January 31, 2023

Dear Members of City Council:

I present to you our 2023 Oakwood City Budget. This is my 21st budget as your city manager. Many people assisted in the preparation of this important 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 32-member citizen Budget Review Committee (BRC). The BRC met four times in 2022 and recommended approval of this budget at a November 29, 2022 committee meeting. City Council adopted it via Ordinance No. 4967 on December 5, 2022.

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 always have qualified paramedics and EMTs on-duty 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.

Oakwood remains a very stable and desirable community in which to live, raise a family, work and/or retire. In 2022, we celebrated the 150th anniversary of the first platting of what was called the "Town of Oakwood". We were incorporated as a village in 1908 and became a city in 1931, following the 1930 census which reported that our population exceeded 5,000. The 2020 Census reports our population at 9,572.

Year after year, Oakwood citizens provide the resources needed to pay for the comprehensive and first-class city services. I am just the fifth city manager since 1931. Dave Foell, our third city manager (1963-1992) 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

The 2023 General City Services Funds (all city expenses except for Refuse, Water, Sanitary Sewer and Stormwater) show budgeted expenses $872,935 more than the budgeted revenues. We will use cash reserves to address the difference. The reason for expenses exceeding revenues is a much larger than usual capital improvement program. This is directly the result of a $2.2 million project to replace a large storm sewer system along Far Hills Avenue between Dellwood Avenue and Forrer Boulevard. This project is addressed in more detail under Stormwater Utility below. Even given the 2023 shortfall, we remain in a strong financial position and will continue to provide comprehensive city services. Our annual budget and actual expenses over the past 10 years are shown in the bar chart on page 12. There are no increases in income tax, property tax or refuse, water, sanitary sewer, or stormwater fees included in the 2023 Budget.

The breakdown of 2023 budgeted spending for General City Services is as follows:

- Public Safety: 37%
- Public Works: 14%
- Leisure Services: 12%
- Admin/Finance/Legal: 12%
- Capital: 19%
- Miscellaneous: 4%
- Court: 2%

With very few exceptions, 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 accounted for through the following eight funds:

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

The total 2023 budgeted expenses in the General Fund and seven Primary Operating Funds is $15,679,488. Revenues for these eight funds are derived primarily through income taxes, property taxes, fees and assessments. The generally accepted standard

for beginning year cash balances is six months of operating expenses. Within these eight funds, we started 2023 with unencumbered balances at $13,195,572, which is about ten months of operating expenses.

Income Tax: This 2023 Budget holds income taxes for city services at the current 2.5% rate. Our municipal income tax continues to provide the single largest amount of money to pay for city services, covering about 59% of our costs. The level of 2022 income tax receipts as shown on page 15 demonstrates that earned income by Oakwood residents remains strong.

Property Tax: This 2023 Budget holds property taxes for city services at the current rate. We have two outside mill 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 2021, with a 76.4% yes vote. The current effective mills for residential property are 1.28. It generates about $472,000 annually and costs about $39 per year per $100,000 of appraised home value. The 76.4% yes vote on November 2, 2021 was the second highest affirmative vote in the six times that the tax measure has been on the ballot for renewal.

> ➢ 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 for residential property are 3.03. The levy generates about $1,079,000 annually. It costs about $93 per year per $100,000 of appraised home value. We are planning to present this levy for renewal on November 7, 2023… renewal means the tax amount remains the same, no new taxes.

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

> ➢ Oakwood Schools: 70.1%
> ➢ Montgomery County Agencies: 19.3%
> ➢ City of Oakwood: 8.0%
> ➢ Wright Library: 2.6%

Capital Expenses: The 2023 Budget includes $2,375,100 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 Program" tab herein provides details on our budgeted 2023 capital investments and on our long-range capital program.

REFUSE SERVICES

Our Refuse Services are operated as a stand-alone enterprise, like the Water, Sanitary Sewer and Stormwater utilities. With few exceptions, all refuse services and capital expenses are paid through user fees. We start 2023 with unencumbered Refuse Funds at $477,396. I believe that $500,000 is a reasonable and appropriate goal for the minimum beginning year balance, so we are in good shape. The 2023 Budget has spending at $120,435 more than revenue. The budget includes $55,000 in capital expenses. 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 costs associated with 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 Environmental Protection Agency (EPA) requirements and continues to serve the needs of the community. In 2022, we produced 100% of the water used by our residents and businesses, and we project the same for 2023. We start 2023 with unencumbered Water Funds at $1,289,946. I believe $1,000,000 is a reasonable and appropriate goal for the minimum beginning year balance, so we are in good shape. The 2023 Budget has spending at $662,150 more than revenue. This includes $479,500 in capital expenses. We last raised our water rates in January 2017. Based on the 2022 regional water rate survey, we have the 2nd lowest water rates out of the 67 Miami Valley jurisdictions. Given the 2023 deficit, and the projected capital needs over the next few years, we should consider a rate increase in 2024.

SANITARY SEWER UTILITY

We start 2023 with unencumbered Sanitary Sewer Funds at $1,900,365. As with the Water Utility, I believe the appropriate and necessary amount is $1,000,000, so we are in good shape. The 2023 Budget includes $195,000 in capital expenditures and has total spending at $524,541 more than revenue. We last raised sanitary sewer rates in January 2018. 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 the city of Dayton. In 2022, about 63% 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 2022 regional rate survey, we have the 36th lowest sanitary sewer rates out of 64 jurisdictions. Montgomery County and the city of Dayton are raising their sanitary sewer rates this year which accounts for a large portion of our 2023 deficit. We will need to consider an increase in our sanitary sewer rates in 2024.

STORMWATER UTILITY

We start 2023 with unencumbered Stormwater Funds at $508,817, which is about half of the $1,000,000 that I believe is an appropriate and necessary amount to have the resources for maintaining our storm sewer system and addressing emergency needs as they may arise. We established our Stormwater Utility in 2013 and should consider a rate increase in the next year or two. The current monthly residential stormwater rate is $10. It was last raised in January 2020. The 2023 Budget includes a $2,198,394 capital expenditure and has total spending at $155,925 more than revenue. The $2.2 million capital expense is for rebuilding the storm sewer system on Far Hills Avenue at Greenmount Boulevard; on Dellwood Avenue from Far Hills Avenue to East Schantz Avenue; Forrer Boulevard from Far Hills Avenue to East Schantz Avenue; and along a section of Devereux Drive north of Forrer Road. This system has reached the end of its useful life. Design work was completed last fall and construction is anticipated to begin in late spring or early summer. About $1 million of the expense will be paid through Federal funds under the American Rescue Plan Act, and about $1 million from the General Fund. The remaining $200,000 will be paid from the Stormwater Fund.

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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