MINUTES

COUNCIL-MANAGER BRIEFING

FEBRUARY 13, 2012

Mayor Ronald A. D'Epifanio called the Council-Manager Briefing to order at 6:00 p.m. at the Fairfield Municipal Building, 5350 Pleasant Avenue. Present Councilmember were Jeff Holtegel, Tim Abbott, Debbie Pennington, Adam Jones, Mike Oler, and Terry Senger. Staff members present were Art Pizzano, Mark Wendling, Mary Hopton, John Clemmons, Jim Bell, Dave Butsch, Dave Crouch, Mike Dickey, Carol Mayhall, Jim Howell, Jason Hauslein, Tim Bachman, and Dena Morsch.

2013 Budget Planning Discussion

City Manager Pizzano began by saying tonight's presentation will consist of 15 PowerPoint slides. He stated a lot of actions have taken place in the last six months or so that have impacted the City of Fairfield and other Ohio cities with regard to budgeting and finance. He stated because of developments that have occurred, particularly out of Columbus, staff thought it would be prudent to start budget discussions earlier than in previous years. He reminded Council that last year, budget discussions began in May.

City Manager Pizzano read several paragraphs that came out of a story published in the Cincinnati Enquirer on December 18, 2011. The paragraphs read:

> *"…state-imposed cuts in the estate tax, the local government fund, declining property values and a still sluggish economic climate have forced some cities, villages and townships in the region to use hatchets instead of paring knives when reducing budgets for 2012. There's going to be hunkering down by communities next year and doing only the absolute necessities," said Sue Cave, executive director of the Ohio Municipal League. "Service is related to people. If people aren't there to do it, the service will diminish. That's what you'll find is going on in almost every community in Ohio." She said more communities will be forced to place levies on the ballots next year. If 2012 looks bad, 2013 looks even worse. "It's not a pretty picture," she said. "Unless the economy turns around, 2013 is going to be more painful." Many local communities are trying to avoid cuts that will have the most serious impact on the public – such as layoffs of police, firefighters and other employees….".*

City Manager Pizzano reviewed the financial effects of the lingering recession as it relates to revenues coming into the City of Fairfield. He stated corporate bonuses have been reduced by millions, impacting Fairfield by a loss of $150,000 in withholding tax. Business profits are down, impacting Fairfield by a loss of $500,000 in profit tax out of our revenue stream, according to 2009 filings. City Manager Pizzano stated business shrinkage is occurring and he cited as an example Pella on Route 4. He stated Pella is dependent on the housing market and when the housing market shrinks, so does the demand for windows. He stated Pella didn't move their plant; they just closed it and the impact on Fairfield was a loss of $150,000 in profit and withholding tax. He stated the good news is that losses we have had in jobs have been those that are cyclical, meaning that they are dependent on the economy, and will come back, unlike some of the old industrial jobs that when they leave, they never come back. City Manager Pizzano stated the City of Fairfield's investments have been reduced. He stated interest rates on City money have fallen from 2% in 2009 to .02% in 2011, resulting in a loss of $1 million in earnings in one year. He stated all of that contributes to a decrease in revenue.

City Manager Pizzano addressed the effects of legislation that came out of Columbus over the course of six months to a year. He stated these things were unanticipated and could not have been anticipated and caught the City of Fairfield by surprise. He stated it forced the city to do some very quick modifications on a lot of fronts. He stated in the Local Government Fund, a fund that cities have been dependent upon for decades, the City of Fairfield lost $705,000 (50% phased reduction); lost $300,000 per year in estate tax—a permanent reduction; and thirdly, losses in personal property tax. City Manager Pizzano stated originally, it was to be phased out beginning in 2014. He stated it has been pushed forward by state legislators to early phase-out in 2012, resulting in a permanent reduction of $1,125,000 over three years. This loss will not only show itself in Fairfield's General Fund ($225,000 loss) but also the Fire Levy Fund ($900,000 loss). City Manager Pizzano stated these losses over the next three years are substantial, especially in the Fire Levy Fund.

City Manager Pizzano stated prior to all of this and because of the bad economy, the City of Fairfield has been proactive in terms of dealing with the single most prevalent expense we have in the municipal budget--salaries. He stated over the last four years, we have had a savings of $1.5 million annually through attrition. As noted on Slide 4, attrition has occurred in every department.

City Manager Pizzano discussed budget adjustments that the City has made over the past several years. Those adjustments are: discretionary overtime reduced over several years; additional across the board cut of 10% in overtime for 2012; newsletter and postage has been reduced by 25%, resulting in a savings of $32,000. The firework appropriation has been reduced by 18%, a savings of $9,500; and with the help of Duke Energy, we increased energy saving initiatives by $150,000. As far as direct cost savings, City Manager Pizzano stated the current union agreements incorporated 0% increases for the initial 2 years. He stated the 3rd year will be negotiated in early 2013. He stated the City's non-union employees, in parity with the union employees, received 0% increases; health care contributions are at 15% (at the level proposed by previous state legislative efforts), and departments have been told to cut any possibility of budgeting such as there would be carryover which in the past has been used to make the subsequent years budgeting a little easier. He stated as things have tightened up, we have not had the luxury of carrying over funds for the next year's budget.

City Manager Pizzano reviewed with Council the actions taken to keep the General Fund solvent. He stated in 2000, the fire and paramedic levy was combined which eliminated an $850,000 General Fund subsidy. He stated we also started to bill insurance companies in 2004 for collections on emergency medical runs. He stated that enhanced our collections and supported our fire funds by bringing in $1 million. He stated the city reviewed the golf course operations in 2005 and a reorganization plan saved the City $150,000. Regarding the Community Arts Center, City Manager Pizzano stated when the city did the pro forma before the building was built; it was projected that it would need a $300,000 subsidy. At the direction of Council, staff took another look at what would happen if we put a lodging tax in like other communities had done and that reduced the subsidy by $100,000.

City Manager Pizzano stated prior to the recession when times were good, the City increased the Unreserved General Fund balance from 22% to 25% over a period of three years. He stated it's a good thing we did this prior to the recession because it provided a cushion when the recession did kick in and when we had to start drawing on those reserves to avoid major service reductions. City Manager Pizzano stated we also made a series of utility billing modifications which improved our collections. He stated we use to collect without interest up to 90 days past due. That has been reduced to 45 days past due. He stated the City's fleet policy was modified in 2009 to extend the useful life of our vehicles which saves the city money. He stated by extending the useful life of police cruisers from 4 years to 5, five years is the minimum threshold by which you can fund capital equipment out of the Capital Fund rather than out of the General Fund. City Manager Pizzano stated fire staffing was realigned in 2011 and we enhanced the fire levy financial position by $80,000.

City Manager Pizzano discussed chargeback's from the Public Utilities Fund to the General Fund. He stated most cities do this although Fairfield never had until 2011. It creates a situation where the utility, like a free-standing business, is charged back for support services. This amounted to $537,410 in 2011. City Manager Pizzano stated Fairfield also phased out our service subsidies in 2011. Fairfield was the only city that subsidized with General Fund dollars the solid waste fund. He stated by taking this action, $290,000 will be saved over 2 years. City Manager Pizzano stated the City changed some of our utility fees to address the problem of delinquent customers. He stated in 2013, the City will be initiating changes in the way we handle workers' compensation for employees. He stated we will be running it as a self-insured program, pending approval from the State of Ohio. City Manager Pizzano stated we expect to save approximately $300,000 per year beginning in 2013 by making that change.

City Manager Pizzano stated Council's number one goal, both last year and this year, is to "Operate within a fiscally conservative budget, maintaining our current bond rating and necessary reserves to provide service levels that position Fairfield to retain residents." He stated by doing this, we hope to not only retain residents but also businesses.

Mary Hopton, Finance Director, reviewed with Council a series of charts, the first being the General Fund Balance – Pre-Recession to Current. The chart highlighted General Fund balances from 2007-2012 and spending shortfalls (or the dipping into reserves) for the same period of time. Ms. Hopton stated from 2008 and into 2009 was when we felt the largest impact—about $1.8-$2 million that we lost in income tax revenue which is the single largest source for the General Fund. She stated it averages out to about $1.5 million that we are dipping into our reserve through what is projected for 2012. City Manager Pizzano stated 2011 and 2012 are really less about income tax losses but rather the results of state legislation impact on Fairfield.

Mary Hopton explained a chart which showed what the City's reserves were for a period 2006-2012. She explained the 22%-25% unreserved fund balance that City Manager Pizzano spoke about earlier fluctuates. She stated it is based on our operating budget. If the budget is $20 million, then our reserve at 20% would be $4 million. She stated right now with our budget hanging at $25 million, it averages at $5 million which is the minimum threshold we need to maintain our bond rating with Moody's, which is an AA1 bond rating. She stated it also impacts our credit worthiness when we go out for bonds.

City Manager Pizzano explained the next chart which showed a comparison of property tax rates for comparable sized communities (40,000-60,000 in population). He noted the information is from a recent study by the City of Hamilton. He stated with the exception of Springfield, Fairfield was the lowest as far as dollars of property tax per $1,000 of market value. He stated it is a good place for us to be and from this perspective, it appears that we are not overtaxing relative to the cities of our size. City Manager Pizzano explained the chart showing area income tax rates for comparable sized communities. He pointed out that while West Chester is not a city and therefore doesn't have an income tax; it has other special fees that cities don't have. City Manager Pizzano stated from an income tax perspective, Fairfield is the lowest at 1.5%.

City Manager Pizzano stated as times have changed, the city's income tax rate has changed. He stated this is a single source of revenue for the City and it is historically the way cities in Ohio raise revenue. City Manager Pizzano stated because of his long history in the City of Fairfield, Law Director Clemmons would explain the evolution of the income tax rate. He stated John has a good sense of not only the numbers but what was driving the evolution of the city from a growth perspective and perhaps why City fathers and mothers at the time adjusted the allocation of income tax to meet changing needs.

Law Director Clemmons stated the original income tax was effective January 1, 1961 at a rate of 0.6%. He stated Council was allowed to adopt an ordinance for an income tax up to 1% without a vote of the people. He stated it was reallocated and increased to 1.0% in 1966 by an ordinance adopted by Council. He stated what was added was 0.4% for sewers. Mr. Clemmons stated in the 1960s, there were a lot of farms and a lot of digging on the city streets. He stated the city sewer system had its origins in 1965/1966. Mr. Clemmons stated in 1968 and 1970, a proposed income tax increase from 1.0% to 1.5% failed. Effective 1/1/71, the income tax rate was increased to 1.5% by the voters of Fairfield and the allocation became similar to the modern allocation that we have although it still carried the 0.4% sewer allocation. City Manager Pizzano reminded Council that Fairfield's process of allocating taxes is a bit unusual, noting that most cities do not have specified allocations. He stated it continues to be a wise thing for us to do as long as we keep it fluid and flexible and attentive to the needs of Fairfield. He noted the 1971 increase bumped up the General Fund for the reason that as the city began to deal with some of their street and sewer problems; it found itself at a point where as the city evolved and grew, staffing, particularly on the police side, started to grow pretty expedientially. He stated the General Fund had to be increased to meet some of those demands for public safety at that particular point in time. City Manager Pizzano stated there were two attempts to raise the income tax that failed in 1968 and 1970 but there has never been a failure of the reallocation. He noted the public seems to have responded well when the case was made that there would be no tax increase but rather a different use of the existing tax to meet the city's changing needs. Mr. Clemmons stated the 1/1/77 vote for reallocation was a public vote. He stated at that point in time, the city had been the recipient of a large EPA grant to build our sewer plant. As a term and condition of that grant, the City was not allowed to fund operation or maintenance of sewers through income tax but rather funded from user fees. Mr. Clemmons stated we had an excess of income tax on the allocated for sewer usage and we had street needs so what was put on the ballot was the idea that the existing indebtedness to which that allocation of income tax pledged would be maintained; that 10% of the revenue would still be applied to sewer indebtedness but the remaining 90% of that 0.4% be allocated to the Street Fund. Mr. Clemmons stated the reason for that was the city was in the midst of some very large street widening projects; Nilles Road, Gilmore Road and others were on the horizon at that point in time so it was thought that the money should be allocated for some of these street needs. He stated in 1991, there was another public vote. He stated this was after some financial reversals that occurred in the late 1980s, i.e. General Motors/Fisher Body closed in 1989 and that had a significant impact on the city and that the sewer indebtedness at that point had been pretty much paid off so there was no need to maintain that vestige. He went on to say that it was determined that that .4% would be allocated as .2% to the General Fund while continue the other .2% in the Street Fund for a total of .3% in the Street Fund. Mr. Clemmons stated that reallocation helped the city get through that period of time when the General Fund was somewhat lacking. He stated at the same time that this reallocation passed, there was a proposal to increase the overall income tax rate to 1.75% but that particular measured failed.

Mr. Clemmons stated the last reallocation of income tax was by public vote effective 1/1/04 for general operations but also for the Village Green. He stated that money became the source of the Downtown Development Fund which resulted in the development of Village Green as well as the Justice Center.

City Manager Pizzano stated at that time, there was discussion about the community arts center and justice center. He stated there was desire to get both of those buildings completed for different and very positive reasons in both respects--public safety and quality of life. He stated in order to do that we needed to have the flexibility to use the money for debt service so moving it into the General Fund allowed us to do that without jeopardizing the needs of the streets because that fund was in pretty good shape financially. City Manager Pizzano stated now we are in the position where our capital needs have largely been met. He stated there will always be capital needs but the large capital building projects like police, fire, public works, utilities, parks, golf course; virtually every building has been either rehabilitated or new buildings have been constructed in their place. He stated large street projects such as Symmes Road/Union Center Blvd. and Route 4 By-Pass have been completed and the financing is in place for the soon to be built new bridge over I-275. He stated we are not anticipating in the near term any major long-term capital projects or new projects of that type. He stated there will always be maintenance and replacement but the large initiated projects are largely behind us. There may be some remaining in utility but that would come out of a different fund; it is not an income tax issue.

City Manager Pizzano stated our General Fund requires us to carry somewhere around a $5 million fund balance in order to maintain the AA1 bond rating. He stated we have been spending at a rate that is not sustainable and we need to find sustainable revenue that will not just solve the problem for 2013 but solve the problem well into the future. He stated Mary Hopton will walk Council through three possible ways, some of which will be more palpable than others but staff felt it important to show Council at least several of the options that have been considered.

Mary Hopton stated the first option would be to increase revenue. She stated this could be done by increasing the income tax rate. She stated if the rate were to be increased by 0.15%, an additional $1.47 million would be added to the General Fund. She stated this would also generate an increase to our Capital Fund. City Manager Pizzano stated the city has been spending over the last couple of years $1.5 million out of the reserve that we cannot continue to do because it is non-sustainable and will take us below the necessary reserve for the Moody's rating. He stated the $1.5 million number is what we are targeting to maintain that $5 million reserve.

Mary Hopton stated the next option would be to cut staffing by $1.5 million. She stated this would be a loss of 18 jobs and would only involve General Fund positions. She stated those in Utilities, Fire and some Parks employees are in different funding sources so that would not impact the $1.5 million coverage that we are trying to gain. She stated the City would continue attrition of any vacated positions whenever possible. City Manager Pizzano stated the 18 jobs is double what we have already attritioned in four years. He stated if we were to select this option, we could not do this by attrition. We would have to do this immediately with layoffs. He stated we are talking 18 people, immediate impact, and twice the number of people we have already jobs empty for. City Manager Pizzano stated public utility positions which are a large department do not help us with our General Fund; it is a separate fund. The Fire Department, as mentioned earlier, is a separate levy through property tax. He stated it has nothing to do with income tax which runs the General Fund. He stated some Parks employees who work at the pool and the golf course are funded under a special parks and recreation levy which is also not General Fund. City Manager Pizzano stated that leaves you with a limited amount of departments from which you can tap to get those 18 positions fairly quickly. He stated the next chart is from the same Hamilton study and compares Fairfield's employee count to other employee counts in like-sized communities.

Mark Wendling, Assistant City Manager, explained a chart which benchmarks the number of full-time employees in cities comparable in size to the City of Fairfield. He noted that Fairfield has the second lowest employee count when compared to the other cities on the chart. He explained that several of the cities do not offer the services offered by Fairfield. As an example he stated Dublin does not operate a fire department or public utilities. He stated when you look at the Hamilton numbers they look low. He stated the 477 employee number does not include electric and gas utilities. The total employee population based is up toward 600. City Manager Pizzano stated he wanted to do an apples to apples comparison because Fairfield does not have electric or gas utilities either. He stated in total employee count, that is a much bigger number and the Dublin number would be a much bigger number as well. Mr. Wendling noted that Kettering does not operate public utilities and Lakewood does not operate a parks and recreation department. He stated Springfield, which has the highest employee count, does not operate a parks and recreation department. He stated West Chester Township's parks and recreation department is managed by MetroParks; they have no utility or road operation. Mr. Wendling stated that means many of their county routes are subsidized by the state and the county.

City Manager Pizzano summarized that Fairfield has low property tax, low income tax, good services and low employee count. He asked Council to keep all that in mind when looking at options; whether it's raising taxes or whether it's laying off more people, without compromising Council's number one goal which is to preserve services, to retain residents and businesses and at the same time, maintain our reserves.

City Manager Pizzano stated a third option would be a reallocation of existing income tax revenue. He stated we are not talking about an increase. We are talking about maintaining the current income tax rate of 1.5%. City Manager Pizzano stated the current allocation is 1.1% General Fund; 0.2% Street Improvement Fund; 0.2% Capital Improvement Fund.

City Manager Pizzano stated staff would propose bumping up the General Fund allocation to 1.2% and taking equally from the Street Improvement and Capital Improvement Funds the necessary amount of money which would reduce both of those funds to 0.15%. City Manager Pizzano stated that would reallocate the $1.5 million that we need; the same number you would get by laying off 18 people; the same number you would get by increasing the tax rate that Ms. Hopton described. He stated Council would not have to do any of those things. He stated we could raise that $1.5 million annually—sustainably, noting that that would constrain large ticket special capital improvement items for the foreseeable future until the economy turns around but again, most of those big projects are pretty much behind us for the time being. City Manager Pizzano stated that if the economy turns around, the increase in the General Fund could be used for street improvements or capital improvements. He stated you just can't spend money in the General Fund out of those other allocated funds without a vote of the people. He stated you can only go the other way. You can only use the flexibility that the General Fund has to use it for debt service or street service.

Councilmember Abbott stated out of the three options presented, the reallocation of existing income tax revenue is the most doable and the least impactful to the community at-large. City Manager Pizzano agreed, stating that that would be the recommendation of staff.

City Manager Pizzano stated the final chart is the same one explained earlier by Law Director Clemmons—the income tax history from 1961 to 2004—but updated to show a successful voter reallocation. He stated the income tax rate continues at 1.5% with the reallocation being effective January 1, 2013. The allocation would be: 1.2% General Fund; 0.15% Street Improvement Fund; 0.15% Capital Improvement Fund.

Councilmember Holtegel questioned how other communities allocate funds. Mary Hopton stated most cities allocate funds to the General Fund and disperse from the General Fund. She stated Fairfield is unique in the fact that our forefathers thought to allocate specific dollars. The benefit in doing that is as you are a growing city and you need money for that, money going in to the Capital Fund cannot be used for personnel; it can only be used for capital improvements. She stated you basically guarantee that you will have that maintenance as you go along. Councilmember Holtegel stated he is all in favor of the third option but he wants to make sure that we don't get in a position where we are funding everything out of the General Fund.

City Manager Pizzano agreed. He stated what is really driving this is the fact that we are in the worst recession since the Great Depression. He stated not only for Fairfield but for cities across the country.

Mary Hopton discussed the budget cycle and CIP (Capital Improvement Program) cycle. She stated in 2012, the CIP will be at the lowest level since 2006. She stated we are doing mainly maintenance items—things that need to be done, and we have prioritized them as critical, major or minor. Ms. Hopton stated the overall 2012-2016 CIP is still around $80-$90 million but that the last several years of the capital budget are for planning purposes.

City Manager Pizzano stated when you look at it beyond buildings and streets, after collaborating with the County, we've got a brand new radio system; we've got flood control behind us with the help of a lot of grant money; we have a brand new, state of the art traffic control system, city-wide; the water and wastewater plants have been modernized and upgraded from a capacity point of view, and that's before you worry about things like clubhouses and community art centers and libraries, fire and police stations and public works garages. He stated all of those things are behind us. City Manager Pizzano stated we would always have capital needs but capital needs that come with growth are behind us. He stated now, our capital needs will be taking care of what we have.

Councilmember Abbott thanked staff for all the hard work. He stated when you look at the goal of Council; staff really has some tough work to do. He stated the reallocation will get the job done in the least impactful way and it's sustainable. He stated City Manager Pizzano and staff did a great job of putting those options together.

City Manager Pizzano stated this hasn't just been a reaction to something that has happened over the last two or three years. He stated if you go back 12 years, you will see the move to save expenses and find alternate ways of bringing in new revenues to the General Fund and reduce subsidies out of the other supporting funds worked. He stated had previous Council's and previous staff's not been doing that, our problem would be a whole lot bigger than the $1.5 million hole we've got right now.

City Manager Pizzano ended the Council-Manager Briefing by saying that should Council decide to proceed with the reallocation, legislation would be needed for placing the question of reallocation on November 2012 ballot.

Respectfully Submitted,

Dena Morsch

Dena Morsch
Acting Clerk of Council

Attachment: "Planning for the 2013 Budget"

Planning for the 2013 Budget

Local News

"…state-imposed cuts in the estate tax, the local government fund, declining property values and a still sluggish economic climate have forced some cities, villages and townships in the region to use hatchets instead of paring knives when reducing budgets for 2012.

"There's going to be hunkering down by communities next year and doing only the absolute necessities," said Sue Cave, executive director of the Ohio Municipal League. "Service is related to people. If people aren't there to do it, the service will diminish. That's what you'll find is going on in almost every community in Ohio."

She said more communities will be forced to place levies on the ballots next year. If 2012 looks bad, 2013 looks even worse.

"It's not a pretty picture," she said. "Unless the economy turns around, 2013 is going to be more painful."

Many local communities are trying to avoid cuts that will have the most serious impact on the public – such as layoffs of police, firefighters and other employees…"

Cincinnati Enquirer, December 18, 2011

Revenues – Financial Effects of the Lingering Recession

- Corporate bonuses reduced by millions (2009)
  - Impact: Loss of $**150,000** in withholding tax
- Business profits down (2009 filings)
  - Impact: Loss of $**500,000** in profit tax

- Business shrinkage (e.g. Pella/housing market)
  - Impact: Loss of $**150,000** in profit &withholding tax

  ** Silver lining – conditions cyclical not systemic
- Investments
  - Interest rates reduced from 2% (2009) to .02% (2011)

    (Impact: Loss of $**1 million** in earnings)

Revenues – Losses via State Legislation

- Local Government Fund (2011-2013)
  - $705,000 (50% phased reduction)
- Estate Tax (2013)
  - $300,000 average per year (permanent reduction)
- Personal Property Tax (2012-2014)
  - Originally to phase-out beginning 2014
  - Early phase-out in 2012
    - $1,125,000 over 3 years (permanent reduction)
      - General Fund $225,000 and Fire Levy Fund $900,000

Budget Adjustments (1/3)

- Proactive attrition actions – saving $1.5 million

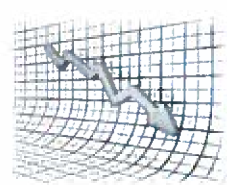
ATTRITION RUNNING TALLY (includes benefits)

Council & Administration (Payroll $971,566)	Development Services (Payroll $1,344,330)	Finance (Payroll $1,876,632)	Fire * (Payroll $4,766,687)	Parks ○ (Payroll $2,835,438)	Police (Payroll $9,227,780)	Public Utilities + (Payroll $4,162,867)	Public Works (Payroll $3,446,831)
Customer Service Manager ($118,507) Deputy Clerk of Council ($24,605)	Zoning Inspector ($65,383) Building Inspector ($100,008)	Tax Compliance Officer ($90,061) Part-time Clerk ($8,376)	Deputy Chief ($105,668) Firefighter/ Paramedic ($109,145)	Maintenance Superintendent ($47,460) Maintenance Worker/Laborer ($79,444)	Police Officer ($112,988) Police Officer ($115,675) Police Officer ($122,301)	Water Clerk ($56,483)	Construction Manager ($114,636) Maintenance Worker/Laborer ($71,300) Maintenance Worker/Laborer ($85,855) Clerk II ($76,047)

* Fire Levy Fund
\+ Utilities Fund
○ Recreation Fund (partial)

Budget Adjustments (2/3)

- Direct Cost Savings
  - Discretionary overtime reduced over several years
  - Additional across the board cut of 10% in overtime for 2012
  - Newsletter & postage reduced by 25% - $32,000
  - Firework appropriation reduced by 18% - $9,500
  - Increased energy saving initiatives by approximately $150,000



Budget Adjustments (3/3)

- Direct Cost Savings (continued)
  - Current union agreements incorporated 0% increases for initial 2 years
  - Non-union employees in parity with union employees on 0% increases
  - Health care contributions at 15%
    - At level proposed by previous State legislative efforts
- Budget Carryover Opportunities
  - Reduced as operating budgets become more lean

Creative General Fund Tools Utilized (1/3)

- Fire/Paramedic Levy (2000)
  - Combined levy; eliminated General Fund subsidy - $850,000 in 2000
- EMS Billing to Insurance Companies (2004)
  - Enhanced collections to support Fire Levy - $1 million
- Golf Course Operations (2005)
  - Reorganization plan saved $150,000
- Community Arts Center (2007)
  - Pro forma subsidy reduced by lodging tax $100,000

Creative General Fund Tools Utilized (2/3)

- Unreserved General Fund Balance (2007-2009)
  - Increased from 22% to 25% pre-recession
- Utility Billing Modifications (2009)
  - Improved collections from 90 to 45 days past due
- Fleet Policy Modifications (2009)

  - Extend useful life of vehicles
    - Allowed Police cruisers to be funded out of .2% Capital fund
- Fire Staffing Realignment (2011)
  - Enhanced Fire Levy's financial position $80,000

Creative General Fund Tools Utilized (3/3)

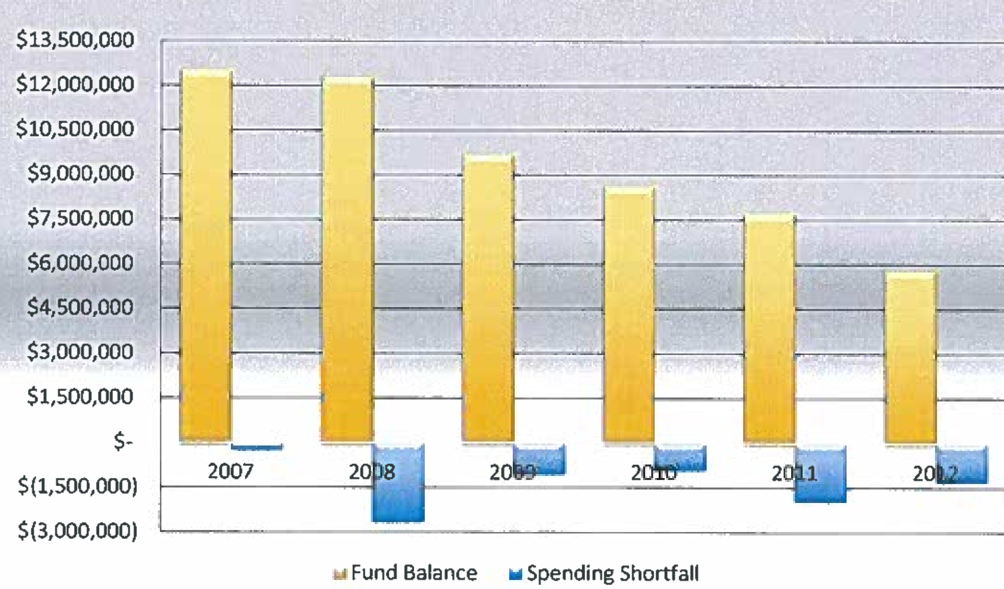
- Chargebacks from Public Utilities to General (2011)
  - Cost center allocation for support services $537,410
- Phase-out of Service Subsidies (2011)
  - Solid Waste Fund ($290,000 over 2 years)

- Utility Fee Changes (2011)
  - Changes aimed at delinquent customers
- Workers' Compensation (2012)
  - Self-insured (pending with the State of Ohio)
  - Estimated savings of $300,000/yr. beginning 2013

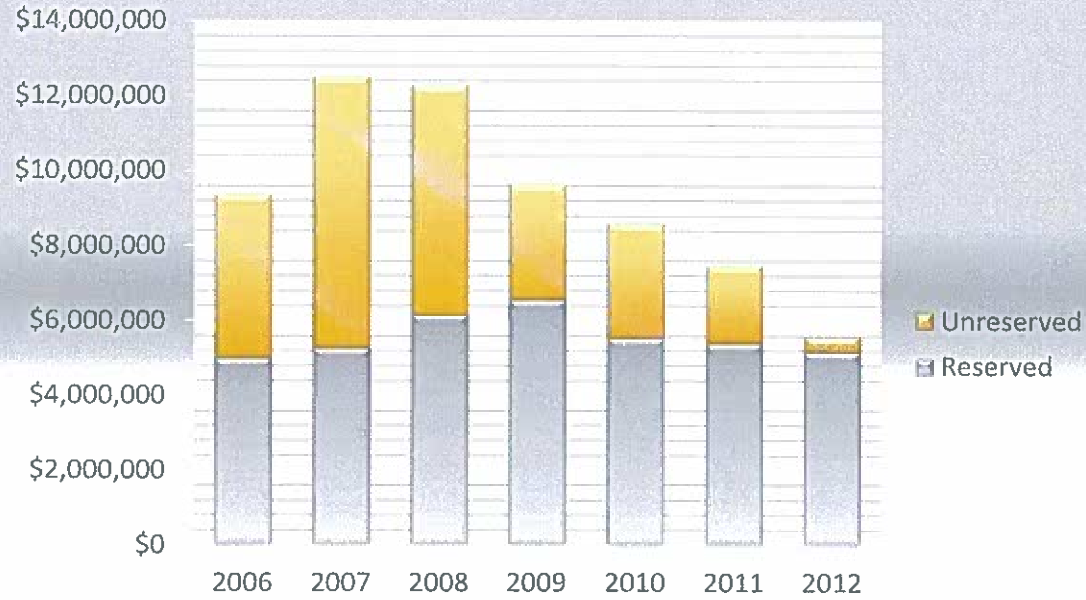
General Fund Balance

- Council's #1 Goal
  - "Operate within a fiscally conservative budget, maintaining our current bond rating and necessary reserves to provide service levels that position Fairfield to retain residents."

General Fund Balance – Pre-Recession to Current (1/2)



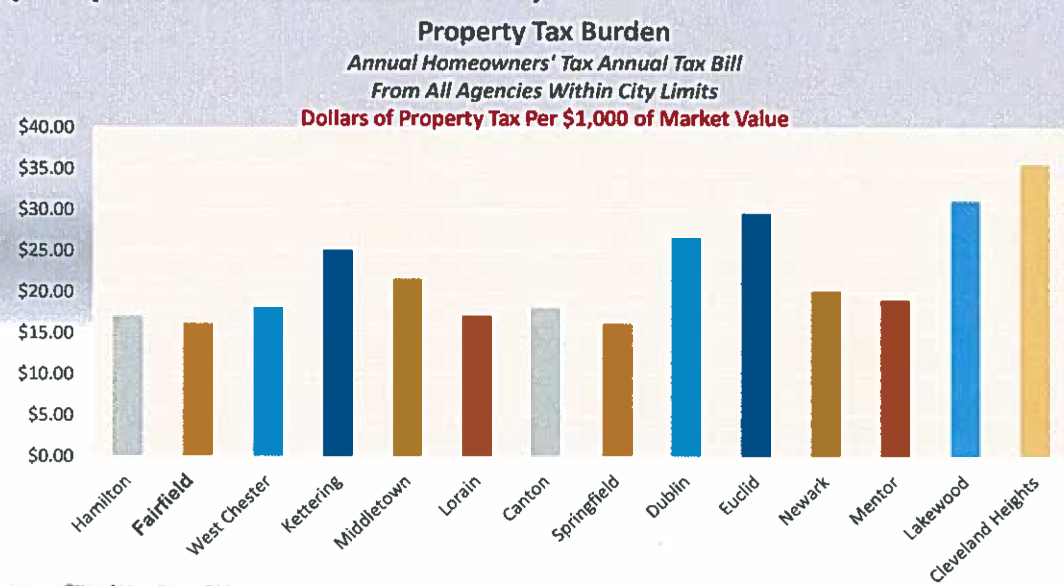
General Fund Balance – Pre-Recession to Current (2/2)



City of Fairfield, Ohio

Area Property Tax Rate Comparison

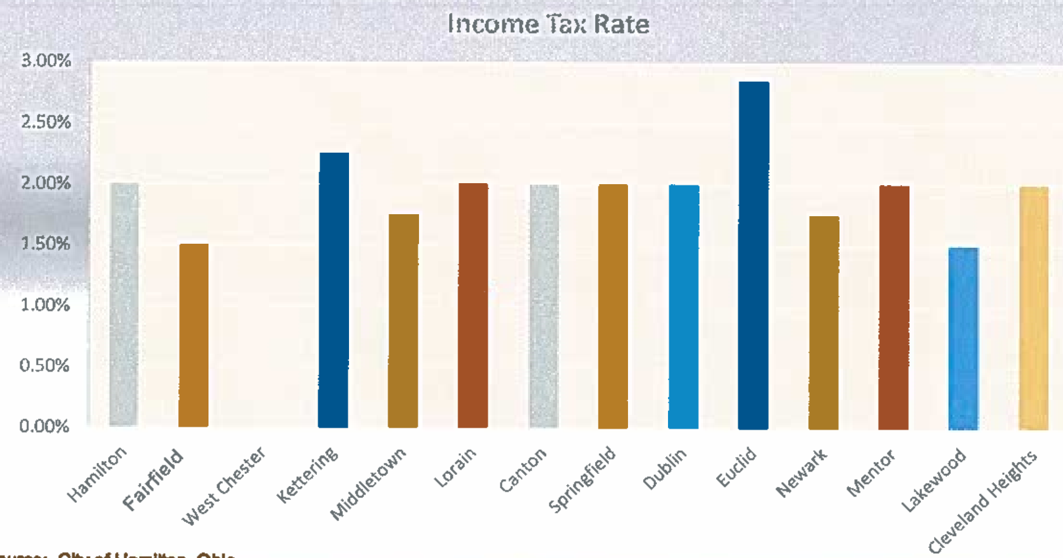
(comparable sized communities)



Source: City of Hamilton, Ohio

City of Fairfield, Ohio

Area IncomeTax Rates
(comparable sized communities)



Source: City of Hamilton, Ohio

Changing Needs – Financing Evolution

Income Tax Rate – 0.6%
Effective 1/1/61 (per ordinance)
Allocation – 0.2% General
0.1% Street
0.1% Drainage
0.1% Street Lighting
0.1% Capital

Income Tax Rate – 1.5%
Effective 7/1/71 (per public vote)
Allocation – 0.8% General
0.2% Capital
0.1% Street
0.4% Sewer

Income Tax Rate – 1.5%
Effective 1/1/91 (per public vote)
Allocation – 1.0% General
0.3% Street
0.2% Capital

1961 | 1966 | 1971 | 1977 | 1991 | 2004

Income Tax Rate – 1.0%
Effective 1/1/66 (per ordinance)
Allocation – 0.2% General
0.1% Street
0.1% Drainage
0.1% Street Lighting
0.1% Capital
0.4% Sewer

Income Tax Rate – 1.5%
Effective 1/1/77 (per public vote)
Allocation – 0.8% General
0.2% Capital
0.1% Street
0.4% Sewer (Sewer 10% & Street 90%)

Income Tax Rate – 1.5%
Effective 1/1/04 (per public vote)
Allocation – 1.1% General (Village Green)
0.2% Street
0.2% Capital

Income Tax Rate increase from 1.0% to 1.5% failed in 1968 and 1970.

Income Tax Rate increase from 1.5% to 1.75% failed in 1990.

Sustainable and Long-Term Options (1/3)

Option A

- Increase income tax rate

Rate Increase	Addition to General Fund
0.15%	$1.47 million
0.2%	$2.02 million
0.25%	$2.56 million

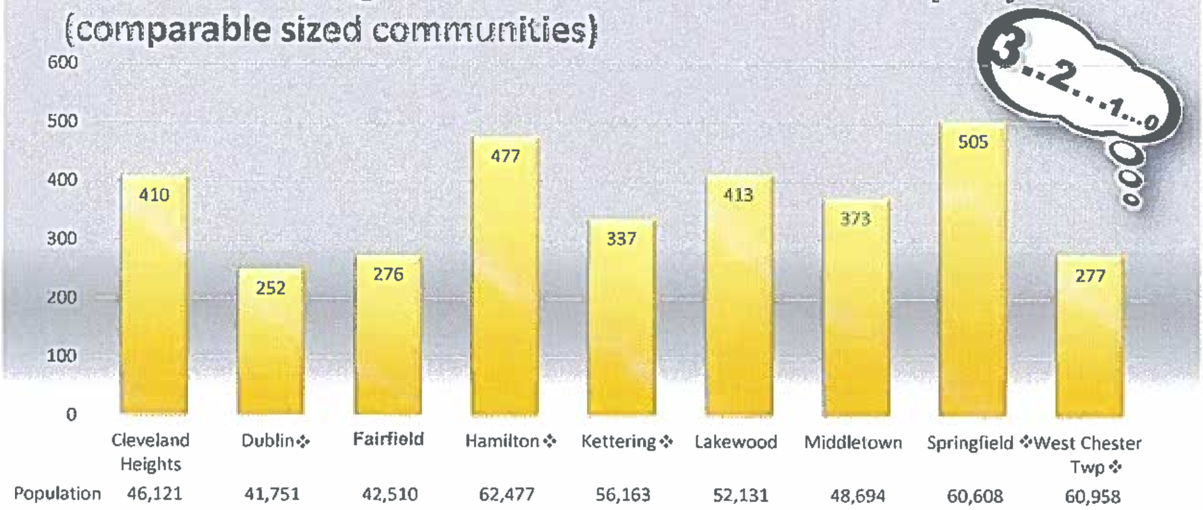
– Addition to General Fund would generate a proportionate increase to Capital/Street Funds

Sustainable and Long-Term Options (2/3)

Option B

- Cut staffing by $1.5 million
  - Early estimate of jobs lost is 18
    - Only General Fund positions can be used
    - Cannot use Utilities, Fire and some Park employees
  - Continued attrition of vacated positions, where possible

Benchmarking Number of Full-Time Employees
(comparable sized communities)



❖ Dublin does not operate a fire department or public utilities
❖ Hamilton does not include electric and gas utilities
❖ Kettering does not operate public utilities
❖ Lakewood does not operate a parks & recreation department
❖ Springfield does not operate a parks & recreation department
❖ West Chester parks & recreation managed by Metro Parks; no utility or road operation

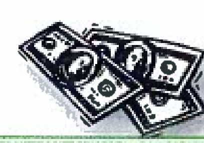
Sustainable and Long-Term Options (3/3)

Option C

- Reallocation of **existing** income tax revenue

	Current Allocation	Proposed Allocation
General Fund	1.1%	1.2%
Street Improvement Fund	0.2%	0.15%
Capital Improvement Fund	0.2%	0.15%

– Reallocates $1.5 million to General Fund; evenly distributed from Street & Capital Improvement Funds
  - Will likely constrain large ticket special capital improvement items



Updated Chart with Successful Voter Reallocation

Income Tax Rate – 0.6%
Effective 1/1/61
Allocation – 0.2% General
0.1% Street
0.1% Drainage
0.1% Street Lighting
0.1% Capital

Income Tax Rate – 1.5%
Effective 7/1/71
Allocation – 0.8% General
0.2% Capital
0.1% Street
0.4% Sewer

Income Tax Rate – 1.5%
Effective 1/1/91
Allocation – 1.0% General
0.3% Street
0.2% Capital

Proposed
Income Tax Rate – 1.5%
Effective 1/1/13
Allocation – 1.2% General
0.15% Street
0.15% Capital

Income Tax Rate – 1.0%
Effective 1/1/66
Allocation – 0.2% General
0.1% Street
0.1% Drainage
0.1% Street Lighting
0.1% Capital
0.4% Sewer

Income Tax Rate – 1.5%
Effective 1/1/77
Allocation – 0.8% General
0.2% Capital
0.1% Street
0.4% Sewer (Sewer 10% & Street 90%)

Income Tax Rate – 1.5%
Effective 1/1/04
Allocation – 1.1% General (Village Green)
0.2% Street
0.2% Capital

Q & A