohio are rated as a 3 and only 1,878 in the US have an ISO rating of 3. Very few departments nationwide rank between 1 and 2. This rating is used to set insurance rates.

As difficult as the financial situation is, the security that Amberley residents feel in their homes is what has defined and sustained our Village. Having sufficient qualified staff trained and able to respond proactively as well as responsively has been a hallmark of police service in the Village. Handling residents' emergencies with diligence and care are trademarks of the police and fire service. While the Village cannot eliminate the threat or mitigate the effects of crime, the Village should not compromise officer safety or the safety level of our residents to save money. FBI Statistics for law enforcement officers killed and injured in 2009 reveal that 62% of officers assaulted were working alone. Decreasing the Village police workforce should not be done if it in any way compromises the safety of those serving our community.

It is and has always been the mission of the Amberley Village Police/ Fire Department to provide a professional top notch service to our citizens, second to no other community in Hamilton County. The Village has an accredited police agency and has maintained that accreditation for nearly 20 years. The benefits of having an accredited agency are stronger defense against civil law suits, greater accountability and reduced risk and liability. Reducing our current manpower levels will have a negative impact on our future accreditation because personnel normally assigned to the task of accreditation will have to perform other necessary tasks. Most likely, if the 30% Budget Cut Scenario is enacted, police accreditation would be eliminated.

The actual 30% Budget Cut document can be found as *Attachment I* with the line items highlighted reflecting where the cuts would occur.

Summary

Certainly the Village Budget can be reduced by 30% but the results are devastating to residents, businesses and employees. There is no large ticket item that can be eliminated to reduce Village expenses nor is there a significant service no longer necessary that can be eliminated. The Village cannot get out of unprofitable businesses such as policing or road repairs. As a government, the Village has a responsibility to provide core services that are by their very nature unprofitable, yet essential. Because local government provides services via employees, the only significant portion of the budget that can impact costs is the number of employees. Reducing the number of employees significantly reduces the level of services.

The level of service in the Village is high and the services have been supplemented by State revenues that have disappeared. The Village has not had a property tax increase for the Village since 1955. While it raised the earnings tax in 1989 from 1 to 2%, a full credit exists and the real potential of the earnings tax is not realized. With no electorate voted tax increase at all in the past 22 years and no electorate voted property tax increase in 56 years, this is quite a statement in our community. This is an unparalleled record in local government and is the sign of a government which runs at the highest level of efficiency with the absolute minimum number of employees in each division. There is only 1 other government in Ohio which benefits from the combined police/fire department concept like Amberley.

The fallacy with a 30% reduction in the budget is that while 30% reduction may balance the budget for one year, it doesn't solve the Village financial issue. Expenses will continue to rise. The 2012 budget didn't include any rolling stock replacement (no cruisers, fire trucks, dump trucks, snow and ice equipment, etc.) nor did the 2012 Budget include any General Fund dollars for street improvements. And while the Street Fund has adequate funds for a street program for 2012, it was obtained by not having a street replacement program for the last 2-3 years. Health care costs will increase as will fuel and utilities. In 2013, the Village is responsible for debt service between \$350,000-\$500,000 for Amberley Green.

The financial state of Amberley Green is a serious concern. The Village has renewed the note for 3 consecutive years without paying any principal. When the note comes due in October 2012, the Village will request to renew it for the final year. If the Village has failed to correct the financial imbalance, there is the possibility that the note cannot be renewed and payment would be due immediately or instead of paying $1\frac{3}{8}\%$ in interest, the Village would have to pay 4 or 5% in interest. If a buyer of the Amberley Green bond continues to see fund balances drop, lack of new revenue, etc., the Village has to be honest when asked questions about whether measures are being put in place to correct the deficits. While not trying to be alarming, this is necessary information to help make decisions prior to getting to that point. There is a lot at stake in the financing of Amberley Green and financing should not be jeopardized.

There is also no certainty in existing revenues. While earnings tax represents 57% of our revenue source, the Village is predominately residential and a residential revenue source typically doesn't grow. Our 7 businesses generate earnings tax, however, if one or more of our businesses are not successful or relocate, the Village revenues suffer just like the Village will lose nearly \$25,000 per year in the elimination of $13\frac{1}{2}$ positions in this scenario. While the 2012 projection for earnings tax estimates a \$25,000 growth in 2012, it is unlikely to grow much more with the current economy. In order to grow our revenue stream, it is necessary to recruit new

businesses into Amberley to increase revenues but we are primarily a residential community. Unfortunately, the Village cannot grow our way out of this financial situation. From a long term perspective, development on the North Site or Amberley Green is viable but not in the short term. It is unrealistic to expect either site to be developed quickly in this economy.

The Village can ill afford to gamble additional time with its finances. Projections show the Village will be insolvent by 2014. The operating deficit for 2010 was \$998,415. The deficit for 2011 was budgeted at \$1.3 million but ended the year at \$702,147. The fund balance as of December 31, 2011 was \$3,024,748. Here is a scenario for the Village General Fund if services aren't cut or revenues increased:

\$3,024,748	December 31, 2011 fund balance
<u>3,920,018</u>	Estimated 2012 Revenue
6,944,766	
<u>-5,466,574</u>	2012 Budget
\$1,478,192	Estimated December 31, 2012 fund balance
<u>3,900,000</u>	Estimated 2013 Revenue
5,378,192	
<u>- 5,466,574</u>	Potential 2013 Budget
- \$ 88,382	Estimated December 31, 2013 fund balance

At the December 13 presentation to the Expense Subcommittee of the AHAC, I shared an Amberley Village newsletter article that is attached, *Attachment J*. This article was published in the Amberley Village newsletter in 2004 but could just have easily been published in the latest e-newsletter.

Conclusion

In order to exist, the Village needs to either cut its services similar to what has been described or increase its revenue to pay for services. If neither of these options is attractive, the Village should enter fiscal emergency under the Auditor of State receivership in order to get financial matters resolved, merge with another community or dissolve as a village.