November 30, 2016

Mr. Robert Diehl, Chair
Finance Committee
Springdale City Council

Re: 2017 Annual Budget

Dear Mr. Diehl:

The 2017 Annual Budget is hereby respectfully submitted for City Council’s consideration. As you review this document and if you were to compare it to this year’s (2017) Five-Year Revenue/Expenditure Report (five-year budget), you would notice a drastic difference in the two. In the five-year report, the City was projected to fall over one-half million dollars short of attaining our preferred year-end balance of $1.4 million. That report illustrates a 2017 year-end balance of $896,946. By comparison, the 2017 Annual Budget is expected to exceed our target number by just short of one-half million dollars with a year-end balance of $1,877,966. By now, you are probably wondering how that could possibly occur in only a few weeks. Of course, I have an answer to that puzzling question.

In the five-year report, a great deal of focus was placed on the large amount of expenditures the City plans to undertake in 2017 and 2018 which are primarily made up of large capital improvement projects. All of these projects are identified during the same period in both documents. Although these expenditures will have a major impact on the City’s financial picture, they are not the reason for the significant shift in the City’s year-end balance between the five-year report and this document. The impetus behind this drastic shift can be primarily attributed to the City’s earnings tax collections of 2016 and how we estimate them for the balance of this year as well as 2017. Additional time and a closer evaluation of one’s history can have an impact on improving a person’s vision. In other words, as the City gained more time to accumulate additional earning tax collections, we were able to focus on the previous four months (July – October, 2016) and determine a pattern that suggested our earnings tax collections were performing better than anticipated during the five-year budget process. Those four months clearly indicated the City’s monthly collections were more robust than the estimated roughly $950,000 per month projections used in the five-year report. This new review helped us to realize that our monthly collections were more in the neighborhood of $1.1 million. As a result, the projections for the 2017 Annual Budget were elevated to match this amount for the final two months (November and December) of 2016. This adjustment would also translate to a new estimated collection amount in 2017 for approximately an identical amount. The impact this change had on our
earnings tax collections alone increased the City's General Fund Revenue projections by an additional $788,070. The remaining General Fund Revenue categories accounted for another $77,072 between the two budget processes. In addition, reductions experienced in the General Fund Expenditures between the two documents to the tune of $115,878 have further contributed to the turn around producing a year-end balance of $1,877,966.

This is really terrific news for the organization. However, before everyone gets too excited and begins attempting to find ways of spending these funds, we cannot forget the large amount of capital improvement projects mentioned earlier to which the City has committed. The 2017 Capital Improvement Fund (090) has almost $8.5 million of projects scheduled to occur. In past years, the City had applied for outside funding and was awaiting approval of those funds by another agency to determine whether the project would actually occur that year or not. In the case of the 2017 projects, the funding has already been awarded, or it is a project which is being paid for with the $3.5 million the City is borrowing. As a result, there is very little doubt these projects will take place. On top of the 2017 projects, the City must also plan how we will pay for the capital improvements projects programmed for years 2018, 2019, and beyond. The answer as to how the City will cover all of this potential debt can not be, “we will use the funds that will be freed up from paying the final note on the Community Center in 2017.” Those available funds will only go so far.

Finally, I would like to highlight two items which raise some concern for me and the organization as we begin to move into our 2017 campaign. I feel it is important to bring these to your attention, because if they are not addressed in the short term, the challenge they can present may multiply. The two items which will need attention are the replacement of older, outdated equipment and the replacement of previously unfilled positions throughout the organization. For perhaps the past eight to ten years due to the City's financial challenges, the organization has had to delay the replacement of equipment as well as positions that were necessarily left unfilled. Relative to the equipment issue, I believe we have made a number of strides in replacing some of our equipment. However, there is still much that needs to be addressed. In the case of the personnel, these days that area concerns me more than any other.

In 2009, during the midst of the country wide (perhaps worldwide, but certainly Springdale) financial crisis, the City had 133 employees throughout the organization. Due to many retirements in the years that followed, the employment numbers for the City dropped by twenty-three employees down to 110 in the year of 2012. We have sat at that number for the past four years. In an effort to provide some sense of how this has impacted different departments, consider this information. For a very brief period in 2008, the City employed forty full-time police officers and nine other full-time support staff. Today, the department employs thirty-three police officers and seven full-time support staff. Also in 2008, the City's Public Works Department had eighteen full-time positions. In 2016, the department has twelve full-time positions. In 2009, the number of employees in the department dropped to nine and remained the same until 2013 when three were added to reach our current level of twelve. In that particular year, the City lost three police officers and hired three Public Works' employees. These two departments have suffered the most losses of employees since 2009.
As was pointed out in the five-year budget letter, the City’s workforce continues to mature and accumulate an increasing amount of leave time. This means they are entitled to more time off which then creates more cost through overtime. When you couple the vacation and compensatory-type leaves with sick leave and injury leave time off, the amount of available leave time increases greatly. As a result, other employees are then required to work an enormous amount of overtime so that the shifts are covered. The one Fire Captain mentioned in the five-year report is now well over four hundred hours of overtime, and there is still one and a half months remaining in the year. In some cases because of the need to have staff on duty, often we are mandating employees to work overtime. This practice can sometimes lead to fatigue and low morale. Neither of the two is preferred for the organization or those we serve. Employees need to be able to take time away from the job, but when staffing is low, someone has to cover it. One option that has been considered to combat this challenge is to eliminate some of the programs or services currently being provided to the community. Nobody wants to eliminate any of the programs, but more often lately we find ourselves with fewer employees available to simply perform their basic functions. At this point, we are projected to have at least four police officers off work from now until the end of the 2016 year due to injuries. That will make it very difficult for other officers to be able to spend time off with their families during the holiday season. We all know that job is a twenty-four hour operation and must be staffed. I must say this is a very unusual situation, one I have not seen in my twenty-six years of doing this work, but it is one we must address at this time.

I share this information, not so anyone will panic or even be alarmed, but so that we keep this information in the forefront as we continue planning for the City’s future. Quite frankly, this is the best financial situation the City has been in for quite a number of years, and there are still signs of continued growth. The inclusion of Macy’s and several other organizations to the City has provided the City’s revenues with a much needed jolt of financial energy.

GENERAL FUND
REVENUES/EXPENDITURES

Revenues

In the 2017 Five-Year Revenue/Expenditure Report (five-year budget), it was pointed out how the adoption of HB5 and the acquisition of the former Sheraton Hotel has had an impact on the City’s General Fund Revenues. Due to that explanation, I will spare you the re-creation of that total issue. Both of these events have the ability to muddy the picture when attempting to gauge how the City’s revenues are performing. Clearly, we all understand that including two additional months of earning tax collections in a year stands a great chance of increasing the City’s annual revenues. All things equal, generally your revenues should collect more in that year. In the case of the hotel issue in which we repaid the funds to the General Fund, that amount is clearly identifiable. We know that number, and it will not change or somehow be altered. Therefore, it is easier to deduct that amount and attempt to get a true read on how the City’s revenues are performing. This year, it is a bit more difficult since there are the two factors influencing the outcome. Nevertheless, it is still my belief that the City’s revenues are trending in a positive flow.
Overall, the City’s 2016 General Fund Revenues ($20,656,218) are projected to finish $3,340,063 (19.3%) greater than our 2015 General Fund actual collections ($17,316,155). If we deduct the $1,950,000 for the hotel repay to the General Fund from the 2016 collections, our total would reflect $18,706,218 (adjusted revenue estimate) which is 8% ($1,390,063) greater than the 2015 collections. The 2017 General Fund Revenues projected at $17,183,826 would be 8.9% ($1,522,392) below our 2016 adjusted revenue estimate. If you recall, the two additional months of November and December (during our fourteen month collection period) were each projected to generate $1.1 million in earnings tax collections for a total of $2.2 million. One may suggest that the $2.2 million would be the amount the 2017 revenues are going to be short because that year will only have twelve months of collections. The fact that the difference is only $1.5 million instead may be an indicator things are moving in a positive direction for City revenues.

The earnings tax, which is the City’s primary revenue source, is a percentage of 1) wages earned by individuals working in the City; and 2) the profits earned by businesses in the City. Again, we recognize there are two additional months of earnings tax included in 2016. In any event, the 2016 earnings tax collections ($15,618,626) are still estimated to represent 75.6% of the estimated General Fund Revenues and 83.5% of the adjusted revenue estimate. That is pretty much the same percentage as 2015. The 2017 earnings tax collections ($14,304,000) are projected to be 83.2% of the 2017 General Fund Revenues.

Outside of the additional two months of earnings tax payments in 2016, the positive performance of the City’s collections can be attributed to the impact of Macy’s Corporate Services, Inc. and Process Plus relocating their operations into our community. The difference between the 2015 collections ($14,374,662) and the 2017 projected collections is only $70,662. Our 2017 is projected to be slightly lower than 2015 actual. If you recall, in 2015 our concern was a number of employers making payments which were greater than their perceived liability to the City and the possibility of not receiving that revenue again in 2016. It appears, at least for 2016, one of those liabilities turned out to be close to the amount paid. This reduces the amount of credit on hand with the City for that particular employer. In this instance, it worked out in the City’s favor. Of course, not knowing if this will occur again, we have chosen to be conservative and not anticipate receiving the entire large amount of payments.

The ten-year history, as shown below, displays the City’s earnings tax collections between 2007 and 2016. From 2010 through this year, the chart presents the City’s climb back to where our collections were a number of years ago. If we omit the inflated 2016 collection year, in spite of our 2017 projections being slightly lower than 2015, I would suggest to you that the climb will continue. It will continue primarily due to the number of new jobs entering into our market.

<table>
<thead>
<tr>
<th>Year</th>
<th>Collections</th>
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<tbody>
<tr>
<td>2007</td>
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<tr>
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<td>2013</td>
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<tr>
<td>2014</td>
<td>$13,300,706</td>
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<tr>
<td>2015</td>
<td>$14,374,662</td>
</tr>
<tr>
<td>2016</td>
<td>$15,618,626 (est.)</td>
</tr>
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</table>
A summary of the 2016 and 2017 General Fund revenue and expenditure projections can be found in Table I below.

Table I

<table>
<thead>
<tr>
<th>GENERAL FUND REVENUES LESS EXPENDITURES</th>
<th>Budgeted 2016</th>
<th>Estimated 2016</th>
<th>Proposed 2017</th>
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<tr>
<td>Beginning Balance General Fund</td>
<td>3,064,540</td>
<td>3,064,540</td>
<td>3,754,806</td>
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<td>Revenue</td>
<td>18,490,187</td>
<td>20,656,218</td>
<td>17,183,826</td>
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<tr>
<td>Total Funds Available</td>
<td>21,554,727</td>
<td>23,720,758</td>
<td>20,938,632</td>
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<tr>
<td>Total General Fund Expenditures</td>
<td>20,731,742</td>
<td>19,965,952</td>
<td>19,060,666</td>
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<tr>
<td>Ending Balance General Fund</td>
<td>822,985</td>
<td>3,754,806</td>
<td>1,877,966</td>
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</table>

Expenditures

Like the revenues, the acquisition of the former Sheraton Hotel has had an impact on the City’s General Fund Expenditures as well. When the City advanced $1,950,000 from the General Fund to the Capital Improvement Fund (090) to pay for the acquisition of the hotel, this transaction was treated as if it was an expense. The transaction increased the total amount of the City’s 2016 estimated General Fund Expenditures to $19,965,952. When we back out the advanced amount of $1,950,000, the 2016 expenditures would be reduced to $18,015,952 (adjusted expenditure estimate). When compared to the City’s 2015 General Fund Expenditures ($17,720,292), the adjusted expenditure estimate is only $295,660 (1.7%) greater than 2015. In contrast, the estimated 2016 General Fund Expenditures, including the Advance-Out, is 12.7% ($2,245,660) higher than 2015. In relation to the 2017 projected General Fund Expenditures, the estimated 2016 General Fund Expenses are 4.5% higher than 2017. On the other hand, the 2016 adjusted expenditure estimate is $1,044,714 (5.8%) below the 2017 projected General Fund Expenditures. It is quite evident that when the inflated Advance-Out expense is removed from the equation, expenses tend to be in relatively close proximity over this two-year stretch. The difference between the 2017 projections and the 2015 actual expenses is approximately 7.6% ($1,340,374), with 2017 being a bit higher.

Personnel-related expenses continue to be, and will always be, the organization’s primary expenditure. In 2015, personnel-related expenses consumed 75% of the General Fund budget. In 2016 and 2017, expenses unrelated to personnel are expected to increase significantly. As a result, the percentages of personnel-related expenses for those two years are expected to decrease to approximately 73% of the 2016 and 2017 General Fund Expenditures. In addition to the personnel-related expenses, this year and also in the 2017 Annual Budget, there are a number of General Fund capital improvements programmed to take place. In 2016, there was approximately $157,000 expended on General Fund capital
items (police cruisers, repairs to the firing range, tennis courts fencing, repair to the Community Center walking path, treadmill, and security cameras). In 2017, another $338,000 is scheduled to be spent on capital items. That list consists of items such as repaving the tennis courts and multi-purpose courts, repaving the Community Center walking path, replacing the mobile data computer (MDC) terminals, purchasing body-worn cameras, and replacing lighting in Municipal Building.

As usual, the disparity between the 2017 GF Expenses and the 2017 GF Revenues present a significant gap. Expenses are once again programmed to outpace the revenues. This year, the difference between the two is projected at $1,876,840 (10.9%). Some years there is a narrow difference between the two (2016 – 6.4%). In other years, the gap has been much larger like in the case of the 2014 Budget when the projected difference was $2,311,141 (14.9%). For the most part, you should not be alarmed by this number. The management team recognizes this to be the case, and so we manage the City's resources accordingly. At the end of the 2014 Budget, the amount turned out to be a $918,806 (5.6%) difference between expenses and revenues. Next, the City's practice is always to be very conservative when it comes to projecting our revenues. For example, as it relates to the Macy's Corporate Service employment numbers, our budgeted revenues only reflect the number of employees currently in the facility. Although we have been told that Macy's may bring a much larger number of employees, our estimate did not attempt to guess if, when, and at what rate those jobs would actually arrive in Springdale.

Finally, as we mention each year, the budget does not take into consideration the amount of "under-spending" that occurs annually. As a reminder, the under-spending is the difference between our estimated 2016 expenses versus our actual 2016 expenses. Based upon previous years, it is likely the operating expenses for 2016 may be overstated by $125,000 - $225,000. The amount of under-spending in 2015 was $207,951 which represents the estimated 2015 expenses of $17,928,243 minus the 2015 actual expenses of $17,720,292.

Again, the City departments have performed very well in managing the community's resources, while working hard to keep expenditures at a minimum. Over the two-year period from 2015 to 2017, expenses are projected to increase by less than 4% each year on average. Coupled with these efforts and the inclusion of the additional two months of revenues, the City will surely enjoy a very comfortable year-end balance as presented in Table I.

PERSONNEL

Once again, there are no "new" full-time positions scheduled to be added to the workforce in 2017. There is only one part-time position (Violations Bureau Clerk in the Police Department) programmed to be added next year. As mentioned in the five-year budget, a number of employees within several departments have indicated their intent to retire next year. At this point, none have submitted a written notice of their intent to retire. As has been our practice, we continue to replace positions that may become vacant due to retirements or other departures. In 2016, we had six employees retire and one other who left our employment. Each of those seven positions has been or is expected to be replaced.
By the end of 2017, the City will be down 23 full-time positions, leaving an overall employment base of 110 full-time employees, 60 part-time employees, and throughout the year, 35 additional seasonal employees. At one point, the City's authorized full-time employee total was 133. In the next five years, at least 37 of our current employees will be eligible to retire.

**PERSONAL SERVICE COSTS**

The 2017 Budget includes increases to the Personal Service line items reflecting a 2% wage increase across the board for all full-time City employees and part-time firefighters. In addition to the wage increase, employees with room to advance across their individual pay grade with a satisfactory evaluation are expected to receive an increase to their pay. Other increases expected to occur will include projected changes in the longevity compensation as employees advance under that program as well as the payout of accumulated leave (sick, vacation, compensatory) for those employees who have achieved the required threshold or are scheduled to retire. This fall, the City reached an agreement with the two police unions as well as the firefighter's union for new contracts. The police contracts will expire in December 2019. The contract with the firefighter's union will expire December 31, 2018.

The City’s contributory rate under the Ohio Public Employees Retirement System (OPERS) remains at 14% of payroll, while the rates for the Ohio Police and Fire Pension Fund (OP&F) are 19.5% for police and 24% for fire personnel.

**CAPITAL IMPROVEMENTS**

At the conclusion of the 2016 Budget process, it was anticipated there would be no 2016 Annual Street Improvement Program. As we sit today, not only did we institute a small 2016 program, but we have put forward an ambitious capital improvement program for the next few years, including a very large 2017 Annual Street Improvement Program.

In 2016, we were able to accomplish a number of things anticipated in the 2016 Budget plus a lot more. The Capital Improvement Fund (960) budget went from $1,887,209 in the 2016 Budget document to an estimated $7,725,098. That is a tremendous jump which included a number of projects such as: concluding the 2015 Annual Street Improvement Program; paying the City’s share of the SR 4 Southbound Lane Addition which will be constructed in 2017; finishing some street maintenance work in the Oxford Hills Subdivision and on the cul-de-sacs off Glensprings Drive; replacing the City’s thirty-year-old low-band radio system with a new 800 MHz system; and purchasing the former Sheraton Hotel and attempting to demolish it. The 2017 Budget is expected to be even bigger. It includes four major road improvement projects (2017 Annual Street Improvement Program - $2.4 million, Cloverdale Pavement Rehabilitation Project - $1.1 million, SR 4 Urban Paving Project - $966,000, and SR 4 Southbound Lane Addition Project - $552,000), the debt incurred for the acquisition and demolition of the former Sheraton Hotel, and the actual demolition cost associated with the demolition of the hotel. Engineering costs related to a number of other future construction projects developed under the City’s Comprehensive Capital Improvement Program are also being paid during 2017 out of the Capital Improvement Fund.
We have concluded the installation of our battery backup systems at a number of key intersections throughout the City. We are continuing to explore the installation of the Wavetronix system (microwave detection devices) at various locations in place of other traffic detection devices (cameras, loops). Three systems will be installed as a part of the SR 4 Urban Paving Project and others installed independently.

GENERAL OBLIGATION DEBT

Since 2007, when the City paid off its last short-term debt, the “Community Center Bond” was the only remaining general obligation debt the City had on its books, and it is scheduled to be paid off in December 2017. Now in 2016, with the desire to acquire the former Sheraton Hotel and demolish the building, the City has created a short-term note in the amount of $2,640,000. In 2017, the City intends to borrow $3.5 million to implement the first phase of the Comprehensive Capital Improvement Program (CCIP) to upgrade its neighborhood streets. Earlier this year, the City applied for OPWC interest-free loans in combination with OPWC grants to further implement three additional projects under the CCIP.

Community Center Bond

In 1999, the City issued a $7,000,000 note to finance the expansion of the Community Center. That note was rolled in 2000 and 2001. Each year, the interest was paid in full and the principal paid down by $600,000 resulting in a debt of $5,800,000 by September 2002. At that time, the City issued a $5,900,000 fifteen-year bond at an interest rate of 3.72%. In 2003, the City began making annual principal payments of $400,000 with declining interest payments over the fifteen-year term. Once our payment of $489,600 was made in 2012, the balance on the debt dropped to $1,900,000.

In 2012, the City called the existing bonds and new bonds were issued with US Bank at a rate of 1.21% for the remaining $1,900,000. This was accomplished without extending the term of the debt. Through the new process, the City was able to save approximately $140,000 in interest payments. The City continued to pay the annual principal in the amount of $400,000 plus declining interest. Following the payment on December 1, 2016, the balance on the bonds will drop to $300,000. The final payment of principal and declining interest will be paid in full on December 1, 2017 in the amount of $303,630. Our 2016 payment is scheduled to be $408,470.

Acquisition/Demolition of Former Sheraton Hotel Note

In January 2016, the City issued a $2,640,000 note to finance the purchase and demolition of the former Sheraton Hotel located at 11911 Sheraton Lane. It was the intention of the City that the former hotel would have been demolished, the property sold, and the note paid off by no later than December 31, 2016. Since those things did not occur, the note is scheduled to be rolled in 2016. The interest on that note will be paid in full with none of the principal being paid down. The City plans to have the building demolished, the property sold, and the debt paid off on the property, by no later than December 1, 2017. The interest rate for the original note was 3.00%. The new interest is 3.16%. It is anticipated that both notes will have been issued through Huntington Bank.
Comprehensive Capital Improvement Program Debt

In early 2017, the City plans to issue debt in the amount of $3.5 million to finance various road improvements under the Comprehensive Capital Improvement Program. Preliminary indications suggest an interest rate in the neighborhood of 2.4% - 2.6% over a ten-year period may be feasible to finance the debt. It would be the City’s intention that each year beginning in 2018, a portion (yet-to-be-determined) of the principal and declining interest would be paid to retire the debt prior to its maturity. The debt would be structured such that there are no penalties associated with paying more of the debt on an annual basis or paying the debt off early. To assist with meeting the City’s debt obligation, a portion of the debt could be paid from the Street Maintenance Fund (061) annually.

TAX INCREMENT FINANCING (TIF) FUNDS

Northwest Business Center TIF

In 2000, the City issued $3,040,000 in thirty-year bonds for Phase I of the NW Business Center. This covered the debt from an earlier TIF on this same property, certain infrastructure improvements, and the professional service fees for the bonds.

The first business to be built under Phase I was the Bahama Breeze Restaurant which opened in December 2000. A second restaurant, Karlo’s Bistro Italia, opened in the spring of 2003 and a third, Pappadeaux, opened in October 2005. Two of these restaurants, Bahama Breeze and Karlo’s, eventually closed. The Pappas family apparently purchased the former Karlo’s site and is now leasing it to “Smoq.” Smoq opened its doors in 2011 and appears to be performing very well. The Pappas continue to own the fourth restaurant site at Phase I. In a prior year discussion with the local manager, if Pappadeaux’s numbers achieve at a certain threshold, they may consider bringing their Mexican-style restaurant called Pappasito’s. The Bahama Breeze site continues to sit vacant.

Tower I, the eight-story office building built as part of Phase II, was completed in 2001. In order to pay for the public improvements in Phase II, including a 1,132 stall parking garage, the owners of the property, the City, and the Greater Cincinnati Port Authority concluded a complex financing plan in 2006. This involved the issuance of $10,000,000 in TIF debt by the Port Authority. The arrangement also created a special assessment on the office building over and above the regular service payments to assist in debt retirement. While the City was a party in the transaction, we have no responsibility for or association with the debt issued by the Port Authority. In 2012, the office tower became 100% occupied for the first time since its construction when First Financial Bank moved into the building. Current tenants in the building include First Financial Bancorp, Northrop Grumman Corp., Beckfield College, Ameriprise Financial, and Ultimus Fund Solutions, LLC. In May 2016, MEPT sold the office tower to Fairbridge Properties out of Skillman, N.J., for just under $26 million.

The site proposed for the six-story office tower along with the remaining fifteen acres along Northwest Boulevard is owned by the Frederick Steel family. At present, it is unclear if they will proceed with the second office tower and associated parking garage or pursue an alternate development concept. Over the past three years, there has been more activity and interest in the remaining fifteen-acre site which is currently intended for an office
development; however, the overwhelming interest has been for industrial uses. The property has been vacant since the development began in 2000. For the first thirteen years, there had been extremely limited inquiries concerning the development of this property. None of those inquiries had been to construct an office development. Consequently, this report does not include debt issuance for a second public parking garage or other related public improvements associated with Phase III.

**Tri-County Mall TIF**

The Tri-County Mall TIF (TCM TIF) was created by ordinance on February 2, 2005. The purpose of this TIF was to help finance public improvements to hopefully aid in the redevelopment of Tri-County Mall. The first and only project to date undertaken through the TIF occurred in 2007 and involved the construction of a new signalized intersection for the mall on Kemper Road. Professional services and construction costs for this project totaled $516,341. To cover these costs until the TIF could generate its own income, the City advanced $2,250 from the General Fund to the TCM TIF in 2005, $56,200 in 2006, and another $483,015 in 2007. To date, the City has advanced a total of $541,465 to the TIF. Based upon the original project, repayment of the General Fund was anticipated to begin in 2009. Unfortunately in 2009, the value of the mall was reduced by the County Auditor at the request of the “then” mall owners. As a result, no revenue was generated in the fund to begin paying off the debt. In early 2010, with the assistance of the mall owners, the County Auditor re-instated the higher value on the mall. Thus, the City received a net payment of $53,917. This amount represented the 2008 settlement of taxes of $26,762 as well as the City's first and second half 2009 settlements of $13,852, less the County Auditor assessed fees. These payments reduced the amount owed to the General Fund to $464,674. Unfortunately in September of 2010, the owners of the mall went back to the Hamilton County Board of Revisions and had the valuation of the mall reduced again to an amount that generates no service payments for the City. A request was made of the mall to have the value re-instated or, at a minimum, to repay the money advanced for the intersection improvement. The mall owners declined due to the economy and their financial condition. Under the most recent payment plan which has now ceased, the debt would have been repaid by the end of 2027. At the conclusion of the construction project, there was $22,874 remaining in the TCM TIF. That amount was transferred back to the General Fund in 2009. There has been no activity in the TCM TIF in 2016.

In May 2013, Tri-County Mall was purchased by American Pacific International Capital, Inc. and the SingHaiyi Group. Shortly thereafter, the new owners put a new management team in place. In 2015, the first of three proposed outlot developments opened along Princeton Pike including Starbucks, Men's Wearhouse, and Chipotle. The second of the three outlots opened in November of 2016 as an Outback Steakhouse. Outback relocated their operations from the Springfield Pike location. At this time, we are unsure if the developments planned for the mall will increase the property values enough to generate new service payments for this TIF.
2017 PERFORMANCE GOALS

The City incorporates elements of its strategic planning process into the annual budget in order to focus the organization’s attention on its mission and to link the annual budget process with performance goals, productivity, and outcome. Please take the time to closely examine each department’s goals and objectives. You will note 1) they have been formatted according to the programs identified in the department’s mission statement, and 2) specific performance measures have been developed for each objective.

CONCLUSION

As our 2015 year was coming to a close, the concern expressed during the 2016 Budget process was the decline of the City’s earnings tax collections. A year ago, a number of employers were making large payments as a part of their declarations which were believed to have far exceeded their tax liability owed to the City. As things turned out, the payments made by those organizations were pretty much in line with the company’s new tax liability. For all intensive purposes, that threat is no longer a concern. Instead, due to the implementation of HB5, the City has been able to receive not necessarily more earnings tax collections, but receive them sooner than we have in previous years and over a longer period of time. As a result, we anticipate receiving less earnings tax collections in 2017 than in 2016. While this may normally concern us, this time we are not alarmed. Based upon our current and projected expenditures, we feel the City will be able to address its financial obligations in 2017. Even with the tremendous expansion of the City’s Capital Improvement Program, as long as we responsibly manage the balance of our spending, the City should be able to address any unforeseen challenges. As we begin to embark upon a new amount of debt, it is exciting to realize that after eighteen years, in 2017 the City will eliminate its long-standing debt for the Community Center.

Finally it bears repeating, if the organization continues to stretch the current employee base without adding other personnel, it may come back to haunt the organization as well as our service delivery. We are already seeing the financial impact it will have when one employee is allowed or forced to work more than 400 overtime hours in a twelve-month period. The cost is significant. We realize it is a delicate balance, but that is a challenge the organization will need to address sooner rather than later.

As we proceed into 2017, as always, I am confident and hopeful that the 2017 Budget document being presented to you, developed with the aid of the City’s Department Directors and the Administrative team, will allow our organization to continue the exceptional service delivery in the most prudent and effective manner to the citizens and the business community of the City of Springdale.
In closing, I would like to thank the Department Directors for their unselfish cooperation, good stewardship, and sound fiscal practices as well as for all of their efforts in the preparation of the 2017 Budget. They are:

Michael Mathis, Chief, Police Department  
Michael Hoffman, Chief, Fire Department  
Jeff Agricola, Director, Public Works Department  
Greg Karle, Director, Recreation Department  
Gregg Taylor, Building Official, Building Department  
Christine Russell, Director, Economic Development Department  
Matthew J. Clayton, Health Commissioner, Health Department  
Jerry Thamann, Assistant City Administrator, Administration

I would also like to recognize Stephanie A. Morgan, Sr. Administrative Assistant, and Jeff Williams, Finance Officer/Tax Commissioner, for their invaluable assistance and contributions in the production of this document. Their importance in helping to develop the numbers, notes, and every facet that goes into finalizing the document could never be understated.

Should you have any questions concerning the proposed 2017 Budget prior to our formal review, please feel free to contact me at your convenience.

Sincerely,

[Signature]

Derrick Parham  
City Administrator

Mayor  
Clerk of Council/Finance Director  
City Council  
Assistant City Administrator  
Department Directors  
File