City of Kent Service Values

Quality matters in everything we do.
Professional, prompt and courteous service.
Productive and efficient use of resources.
Ethical, honest and fair.
Innovative and creative solutions.

2009 City Budget Brief

In partnership with the community, the City of Kent provides public services that strive to make Kent the city of choice in northeast Ohio for residents, businesses and students seeking to connect to their community in a personally meaningful and enriching way.

Budget Reality

These are difficult and uncertain economic times and the 2009 City budget reflects the City’s unresolved financial challenges. With no new revenue options on the horizon we have proposed no new or expanded services for 2009. After cutting and saving $2 million out of the budget through employee initiatives over the last 8 years, spending is again capped at prior year levels (with only a few exceptions where justifications were clear) and we are going back to freezing all but the most critical vacancies.

Despite the downward economic turn this budget provides a workable financial plan that ensures the continuation of municipal services to our citizens. We’ve accomplished this through a commitment across the organization to exercise fiscal discipline, deliver services with efficiency and provide improved results for the entire community. In 2009 we will continue to scrutinize all expenses and we will look for more partnerships to reduce ongoing costs anywhere we can. Just as families are struggling with household budgets, the City is also struggling to make ends meet. The City faces volatile fuel costs, rising energy prices, lower investment returns, a tight credit market, higher retirement costs and increasing health care premiums at a time when unemployment and foreclosures are rising and home values are on the decline. Given this economic climate we felt that a status quo budget was the best we could expect and that’s what Council approved. Unfortunately even the status quo is not sustainable. The City still faces a $2 million deficit in our 2009 budget and we will need to rely on savings to pay employee salaries next year.

Budget Overview

The budget is a spending and management plan for the City’s financial resources. It establishes the services for delivering the results that matter most to our citizens during the course of the year which is why the review of the budget is done in public meetings (of the Finance Committee and full Council) so that the public has multiple opportunities for input. The top Council priorities reflected in the budget include:

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

The Operating Budget Major Funds

Looking at the numbers little has changed from the 2008 operating budget to 2009. In total the proposed budget is 4.8% higher in 2009 than 2008 but when you look at our Major Governmental Funds (where the deficit occurs) our Personnel costs are only going up 1.5% and our Index (MCI) up 8.4% from 2008 to 2009, our 1.5% and 2.5% increases mean we will lose ground in 2009. We’ve referred to the proposed 2009 budget as a “status quo” budget but it is more accurately a reduction in terms of real dollars as we’ve lost the equivalent of $700,000 in buying power by not keeping pace with inflation.

The City remains under significant spending pressure with City departments needing additional staffing, capital and other spending increases in order to meet our residents’ desire for new and expanded services. Yet because of the uncertain nature of the City’s financial recovery, it is not possible to meet these needs in the 2009 budget.

The Capital Budget

The City’s commitment to infrastructure remains strong. Each year the City sets aside a minimum of 25% of total income tax receipts for capital projects. For 2009 the Capital budget includes $10,052,500 in capital outlays for City facilities and infrastructure repair projects. Capital expenditures include $8.4 million in the General Fund and $1.6 million in the Enterprise Funds. Noteworthy projects include the Fairchild Avenue Bridge replacement, Summit Street signal improvements, SR 59 signal improvements, SR 59 streetlight replacement, Middlebury Road water main replacement, sanitary sewer flow monitors, firefighting breathing apparatuses, City/County justice center, radio system upgrade, street resurfacing and sidewalk replacement.

Looking Ahead

There’s no question that these hard times test our commitment to our goals and strategies but I continue to see positive signs from the actions we have taken over the last couple of years that would give us hope for the future. In the same year of the credit crisis we saw more private investment in Kent’s downtown than in the last decade. We’ve got more solid business prospects in the pipeline and City/University collaborations have never been stronger.

In 2008 our strategies were working. We witnessed progress on key community priorities. New companies opened in Kent bringing new jobs, new products and new services. Our timing was good. "We made investments that started paying off and spurred new growth. Together we must continue to plan prudently by following sound financial management principles and developing long-term fiscal solutions that will carry the City into the future."

Dave Ruller, City Manager
City Operating Revenues

The 2009 budget assumes no new tax or fee revenues other than the vehicle license fee increase ($5 more per vehicle per year) that the former Council adopted in 2007 which will go into effect in 2009. Overall income tax receipts slipped in the second half of 2008, falling under 2% growth from 2007. The exception remains Kent State University tax receipts which are running nearly 6% higher than last year and make up almost 40% of the City’s source of income tax revenues. We show a bump in income tax collections that we believe will occur from using the tax collection services of RITA in 2009.

City income tax provides for 90% of the tax revenues needed for General Government services such as Fire, Police, and street maintenance. Like all of the City’s revenues, the income tax receipts have experienced slow growth over the last 24 years but in the last 4 years they have dropped to the point that they failed to keep pace with inflation. As example, 2007 operating revenue rose 2.7% with inflation at 2.85%, the city lost financial footing. End of year results for income taxes in 2008 show growth of 1.98% which again lags behind inflation by 2%. Combine these figures with actual job loss statistics and you can see why income taxes have been a point of such concern.

The chart below illustrates the recently declining revenue trends across all revenue sources.

City Operating Expenses

On a percent of growth basis, expenditures are simply rising faster than revenues. This is because the major components of costs in our budget are labor, construction, fuel and energy, which happen to be under the greatest inflationary pressures.

Cumulatively over the last 7 years inflation has pushed prices up 32% but our core service O&M expenses have risen only 16%, or slightly more than half the rate of inflation. That statistic may not be evident in the budget document but it is very real in service delivery when we go to buy asphalt mix for pothole repairs, fuel for trucks, computers, etc. From this perspective, as the costs for doing business have gone up by a third we’ve essentially had to double our productivity and efficiency just to keep pace with what we were doing 7 years ago, yet the needs today are arguably higher.

Expenses containment has been the principle financial strategy for the City over the past five years – but with so few truly “discretionary” expenses the City is constrained by its ability to make significant cuts without cutting into City services. Approximately 72% of the City’s O&M costs are “people” costs, e.g., salaries, benefits, and 51% of those workforce costs are Police and Fire personal so cuts of any consequence mean taking more police officers off the street and having fewer firefighters on duty to respond to 911 calls.

City belt tightening produced $1.2 million in position cuts and $800,000 in annual operations savings but citizen surveys done in 2007 showed that residents want more services and more employees on duty, not less, so closing the budget gap has proven difficult. Fixing the current deficit would require eliminating some 20 city employees and the only departments that have those kinds of numbers are Police, Fire and Service.

Other (EMS)          694,700        8         2     Storm Water          560,000        7         1

4.5%

29% People and Positions

210
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