

January 31, 2020

Dear Members of City Council:

I present to you our 2020 Oakwood City Budget. This is my 18th budget as your city manager. Many people assisted in the preparation of this document, most notably our department heads and our finance department, led by Finance Director Cindy Stafford, CPA. The budget also reflects input and counsel from our 35-member citizen Budget Review Committee (BRC). The BRC met four times during 2019 and recommended approval of this budget, including a \$3 increase in monthly stormwater fees. This is explained under Stormwater Utility below.

Taxes: This 2020 Budget holds property and income taxes for city services at their current rates.

Fees: This 2020 Budget holds our water, sanitary sewer, and refuse fees unchanged, but includes \$3 per month increase in stormwater fees.

Oakwood continues to be the premier residential community in the Miami Valley. We have this distinction because of our beautiful neighborhoods, unmatched public safety, public works services, recreation and leisure offerings, excellent schools and library, and, most importantly, our citizens. The following qualities of Oakwood continue to be examples of the benefits of living in this city:

- We have a very safe community, with very low crime and very low fire loss.
- We have an extremely fast police and fire response, and we answer every call with highly trained professionals.
- We have qualified paramedics and EMTs on-duty at all times to respond to medical emergencies. On average, medical help arrives in less than two minutes – unparalleled in the area.
- We have well-maintained streets, sidewalks, public trees and landscaped boulevards.
- Our citizens place strong emphasis on property maintenance and our home values prove it.
- Our city parks, public pool, community center and natural areas are wonderful community assets.
- Our overall community ambience is second to none.

Decade after decade, Oakwood citizens provide the resources needed to pay for the comprehensive and first-class city services. Former city manager, Dave Foell (1963-1993) once said, “It’s not a question of how much you pay in taxes; the question is whether you receive good value for each dollar spent.” I believe our residents continue to feel that they receive good value for their tax dollars.

GENERAL CITY SERVICES

Over the course of the 2019 fiscal year, our unencumbered reserves for General City Services increased \$384,491. The 2020 General City Services Funds (everything but Refuse, Water, Sanitary Sewer and Stormwater) show budgeted expenses \$233,910 less than the budgeted revenues. This is the second year in a row since the elimination of the Ohio Estate Tax in 2013 that we have a budget with revenues higher than expenses. We have accomplished this by:

- Cutting costs.
- Increasing fees for service.
- Our voters approving a 3.75 mill property tax in 2013, and renewing it in 2018.
- City Council approving a 10% reduction in credit given for local taxes paid to other municipalities.

Our city finances are now stable and we can continue to provide comprehensive city services without any major changes to city taxes or fees for the foreseeable future.

Our annual budgeted and actual expenses over the past 12 years are shown in the bar chart on page 12. The 2020 Budget for General City Services is \$278,125 less than the 2019 Budget. The originally approved 2019 Budget was \$12,966,921. City Council approved three supplemental appropriations in 2019. These added \$719,137 to the budget. The supplemental appropriations provided the following:

- \$25,000 for improvements to the cardboard recycling station.
- \$240,000 for concrete street repairs.
- \$422,137 to pay off a long-term police and fire pension liability.
- \$32,000 to purchase a vehicle for use by the Director of Engineering and Public Works.

The breakdown of 2020 budgeted spending for General City Services is as follows:

- Public Safety: 43%
- Public Works: 15%
- Leisure Services: 14%
- Admin/Finance/Legal: 12%
- Capital: 10%
- Miscellaneous: 4%
- Court: 2%

Our Water, Sanitary Sewer, Stormwater and Refuse services are 100% financed through user fees. All other primary services are in the category of General City Services and are paid for through the following eight funds:

- General (administration, planning & zoning, law, municipal court, regional programs & operations, government buildings & grounds, police, fire, EMS, engineering, beautification, gardens)
- Street Maintenance and Repair (roadway repairs, traffic signals)
- Leisure Activity (OCC, pool, parks, athletic facilities, recreation programs)

- Health (property inspections & maintenance, senior programs, health department)
- General Equipment Replacement (police cars, dump trucks, utility vehicles, etc.)
- Capital Improvement (roadway repaving, park upgrades, facility improvements, etc.)
- Sidewalk Repair (sidewalk, curb and driveway apron repairs)
- Service Center (maintenance shop, vehicle & equipment repair, fuel)

The total budget for 2020 expenses in the General Fund and seven Primary Operating Funds is \$12,934,993. Revenues for these eight funds are derived primarily through income taxes, property taxes, fees and assessments. In terms of minimum acceptable beginning year cash balances, six months of operating expense is a generally accepted standard for cities. Within these eight funds, we started 2020 with unencumbered balances at \$10,054,467, which is about nine months of operating expenses.

Income Tax: Our local income tax continues to provide the single largest amount of money to pay for city services, covering more than half of our costs. In 2019, our gross income tax receipts were \$8,245,016, up \$879,023 from 2018. About 63% of that increase (\$551,430) is a result of the 10% credit reduction that became effective beginning with the 2019 tax year. Under state law, local taxes paid in Ohio are remitted first to the municipality where a person works. Prior to 2019, Oakwood residents were given 100% credit for those taxes paid to other municipalities. We now give 90% credit. The 10% reduction was needed in response to the continuing tax rate increases in communities where our Oakwood residents are employed.

Property Tax: We have two outside millage levies that generate property taxes to pay for city services. These levies have five year terms and are approved by our Oakwood voters.

- 2.72 mill property tax: This tax was first approved in 1991 and began generating revenue in 1992. It was last renewed in 2016, with a 72% yes vote. The current effective mills is now 1.41. It generates about \$460,000 annually and costs about \$48 per year per \$100,000 of appraised home value. I anticipate that the issue can again be presented for renewal only (no new taxes) when it expires at the end of 2021.
- 3.75 mill property tax: This tax was first approved in 2013 and began generating revenue in 2014. It was renewed by our voters with a 70% yes vote in 2018. The current effective mills is 3.34. The levy generates about \$1,060,000 annually. It costs about \$102 per year per \$100,000 of appraised home value.

Of the total property tax paid in Oakwood, the distribution of effective millage for residential properties is as follows:

- Oakwood Schools: 70.7%
- Montgomery County Agencies: 20.2%
- City of Oakwood: 7.8%
- Wright Library: 1.3%

Capital Expenses: The 2020 Budget includes \$1,343,100 for capital improvements and capital equipment. Each year, we make significant investments in our public infrastructure and replace capital equipment as needed. With those investments, we maintain our infrastructure and equipment required to provide the comprehensive and high quality services that our citizens expect. The “Capital Improvement Fund” and “Capital Improvement Program” tabs herein provide details on our budgeted 2020 investments and on our long range capital program.

REFUSE SERVICES

Our Refuse Services are operated as a stand-alone enterprise, similar to the Water, Sanitary Sewer and Stormwater utilities. Since 2014, all refuse service expenses have been paid through user fees. We start 2020 with \$659,963 in our Refuse Funds. I believe that \$500,000 is a reasonable and appropriate goal for the minimum beginning year balance, so we are in good shape. That said, the 2020 Budget has spending at \$304,776 more than revenue. This deficit is a result of \$320,000 in capital equipment expenses. This includes \$300,000 for a new refuse packer truck and \$20,000 for a refuse collection scooter. We last raised refuse rates in January 2019. Our current monthly refuse rate is \$30 per residential unit. It is important to note that 20-25% of our total refuse expenses are paid in providing collection and disposal of leaves, brush & branch material, and other green waste. Given the very large number of trees and other plant material in Oakwood, we generate an enormous amount of green waste annually, requiring significant equipment and manpower to address.

WATER UTILITY

Our Public Water System is operated in full compliance with Ohio EPA requirements and continues to serve the needs of the community. In 2019, we produced 100% of the water used by our residents and businesses, and we project the same for 2020. We start 2020 with \$1,219,961 in our Water Funds. I believe \$1,000,000 is a reasonable and appropriate goal for the minimum beginning year balance, so we are in good shape. The 2020 Budget has spending at \$1,812 less than revenue, and includes \$30,000 in capital expenses for improvements to our water system controls. We last raised our water rates in January 2017. Based on the 2019 regional water rate survey, we have the 7th lowest water rates out of the 66 Miami Valley jurisdictions.

SANITARY SEWER UTILITY

We start 2020 with \$1,549,481 in our Sanitary Sewer Funds. As with the Water Utility, I believe the appropriate and necessary amount is \$1,000,000, so we are in good shape. The 2020 Budget has spending at \$66,490 more than revenue, and includes \$380,000 in capital expenses. This includes \$330,000 for a new sewer vacuum truck and \$50,000 for sewer repairs. We last raised sanitary sewer rates in January 2018 and

should not need to discuss another rate increase over the next two or three years. Our Sanitary Sewer Utility consists of the Oakwood sewer maintenance personnel and underground sewer infrastructure, as well as outside sewer and wastewater treatment services for which we contract with Montgomery County and with the city of Dayton. In 2019, about 75% of our sewer utility costs were attributed to the sewer and wastewater treatment services that we buy from Montgomery County and Dayton. Based on the 2019 regional rate survey, we have the 46th lowest rate out of 63 jurisdictions.

STORMWATER UTILITY

We start 2020 with \$318,301 in our Stormwater Funds. I consider \$1,000,000 as an appropriate and necessary amount to have the resources for maintaining our storm sewer system. City Council approved a \$3 per month increase in stormwater fees effective January 2020. The 2020 budget includes \$138,000 in new revenue from this fee increase. The monthly residential stormwater rate was \$6 for the first four years of the utility, and increased to \$7 in January 2017. The monthly rate is now \$10. The 2020 Budget has spending at \$62,709 more than revenue, and includes \$160,000 for storm sewer improvements on Ridgewood Avenue. We established our Stormwater Utility in 2013.

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This budget document includes a section on goals and objectives. These are projects that are important in continuing to provide the finest possible service to our Oakwood community.

I thank you and our BRC members for guidance in preparing this budget. I believe it is a responsible budget that appropriates the resources we need to continue providing excellent services to our community.

Respectfully,



Norbert S. Klopsch
City Manager