

**CITY OF LOVELAND
MEMORANDUM**

TO: Mayor and Council

FROM: Tom Carroll, City Manager 

RE: Budget 101 & Budget Sustainability Focus Group Report—Memorandum No. 80

DATE: August 4, 2011

This report summarizes and details the process and results of the Budget 101 and Budget Sustainability focus group sessions. The purpose of these sessions was to collect resident input on how to solve looming budget shortfalls stemming from decisions made by the State of Ohio.

Background

The City of Loveland will face a deficit in the General Fund of almost \$600,000 by the 2013 fiscal year. This deficit is a result of state cuts to the Local Government Fund and the elimination of the Estate Tax, which together account for ten percent of revenue in the City's General Fund.

In order to proactively remedy these looming budget problems, the City sought resident input from four randomly selected focus groups to determine specific expenditure cuts and revenue enhancement options that Council can assess when considering policy for the budget. The City also invited any interested member of the public to participate in the exact same process if they so desired.

Process

The process for these focus groups was as follows:

I. Selection

Residents were randomly selected from a database of registered voters and were invited to participate in one of four focus groups. Participants were randomly selected in order to obtain a representative sample that would provide a cross section of as many different perspectives as possible. Residents were asked to attend two separate focus group meetings. The first meeting concentrated on educating the residents about the City's budget and the fiscal challenges ahead, and the second focus group meeting provided a forum for them to offer their cost savings ideas and suggestions.

A total of 360 residents were invited to these four focus groups. About 60 invitees had their invitation returned because they no longer reside at the mailing address from the Boards of Elections in our three counties. Of the approximately 300 residents who did receive an invitation, a total of 45 participants attended both meetings, a 15% participation rate. In addition to the four random focus groups, a fifth pair of sessions was open to the public using the exact same process to provide any interested residents a chance to participate if

they were not among the taxpayers randomly selected. Some participated in one meeting but not the other.

II. Budget 101

As mentioned above, participation in the focus groups was a two-part process. The first session's intent was to provide participants with an understanding of how the City's budget works and to explain the fiscal challenges ahead. This Budget 101 session consisted of a two-hour presentation by the City Manager. At the end of the meeting, residents were given a *Citizen's Budget Guide*, providing greater detail and additional data on Loveland's budget and General Fund functions (City Hall, Road Rehab, Police, and Parks) as well as expenditure reduction and revenue enhancement options that the City could pursue.

Participants were asked to come to the next meeting prepared to propose some of these measures as well as ideas of their own to close the budget gap of nearly \$600,000. Participants were invited to call or email City staff with any questions between the first and second session. The process of giving residents a week in between the Budget 101 session and the Budget Sustainability phase was deliberately designed to give residents time to study, ponder, research and discuss options with other people.

The *Citizen's Budget Guide* was posted on the City's website and the City Manager had a Budget 101 session videotaped by ICRC. A link to that presentation was made to the City's website. One resident who did not participate in the focus groups read the materials, watched the video and presented feedback to Council.

III. Budget Sustainability

The second meeting was a four-part process lead by a third-party facilitator, Cory Van Buskirk, to outline a path towards budget sustainability. In this meeting, residents vocalized their expenditure cutting ideas, which were recorded on chart-pad sheets and posted around the room. Participants spent roughly an hour collecting and discussing these ideas. They were then asked to walk around the room and assign a ranking to each idea (one signifying their top preference, two their second, and so on). Afterwards, the rankings assigned to each idea were averaged to represent the group's collective support for each option. The third step was for participants to rank three possible taxation options based on what they would prefer if Council were to deem such action necessary. These options included an income tax rate increase, an income tax credit reduction, and a property tax millage increase. Finally, participants were given the opportunity to voice other potential money-saving ideas that would not necessarily impact the General Fund problem.

Results

Each focus group brought different perspectives and ideas to the meetings. Obviously, factors such as demographics and personal experiences caused the outcomes of each group to vary in some aspects. There were, however, certain common sentiments, opinions, and ideas that consistently emerged in all of the focus groups. Results from each focus group as well as these recurrent recommendations are attached to this report.

Demographics

Group A (19 participants) was the largest and most diverse focus group in terms of age and area of residence in Loveland, with representatives from all three counties. Group A was the

only majority female group (63%). Group B (8 participants), the only daytime focus group, was entirely Hamilton County residents with majority being 60+ in age. Group C (10 participants) was 70% male and had residents from Hamilton and Clermont Counties. Group D (8 participants) too was majority male and included representation from all 3 counties. Group E (3 participants), the session open to anyone from the public not participating in another focus group, had low attendance and thus we cannot draw any major demographic conclusions from or about this group. Overall, the attendees of the focus groups were successful in providing staff with a diverse set of perspectives to consider in this analysis. Staff did not have enough data to attempt a comparison of focus group participants to all registered voters or the community at large to ensure that the demographics match the electorate, but there is no reason to think they do not match well.

Budget Cutting Ideas

Different ideas were offered by each focus group, but all groups suggested eliminating ICRC as their top idea. Although participants recognized the value of transparency in the City's government, the elimination of public access TV was a cut practically all residents were willing to accept, often noting that it was not worth the \$50,000 per year currently expended.

Groups also want the City to address benefits. This is not a surprise, given the sentiment that caused Senate Bill 5 to be passed this year and the shift of costs to private sector employees which has been happening for many years but at an accelerated pace since the recession. The most common and highest ranking adjustments to employee benefits were:

1. Require spouses to take health insurance from their employee
2. Reduce/Eliminate vacation and sick sell-back
3. Eliminate health insurance for part-time employees and Council members
4. Reduce/Eliminate pension pick-up for employee portion of OPERS

Addressing employee benefits will be a challenge for a variety of reasons, but the message from the taxpayers is clear: they expect employees to contribute more to their benefits. It is my conviction that this must be done; what will be vital is *how* this is done so that we are fair and not punitive to Loveland's dedicated employees who work so hard for this community.

Staff also sees several other conclusions as being clear when examining all focus group results. First, residents wish to have us cut or reduce items like the resident newsletter, the City's wellness program, cultural activities (e.g. Concerts in the Park, etc.) and similar expenditures. Individually these items are relatively small expenditures, but residents seem to view these as "nice-to-have" instead of essential services. Second, while residents expect the City to shift benefit costs to employees, the groups did not prioritize eliminating positions from the organization. There are few combinations to close the \$600,000 budget gap without reducing the size of our workforce, which in turn would cut service levels.

Summary

One possible summation of the focus groups' message is: residents in aggregate expect the City to cut non-essential expenditures, increase employee benefit contributions, not reduce

our basic services by reducing our staffing, and explore a modest tax increase to finish closing the gap.

Revenue Enhancement Preferences

In order to ascertain the revenue enhancement option participants would prefer if the City elects to raise taxes to replace revenue the State took away, participants were asked to rank three options similarly to how they ranked the expenditure reduction options.

It was agreed and understood that nobody wished to see taxes increased, but if they were increased, residents were asked to rank the options from least worst to worst. These rankings were averaged to determine the group’s ranking of the options as a whole. The results are as follows:

OPTION	A	B	C	D	E
Income Tax Increase	1	1	2	1	1
Income Credit Decrease	2	2	1	2 (t)	2
Property Tax Millage Increase	3	3	3	2 (t)	3

(t) indicates a tie

In general, the focus group participants seemed to agree that income tax would be the best revenue stream to adjust. None of the groups preferred a property tax increase. One cause of this trend is almost certainly the fact that Loveland’s millage rates are already high when compared to those of other similar communities. Additionally, property tax affects retirees who are often on a fixed income.

What was an unexpected finding for staff was that residents preferred an increase in the tax rate rather than a reduction in the income tax credit, though the votes were relatively close between these options. Several residents expressed the view that both the rate and credit should be adjusted at the same time and more modestly so that a broader base of residents would share the burden of any additional tax.

Based on discussion in the focus groups, it was clear residents recognized the seriousness of the deficit and the difficulty of closing the \$600,000 gap in cuts alone. Although no one enjoys tax increases, many participants recognized its possible necessity after they had examined the expenditure side of the City’s budget equation. It is also clear that some residents, though a minority, are not supportive of any additional taxes and believe the City should cut to close the gap.

Other Cost-Saving Ideas for the City

After completion of the ranking exercise, focus groups were given the opportunity to address any other fiscal ideas to save money or raise revenue. Some ideas presented were more feasible than others, and some will require more study and analysis. These ideas are as follows:

Group A

1. Increase amount we are spending for legal council in collective bargaining negotiations (to improve the results for the City)
2. Research grant opportunities
3. Increase traffic fines
4. Charge a recreation fee (for leagues)
5. Shift burden of field care to community
6. Incentivize more companies to begin in Loveland

Group B

1. Shift Road Rehab funding from General Fund to voter-approved levy
2. Contracting police to local sheriffs of all 3 counties
3. Getting corporate sponsors for community events
4. Advertising on fences of sports fields
5. Encourage economic development on Loveland Madeira Road

Group C

1. Donate parks to counties to rid cost of maintenance
2. Change shift schedule for police to have less on staff
3. Implement park fees for residents
4. Make county run government; fold Loveland into a metropolitan government
5. Give more traffic violations
6. Pull out of Emergency Reserves Fund for temporary relief
7. Transfer excess interest money in reserves to the General Fund
8. Find a way to increase administrative transfer formula for General Fund

Group D

1. Ask people to bequeath wealth to the City after death (alternative to Estate Tax)
2. Raise Administrative Transfer by adjusting formula
3. Implement parking meters at Nisbet Park and around Bike Trail
4. Look at changing certain positions from Full-time to Part-time
5. Explore the idea of developing a youth center in Loveland

Group E:

1. Increase income tax and decrease income credit
2. Make cuts and increase taxes
3. Explore IT support resources sharing with Loveland City Schools
4. Attempt to partner with other cities to save money
5. Consolidate services with other jurisdictions
6. Consolidate the government with another government (merger)

Limits of Data

While the focus group data provides insight into what residents would cut and how they would be taxed if necessary, there are some limits to what conclusions can be drawn. It is difficult to determine where residents would draw the line for making cuts and raising revenues without taking into account certain factors. As mentioned above, staff's sense was that a majority of residents wanted the City to make about \$300,000 of cuts and close the

balance with a modest tax increase, but a few residents felt that a tax increase was an option they did not want the City to consider.

2012 Budget Implications

Budget cuts will be necessary over the next two budget cycles. It is not clear at this point if Council will elect to pursue a revenue increase option, and if so, when a new tax would be in place.

Accordingly, staff is planning to take the information presented by the focus groups and prepare the 2012 budget with consensus cuts. Staff will be presenting to City Council the recommended 2012 on October 28th. The City Manager’s recommended budget will include the following cuts for next year unless otherwise directed by Council:

Program/Benefit to be Eliminated or Reduced	Estimated Savings
Discontinue ICRC	\$50,000
Require spouses of employees to take health insurance with the spouse’s employer if spouse is offered health insurance	\$50,000 ¹
Discontinue health insurance for Council and part-time employees unless required by law or the part-time employee’s wages and classification are set by the annual Wages and Classifications Ordinance	\$70,000 ²
Eliminate sick leave and vacation leave sell back for non-union employees	\$21,000
Eliminate the printed monthly newsletter (an electronic version would still be produced and available on-line and via broadcast emails)	\$12,000
Reduce the Wellness Program by 50%	\$17,500
Eliminate the neighborhood revitalization program	\$3,000
Eliminate the tuition reimbursement program	\$13,000
Eliminate either the Fourth of July Celebration or the Concerts in the Park (Staff will be recommending the Concerts be cut)	\$9,000
Reduce the City’s Continuous Improvement Training Budget	\$10,000
Total Expenditure Reductions	\$255,500

Ultimately, City Council will decide if these cuts are to be made or if others will be made as well or instead. The City does not have to make these cuts in 2012, but one of the focus group participants indicated that the cutting should begin as soon as possible. I find this to be a well-made suggestion. These cuts made next year will provide more time for deliberation about future cuts and/or a tax increase issue to be placed before the electorate.

Addressing employee benefits will come in part through the collective bargaining process and in part through discussions staff will be having with non-union employees in the coming

¹ This figure is slightly less than articulated in the *Citizen’s Budget Guide*. This more conservative figure prepared by the City Manager’s Office is believed to be more accurate than the higher figure prepared by the Finance Department, though it would clearly be beneficial to the 2012 Budget if the Finance Department figure were to prove more accurate.

² This idea is slightly different from the one presented in the *Citizen’s Budget Guide*. It would enable the Human Resources Director (0.25 FTE) and Finance Clerk (0.6 FTE) to both continue healthcare coverage in 2012, though both would pay 50% of the premium.

weeks and months. I have communicated to non-union employees that the City already has a number of benefit reductions adopted for 2012, though these can be changed if employee dialogue leads the City down a different path. These meetings will begin in late August and September and legislation will be before City Council in October or November which will incorporate changes in benefits from the employee input sessions.

I should also note that the City has begun discussions with both Symmes Township and Miami Township about recreation fees. My sense is that Miami Township and Loveland would have been prepared to commence such fees in 2012, but Symmes Township wished to have more time to deliberate, so I would not anticipate recreation fees until 2013 at the earliest. Imposing fees that are consistent for participants across these communities seems important to all three governments.

Recognition

On behalf of City staff, I wish to express my sincere appreciation to the residents who participated in these focus groups. These residents took a considerable amount of time out of their busy lives to attend these meetings, study the City's budget, and carefully consider the various matters. Their questions were excellent. They challenged our thinking and assumptions in multiple areas. The participants were civil to each other and to staff, and they accepted the facilitator's challenge to have fun even though the subject matter was weighty and difficult. It is a pleasure and honor to serve in a community with such an engaged and civil electorate.

I also wish to thank Chief Huber and the Loveland-Symmes Fire Association for donating food and drinks for the budget balancing sessions. Working on this project was difficult for all involved, and breaking bread together made it a bit less unpleasant.

Cory Van Buskirk ably facilitated these sessions. He kept the discussion moving forward and I am grateful for his assistance. The fact that he attended all the focus group sessions and will facilitate the Council retreat tentatively set for October 4th will be helpful then too.

Michelle Knowland did an excellent job orchestrating and developing the data, the materials and the analysis. What is admirable to me is that throughout this process it was clear her position would be scrutinized and possibly eliminated. Despite this, she did her job objectively and professionally.

Natalie Siddique and Sam Cardwell, our college-level Management Interns and alumnae of Loveland High School, deserve high praise for their work. Under Michelle's leadership, Sam and Natalie did the heavy lifting for this entire process. Both have promising careers in public service, and their talents and energy give me tremendous hope. I look forward to watching their promising careers unfold, and as this process showed, the public sector will be facing many challenges in the decades ahead. Their talents will be very much needed.

Recommendations

No action is necessary at this time. This item is for informational purposes only. City Council will continue to deliberate about Loveland's fiscal challenges in the months ahead.

Prepared by: Sam Cardwell and Natalie Siddique, Management Interns

Expenditure Reduction Process

The tables below summarize each focus group’s budget cutting suggestions and ranking. First, the idea is described. Second, the amount of savings if the idea is implemented is included in column 2. The score shows the average of the focus group participants. It is important when examining this data to remember that the lower the number, the more the idea was a priority for participants. This is because each participant was given the chance to rank from 1 to X their top idea by assigning a “1” to it, their second favorite idea by assigning a “2” to it, etc. Third, the rank is way in which the overall group average priorities the suggestions. Fourth, the range shows the highest to lowest prioritization of all the participants. This helps to give a sense if the idea’s ranking was skewed higher or lower by someone who used their number one vote to raise the average or vice versa.

Group A

IDEA	AMOUNT	SCORE	RANK	RANGE
Eliminate ICRC	\$50,000	1.8	1	1-5
Eliminate payback for Vacation & Sick Sell-back	\$21,400	5	2	3-10
Eliminate healthcare for PT employees and Council members	\$89,800	5.7	3	1-15
Eliminate Monthly Newsletter	\$12,000	6	4	2-11
Require spouses to take health insurance from employer if offered to spouse	\$61,200	7.3	5	2-16
Reduce Continuous Improvement Training	\$10,000	7.3	5	4-12
Increase employee healthcare contribution from 11.5% to 50%	\$110,000	7.7	7	1-16
Reduce Wellness Program by 50%	\$17,500	7.9	8	2-15
Eliminate pension pick-up for employee portion of OPERS	\$114,000	8.2	9	2-16
Discontinue Neighborhood Revitalization	\$3,000	8.6	10	2-16
Eliminate Wellness Program	\$35,000	9.3	11	2-16
Reduce 10% from concerts, 4th of July Festival, beautification, parks capital	\$6,000	10.9	12	6-16
Reduce beautification by 50%	\$7,000	11.5	13	6-15

Eliminate 4th of July Fireworks	\$8,500	12.2	14	6-16
Eliminate 3 part-time officers; additional concessions from remaining police officers	\$200,000	12.6	15	1-16
Eliminate 6 part-time officers	\$200,000	13.6	16	4-16

Ideas highlighted above are ideas that the City Manager intends to implement or partially implement in the 2012 Budget and Capital Improvement Program, subject to Council review.

Group B

IDEA	AMOUNT	SCORE	RANK	RANGE
Eliminate ICRC	\$50,000	4.1	1	1-10
Eliminate healthcare for PT employees and Council members	\$89,800	5.1	2	1-17
Eliminate full-time police officer	\$92,000	5.9	3	1-15
Require spouses to take health insurance from employer if offered to spouse	\$61,200	6.3	4	1-18
Charge Recreational Fees	\$15,000	7.1	5	3-16
Eliminate Vacation & Sick Sell-back	\$21,400	7.6	6	4-14
Eliminate 4th of July Festival	\$8,500	7.6	6	1-15
Reduce HSA contribution by 50% and increase premiums	\$160,000	7.6	6	1-13
Eliminate pension pick-up for employee portion of OPERS	\$114,000	8.4	9	2-18
Reduce car, cellphone allowance	\$3,000	10.1	10	1-18
Reduce cost of website	\$3,500	10.3	11	1-18
Eliminate 2 part-time police officers (2000 hrs)	\$65,000	10.5	12	4-15
Discontinue Neighborhood Revitalization	\$3,000	10.5	13	2-18
Eliminate Concerts in the Park	\$9,500	11.3	14	7-17

Eliminate City Engineer	\$18,000	11.8	15	4-16
Eliminate Wellness Program	\$35,000	11.9	16	9-18
Reduce Employee Relations	\$5,000	12.7	17	8-18
Eliminate beautification	\$14,000	13.8	18	4-18

Ideas highlighted above are ideas that the City Manager intends to implement or partially implement in the 2012 Budget and Capital Improvement Program, subject to Council review.

Group C

IDEA	AMOUNT	SCORE	RANK	RANGE
Eliminate ICRC	\$50,000	3	1	1-5
Eliminate Concerts in the Park	\$9,500	6.3	2	2-11
Eliminate pension pick-up for employee portion of OPERS	\$114,000	6.4	3	1-20
Reduce Tuition Reimbursement	\$6,500	8.1	4	3-14
Discontinue Neighborhood Revitalization	\$3,000	8.4	5	1-17
Eliminate Monthly Newsletter	\$12,000	9.7	6	4-15
Reduce Wellness Program	\$6,000	10.9	7	4-18
Eliminate 4th of July Festival	\$8,500	11.1	8	3-19
Eliminate Vacation & Sick Sell-back	\$21,400	11.9	9	4-19
Require spouses to take health insurance from their employer if offered to spouse	\$61,200	12.4	10	3-24
Reduce Legal & Job Advertisement by 50%	\$6,500	12.7	11	6-21
Eliminate Wellness Program	\$35,000	13.0	12	4-23
Reduce Continuous Training	\$20,000	13.0	12	3-23
Reduce Parks Capital	\$12,500	13.2	14	6-21
Eliminate Employee Relations	\$10,000	13.7	15	6-22

Eliminate 1 Full-time Police	\$92,000	13.9	16	1-26
Eliminate Portalet Services	\$4,000	13.9	16	5-20
Reduce Receptionist Salary	\$20,000	14.1	18	1-21
Transition Building Permit Functions to County	\$108,000	14.8	19	5-25
Reduce Grass Cutting Expense	\$50,000	14.9	20	2-23
Increase Employee Share of healthcare by 25%	\$51,400	16.4	21	2-26
Reduce beautification by 50%	\$7,000	16.8	22	10-26
Make Assistant City Manager a part-time position	\$58,000	18.3	23	6-24
Eliminate Park Capital Projects	\$25,000	18.8	24	9-25
Eliminate Management Internship Program	\$6,000	20.9	25	16-25
Eliminate Assistant City Manager	\$117,000	21.8	26	14-26

Ideas highlighted above are ideas that the City Manager intends to implement or partially implement in the 2012 Budget and Capital Improvement Program, subject to Council review.

Group D

IDEA	AMOUNT	SCORE	RANK	RANGE
Eliminate ICRC	\$50,000	4.3	1	1-18
Require spouses to take health insurance from employer if offered to spouse	\$61,200	4.3	1	2-13
Eliminate pension pick-up for employee portion of OPERS	\$114,000	5.1	3	3-12
Eliminate healthcare for PT employees and Council members	\$89,800	5.4	4	1-19
Eliminate Monthly Newsletter	\$12,000	7.1	5	1-17
Close Bishop Park	\$15,000	8.9	6	2-21
Reduce Vacation & Sick Sell-back	\$10,000	9.0	7	6-14

Eliminate Concerts in the Park	\$9,500	9.3	8	3-19
Reduce beautification by 50%	\$7,000	10.8	9	6-18
Reduce Training Expenses	\$15,000	11.3	10	9-15
Eliminate Receptionist	\$55,800	11.6	11	3-16
Eliminate Wellness Program	\$35,000	11.6	11	5-21
Reduce Wellness Program	\$17,000	11.9	13	7-18
Eliminate Tuition Reimbursement	\$13,000	12.0	14	7-15
Replace 2 police cars annually instead of 3	\$25,000	12.4	15	5-18
Reduce Continuous Improvement Training	\$10,000	13.0	16	5-19
Reduce Mowing	\$80,000	14.0	17	8-21
Use Traffic Violators to perform Public Works Maintenance	Unknown	15.7	18	5-20
Eliminate 4th of July Festival	\$8,500	15.7	18	7-21
Eliminate K-9	\$10,000	16.4	20	8-20
Eliminate Management Analyst	\$61,400	16.5	21	1-21

Ideas highlighted above are ideas that the City Manager intends to implement or partially implement in the 2012 Budget and Capital Improvement Program, subject to Council review.

Group E

IDEA	AMOUNT	SCORE	RANK	RANGE
Eliminate ICRC	\$50,000	1.33	1	1-2
Require spouses to take insurance from employer if offered to spouse	\$61,200	2	2	1-3
Reduce every department by 5%	\$289,000	5	3	5-5
Eliminate K-9	\$10,000	5.7	4	4-7
Reduce Continuous Improvement Training	\$19,100	7	5	2-13

Reduce Subsidy for Roads by 5%	\$10,000	7.3	6	3-11
Eliminate healthcare for Council Members	\$60,000	8	7	4-11
Reduce Wellness Program	\$17,500	8	7	4-14
Eliminate pension pick-up for employee portion of OPERS	\$114,000	10	9	8-12
Eliminate Vacation Sell-back	\$14,000	11.9	10	3-17
Eliminate Beautification	\$14,000	11.9	10	9-14
Eliminate Tuition Reimbursement	\$13,000	12	12	10-16
Reduce Road Rehab	\$100,000	12.3	13	7-17
Eliminate PT police hours	\$196,000	12.3	13	8-16
Reduce Police Uniforms	\$3,000	13.7	15	11-15
Eliminate Parks Capital	\$25,000	15.9	16	14-17

Ideas highlighted above are ideas that the City Manager intends to implement or partially implement in the 2012 Budget and Capital Improvement Program, subject to Council review.