

TO: Jim Bodenmiller
FROM: CFAC Committee
DATE: 5/9/16
SUBJECT: Final Report

The final report of the City Financial Advisory Committee is attached. We hope the report will be of value in your work to improve Springfield's financial situation. The committee is willing to help out in the future as needed.

Thanks to you and your staff for all your cooperation and timely receipt of requested information.

Sincerely,

R. Andrew Bell

City Financial Advisory Committee Recommendations | April 2016

The City Financial Advisory Committee (CFAC) was formed to review the City of Springfield's financial situation and make recommendations as an independent body. CFAC met seven times starting in mid-January. The committee was composed of a cross section of the Springfield community. The members were as follows:

- Pete Hackett
- Andy Bell
- Bill Brougher
- Dr. David Estrop
- Teresa Demana
- Andy Barlow
- Rodney Hickman
- Mark Robertson
- Bob Warren
- Chris Woeber
- Dimitri Gianakopoulos
- Charles "Butch" Harris
- James Bacon
- Larry Ricketts
- Elaine Doane
- Charlene Roberge
- Maribeth Sheehan
- Jason Barlow
- Bill Fralick
- Daren Cotter
- Steve Neely

While the committee could not do a thorough analysis of city operations (we are recommending such a study be done), we do feel we received adequate information to support our recommendations. The city staff provided all requested information and did not guide us in our decision making. We held two meetings to develop these recommendations, and no one from the city management attended these sessions. All recommendations were unanimous for those attending the sessions, except for raising income taxes, and only two members voted against that issue. The report was sent to the committee for final approval before being given to the city.

CFAC realizes the solutions to our financial challenges obviously are not easy, and we must not hinder economic development or penalize our citizens to an unnecessary degree. We must look at short-term solutions that can be quickly implemented to balance the budget. We also must consider long-term solutions to provide the financial resources needed for operations, deferred maintenance, and quality of life issues that encourage individuals and businesses to locate in Springfield and stay in Springfield.

While some of our recommendations may be in process, the timing for implementation of others will require the knowledge of city management and the city commission.

We sincerely hope we have helped in some way to find solutions to our financial challenges and to make Springfield an even greater place to live.

Respectfully Submitted,

R. Andrew Bell for CFAC

I. Benchmarking and Performance Study (The Study):

- A.** CFAC voted for the city to hire a person/persons or an organization that understands municipal government, knows state laws, and understands our municipal charter to complete a benchmarking study and analysis of various city departments/funds. While we feel all departments should be reviewed for workload versus employee count, suggested areas for in-depth study include the departments within the general fund, police, fire, and municipal courts.
- B.** Suggest finding outside funding for this study with the city picking up the difference.
- C.** Strongly suggest the city, chamber, and perhaps qualified representatives of CFAC be included in the discussion of areas to include and selection of firms during the RFP process.
- D.** Other Comments: We suggest that Larry Weeks from Clark Schaefer Hackett be part of the group writing the RFP. His background, knowledge, and experience lend non-biased professional input into the funds most likely in need of analysis, and therefore, providing the best possible results/improvements from this review. Also discussed the possibility of his being part of the group that reviews the analysis. We also endorse the idea of a community survey suggested by the city.

II. Revenue Enhancement:

A. Taxation:

- 1. CFAC thoroughly discussed the fact that there are very few sources the city can use to increase general fund revenues since over 75% of these revenues are derived from our city income taxes.
- 2. While real estate taxes paid to the city do provide limited revenues used mainly for the special police levy fund, the income potential here is not great due to our low real estate valuations.
- 3. Recognizing there will be opposition but seeing no other choices in the short run, as the state of Ohio has dramatically cut back on revenue sharing, CFAC voted to ask for an increase in our city income tax rate of up to a maximum of .4%, which would provide approximately \$6.6 million in additional revenue (about \$5.1 million for the general fund and \$1.5 million for the permanent improvements fund.) This increase would be for a maximum of five years. This recommendation is contingent on: 1) The study being in process or hopefully completed with a commitment by the city to implement as many of the findings as

possible; 2) If the study is completed and analyzed in time, the city reviews to see if the entire .4% increase is needed; and 3) Clearly communicate the city's current financial situation and plans for improvement to all stakeholders.

4. Other comments regarding the tax increase: Hold off on announcing it until the community survey is completed to allow use of this information in crafting our request; hold off on announcing it until AFTER the study is completed (depending on timing) to be able to use the findings to generate a more valid increase amount (percentage) and to be able to use the survey and/or study data as part of the message regarding why the increase must pass (i.e., "...even with the savings generated from the audit and all we've done, we will still be "in the tank" in 2017.")

B. Enterprise Funds:

1. While CFAC recognizes the airport generates about \$230,000 in annual payroll tax revenues, these funds are not directly related to airport operations. We recommend reviewing all revenues and expenses so the airport will operate on at least a breakeven basis.
2. With the recent rate increases, we have been assured the other enterprise fund operations are in good financial shape.

C. Municipal Courts

1. While CFAC recognizes the city has to fund the municipal courts by Ohio statute, the city really has little control over the courts' budget. Since the municipal courts represent over 11% of the general fund expenses, we recommend the courts be included in the Benchmarking and Performance Study. Any suggested strategies to increase revenues (increase in fines or fees for example) or to reduce costs (reduce number of employees?) should be implemented.

D. Other

1. CFAC recommends that the city look at trash collection operations. Could the rates be reduced by bidding this service out and selecting one or two vendors with the lowest rates? Then the city could derive a management fee for overseeing this operation.

III. Expense Reductions:

A. Reid Park Golf Course

1. CFAC recommends informing National Trails Parks & Recreation that after 2017, the city will no longer subsidize the Reid Park Golf operations. We suggest raising rates to cover all expenses. Otherwise, the CFAC recommends that the city seek RFPs for private party operation of the golf course after 2017 and/or consider offering the property for public sale.

B. EMS Services

1. CFAC recommends the city set up a more aggressive system for collecting EMS fees, especially those billed to individuals. We also suggest the city work with other community entities to reduce the number of calls received.

C. Health Care Benefits

1. CFAC recommends if health care benefits are available to city commissioners or their spouses through their employer, the city will no longer pay for these benefits. Also, if a spouse of a city employee is eligible for benefits through their employer, the city will no longer pay for the spousal benefits.

D. Leasing

1. CFAC recommends the city review the costs/benefits of leasing versus buying city vehicles and/or heavy equipment.

E. City Hall Facility

1. City Hall has a substantial amount of unused space. Good business practices dictate using space efficiently. CFAC recommends consolidating offices within City Hall, which we understand could create one empty floor. This space could be used to consolidate City Hall operations located outside this facility, rented to an outside party, or mothballed, which would reduce utility costs.

F. Benchmarking and Performance Study

1. CFAC encourages the city to implement any feasible expense reduction suggestions found through the study.

IV. Operations:

A. Marketing

1. CFAC feels the city has not done an adequate job of marketing. We recommend improvements in this effort including the following:
 - If the city is going to seek additional revenue from the taxpayers, that effort and the educational campaign tied to it needs to start as soon as possible. Social media would be a good tool to tell the city's story.
 - Market the tremendous community assets we have: arts and culture, recreational, cost of living, schools, etc., and our plans for the future.
 - Determine why employees and executives choose to live out of town and work to develop the infrastructure to address those concerns. Then market as a low cost, high-quality community to live and work or commute.

B. Communications

1. Going along with the enhanced marketing efforts, CFAC feels the city is not doing enough to communicate with its employees and other stakeholders. We highly recommend the city improve its communication efforts across the board; between management and labor; between the city and our citizens. Currently this effort should center around our current financial challenges - how we got here and what we are doing to solve these problems.

C. Shared Services

1. CFAC recommends the city seriously promote county-wide shared services where efficiencies can be obtained. Suggested areas for study include:
 - Law Enforcement
 - Fire Departments
 - Inspection and Code Enforcement
 - Purchasing
 - Maintenance
 - Marketing
 - Economic Development

The Clark County Combined Health District is a good example of how this can work.

2. CFAC recommends the city review all purchasing procedures and contract services to make sure we are operating in the most cost-

efficient manner. Also investigate any group purchasing opportunities that are available. In addition, products and services should be purchased locally when feasible.

3. Review all IT operations for efficiency including leasing and outsourcing.
4. CFAC strongly recommends working to improve cooperation between the city, county, and chamber for economic development. We know this is a work in progress, but it must improve. Should there be more than one entity leading this effort or should we combine our efforts with each entity being fairly represented on the “Development” Board? All stakeholders (professionals and volunteers) need to meet to iron out differences and get on the same page.

V. Long-Term:

- A. State law dictates who can be taxed by the city and may prohibit county-wide government (if not, political issues prevent this):
 1. A long-term solution would be to lobby the state for specific changes regarding the tax issues (who can be taxed, how gambling money is distributed, etc.)
 2. Another long-term solution would be to lobby the stakeholders to allow formation of a metropolitan government structure (county-wide) and end the duplication of efforts/competition for state funds by government entities within the same county.

VI. Follow Up Meetings

- A. The CFAC would like to meet with city officials periodically to discuss the progress and offer any further assistance needed.