

City of Covington, Kentucky

FY 2014-2015

City Manager

Recommended Budget

May 27, 2014

The following legislative enactments of 2013 guided the FY 2013-2014 Annual Budget, and continue to guide the development of the FY 2014-2015 Annual Budget

- Order Resolution O/R 43-13 approved in February of 2013, established "A Vision for Our Third Century (2015)
- Order Resolution O/R 166-13, approved in June of 2013, established a Five Year Community Investment Plan
- Order Resolution O/R -173-13, approved in June of 2013, adopted the Covington Center City Action Plan

A Vision for our Third Century

COMMISSIONERS' ORDER/RESOLUTION NO. OR-43-13

AN ORDER/RESOLUTION APPROVING A VISION STATEMENT FOR THE CITY FROM WHICH TO BUILD ON FOR GOALS, OBJECTIVES AND MEASURABLE CRITERIA FOR 2013 AND 2014.

* * * *

WHEREAS, the City of Covington's Vision Statement shall be:

Covington – the region's leader for:

- ...a thriving business environment, innovative and entrepreneurial;
- ...strong neighborhoods with diverse housing opportunities, including quality affordable and market rate housing
- ...inviting public spaces, open for activities and taking full advantage of our Ohio and Licking River assets;
- ...unparalleled public services, efficient and effective;
- ...cultural and historical influences, blended with compatible modern amenities;
- ...strong institutions, adding value through community advocacy and engagement;
- ...a diverse and educated population;
- ...artistic and cultural creativity;
- ...sound fiscal policy and practice.

Picture a Covington that is:



- Bustling with Pedestrian Traffic
- Clean and Safe
- Vibrant with Residents, Businesses, and Visitors
- A Magnet for Tourism
- Full of Quality Residential and Commercial Development
- Replete with Excellent Streets, Sidewalks, Good Facilities, and Improved Recreational and Green Space Opportunities
- A Sustainable Community

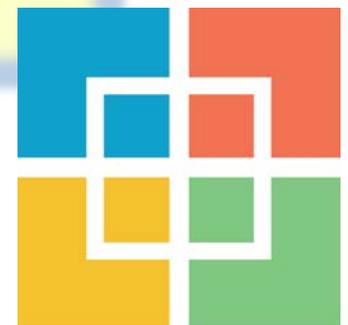
Community Investment Plan for Covington (2014–2018)

Goal: A Comprehensive and Responsible Community Investment Plan for Covington is about our quality of life and investments and to improve it for everyone who experiences Covington, whether a resident or visitor, business or employee, in a disciplined and financially responsible and sustainable manner.

Action Plan

The Vision for a Vital Center City...

- **Prosperous:** *Attract jobs, growth & investment*
- **Inviting:** *Safe, attractive & welcoming neighborhoods*
- **Walkable:** *Easy for pedestrians & bikes to navigate*
- **Diverse:** *Socially and economically inclusive*
- **Collaborative:** *Public & private sectors working together*
- **Entrepreneurial:** *Embracing innovation & creative thought*



Covington
Center City
Action Plan

A

STRONG ECONOMY

- **Attract Jobs & Support Existing Businesses**
- **Cultivate Thriving Retail**
- **Activate Development Opportunities**
- **Develop Parking Strategies**

B

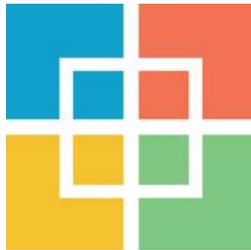
INVITING PUBLIC REALM

- **Create stronger connections**
- **Develop open space & river access**
- **Celebrate rail lines & bridges**
- **Encourage historic preservation**

C

STRONG NEIGHBORHOODS

- **Identify Neighborhood quick wins**
- **Develop housing strategy**
- **Improve infrastructure and safety**



Covington
Center City
Action Plan

Fiscal Year 14 Accomplishments

- Five Year Community Investment Plan Projects were implemented including:
 - Madison Avenue Streetscape
 - Sidewalk Improvement Project
 - Martin Luther King Boulevard landscaping completed
 - Southern and Latonia street reconstruction project
 - Lake Park Drive street reconstruction completed
 - Caroline Underpass improvement and repair after slide completed
 - Pike Street Triangle sidewalk, parking and rain garden
 - Eastern Avenue landslide completed
 - Parkway Bridge improvements completed
 - Annual resurfacing completed (42 roads); coordinated well with utility work and ADA curb ramp replacements
 - Demolition of blighted properties
 - Licking River Greenway - design for final paved levee trail phases
 - Acquisition of the Covington/Austinburg mobile home park
 - Riverfront Commons (Covington, Phase I) Design completed

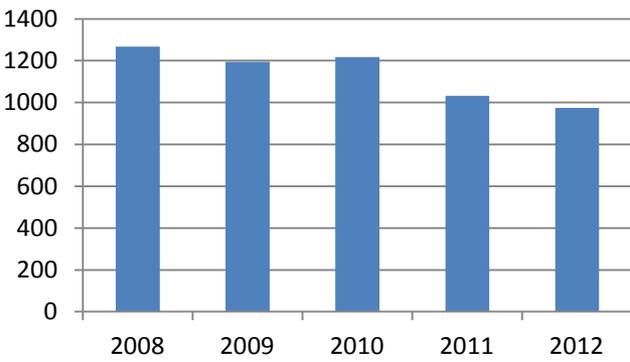
Fiscal Year 14 Accomplishments

- Corrective Action Plan for State Auditor's Special Examination
- Creation of covingtonky.gov re-design
- Sale and rehab of Mutual Building complete
- Planted 900+ tree seedlings for future replanting in Devou Park and the entire City of Covington
- In 2013, the Covington Fire Department met the National Standards for response time 77.3% of the time
- 605 arrests for narcotics related crimes resulting from the D-Team

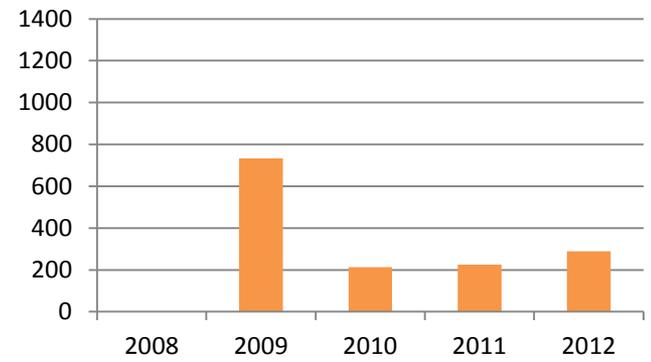
Fiscal Year 14 Accomplishments

- New retaining wall at flood levee (savings)
- Development and implementation of compensation plan for non-union employees
- Continued reduction in WC premium of approximately \$70,000 over last year and a total premium savings of \$591,800 over a 1.2 M premium in 2008
- Creation of 14 new public art murals bringing a total of \$163,000 of community investment
- Devou Projects
 - Approval of plan for \$400,000 of improvements to the park
 - Completion of Rotary Grove Improvements, Behringer-Crawford Museum and Painting project, design for Gus Sheehan Playground

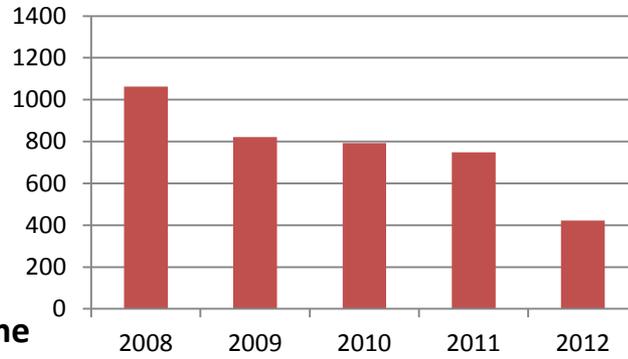
Cincinnati: Violent Crime rate per 100,000 population



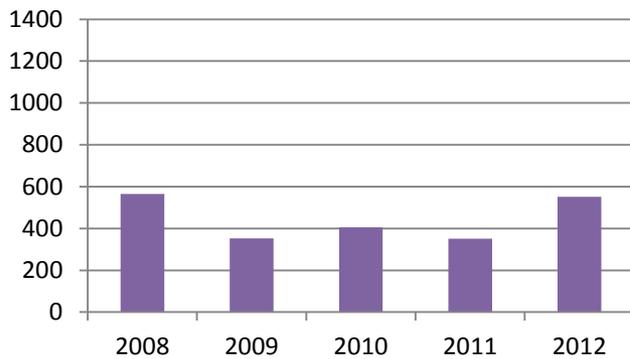
Neighboring City Violent Crime rate per 100,000 population



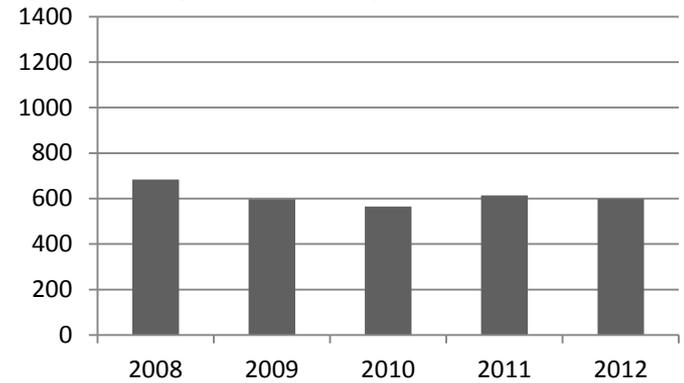
Covington: Violent Crime rate per 100,000 population



Neighboring City Violent Crime rate per 100,000 population



Louisville Metro: Violent Crime rate per 100,000 population



What's Next?

- As you can read, much has been accomplished in short time with the City's renewed focus and effort on growth and improvement. Now, it is time to go the next level.
- The City must become even more focused and determined to improve property values, retain and attract residents, businesses, investment and jobs, in a financially responsible and sustainable manner.
- The City must continue its Community Investment Plan that was adopted in 2013.
- The City must continue strong code enforcement efforts and to remove blighted and abandoned properties that depress property values and detract new residents, investment and jobs.
- The City must continue to pursue development of our riverfront taking advantage of our location in a thriving and successful region.
- The City must invest in its own infrastructure which leads to improved property values and a higher quality of life. Better property values, more jobs, more residents, more private and public investment, more revitalization in our neighborhoods and business districts, means more revenue in our General Fund, where our services and programs are funded. It also means more fiscal stability so that the City can reduce its reliance on short term debt instruments such as the Tax Anticipation Note that the City has historically used to cover seasonal fluctuations in revenue; grow its financial reserves and; continue to reinvest to sustain what we have begun. **The City must be as patient as it is determined.**
- The City's vision and plans for success require constant vigilance, support, and patience, and staying the course.

City Manager Budget Goals for FY 2014-2015

- Structurally Balanced Budget (Kentucky Constitution & KRS)
- Grow General Fund Revenues
- Reduce General Fund Expenditures
- Community Investment Plan
 - Reinvest + Grow
 - Improve + Sustain
 - Return on Investment
 - Improve Quality of Life
- Tax Anticipation Note (TAN) Reduction
- Rebuild Financial Reserves
- Economic Development Project Funding

Transparency

Mayor's Task Force to Restore Public Confidence

- Public Meetings to Monitor Implementation of Corrective Action Plan
- Transparency Policy
- Workplace Fraud Policy and Hotline
- Employee Travel Policy
- Working on Conflict of Interest Policy
- Hired Internal Auditor
- Hired Assistant Finance Director to Improve Oversight and Management
- Hired Information Technology and Data Manager to Segregate IT Responsibilities from Users
- Outsourced Payroll Duties

Budget Process

- Internal Budget Calendar
- Status Quo Budget Requests and Supplemental Budget Requests- Review Budget from Bottom Up
- Meetings with City Commission to Review

Budget Format

- By Fund, Department, Line Item
- Detailed copies Available on City Website, Finance Department

Better but More Improvements Possible

Basic Assumptions in FY 2014-2015 Budget

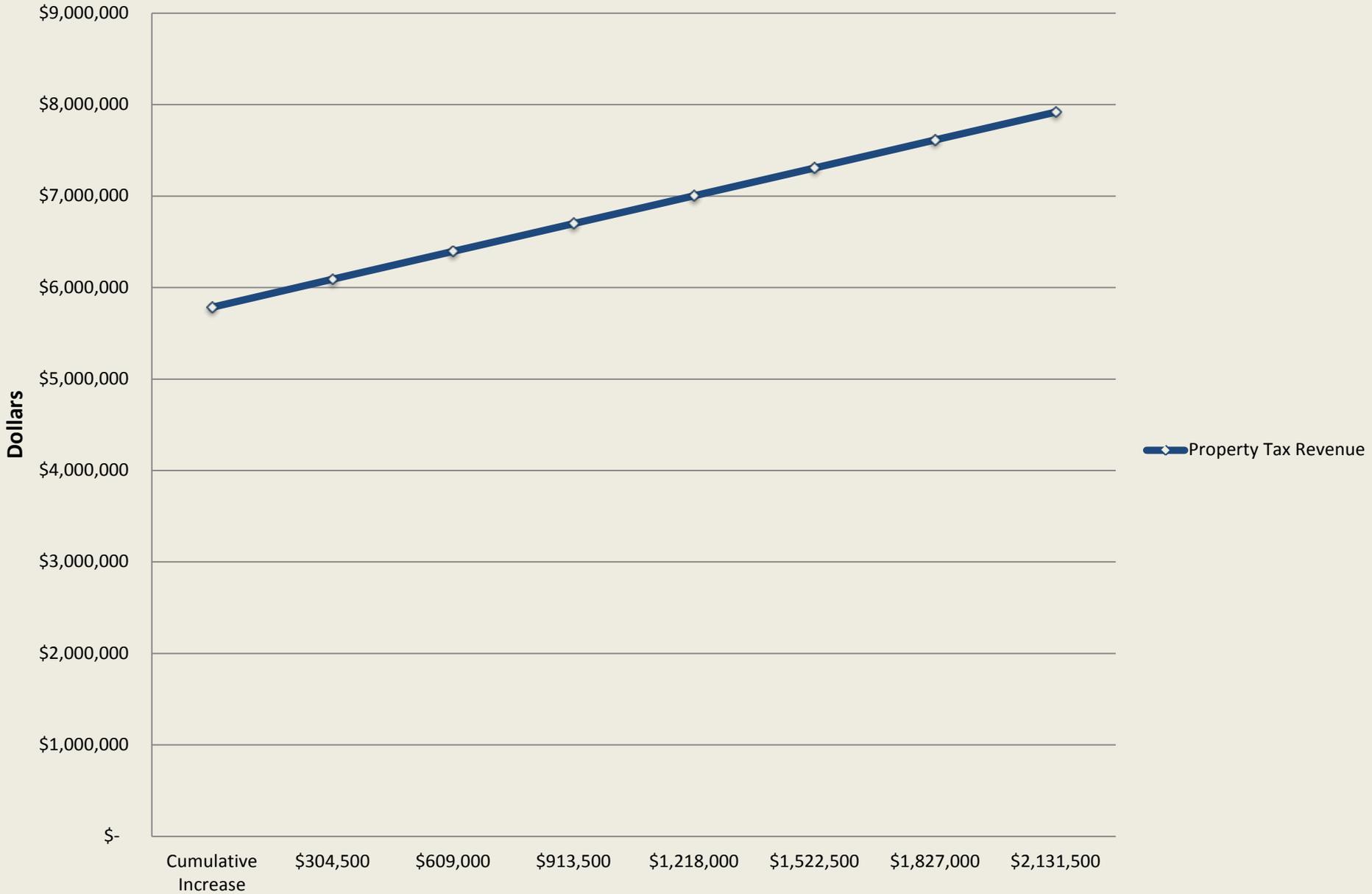
- Property Tax Rate- Compensating Rate to maintain same amount of revenue as last year
- Property Assessment- Slight Decrease
- Salaries & Wages – 3% wage increase for all employees represented by a collective bargaining unit, effective January 1, 2015.
- No wage increase for non-union employees.
- Pension Contribution-City's contribution rate for Police and Fire (hazardous) is 34.31% and 17.67% for all other employees (non-hazardous)
- Health & Dental Plans Remain Same.

Key Recommendations

- Grow City's General Fund Revenue. Property Valuation and Jobs.
- Maintain Lean and Focused General Fund Budget
- Continue Community Investment Plan
- Pay Down the City's \$3.5 Million TAN Over 10 Years

City of Covington, KY

Property Tax Revenue per \$100M Increase in Taxable Property



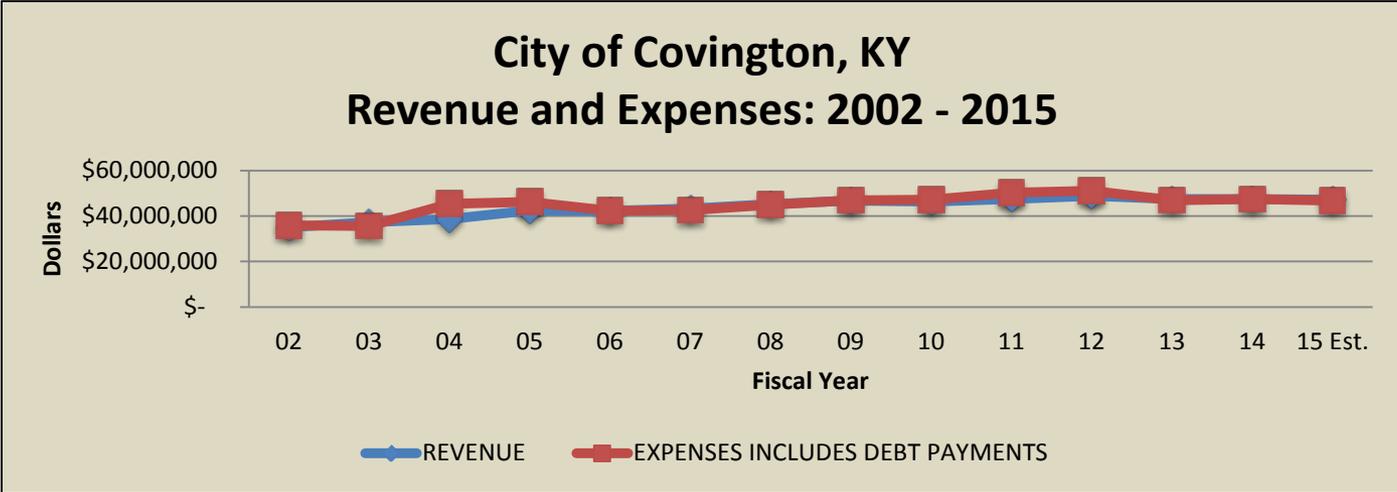
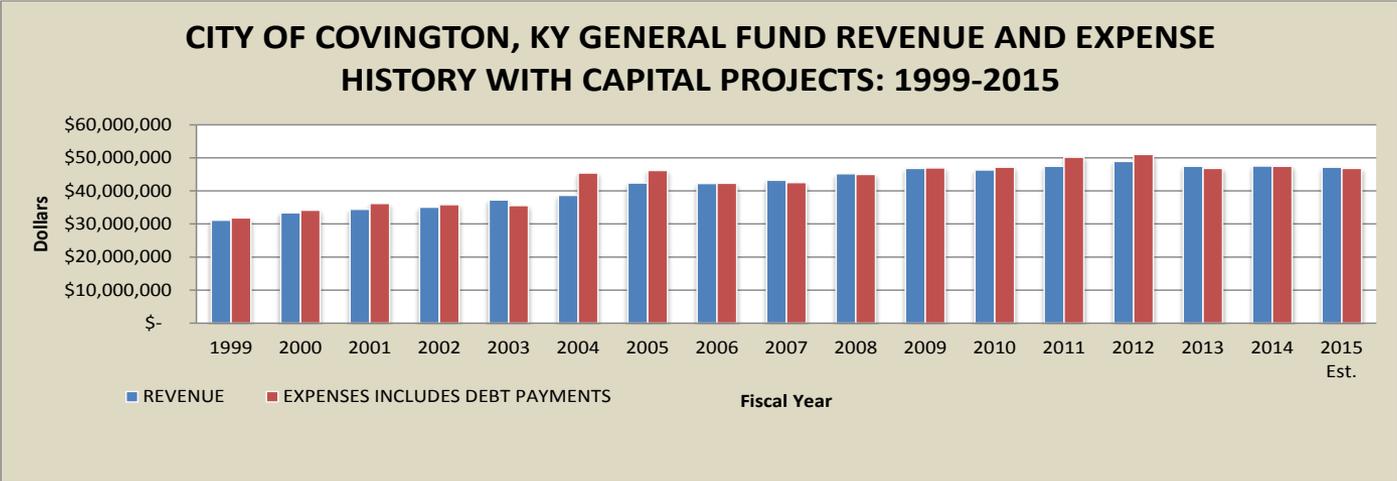
Key Recommendations (cont'd)

- Rebuild City Financial Reserves Toward Minimum Goal of 5% Adopted by Ordinance. Now at less than 2%. Last at 5% in 2008. Important for Cash Flow and Credit Rating and Emergencies
- Procure Funding for City's Economic Development Investment Projects
- Next Waste and Recycling Contract (2015) Direct Bill Option for Property Owners
- Pursue Physical and Financing Plan for Long Term Replacement of City Facilities (City Hall, Police, Fire, DPI)

All City Funds Budget 2014-2015

Estimated Revenue	General Fund	Housing Voucher	Capital Improvement	CDBG, Home & Home Consortium	General Fund Other Restricted	Combined Funds Total
Payroll Taxes	21,948,523					21,948,523
Ad Valorem Taxes	6,716,664					6,716,664
Insurance Premium Taxes	5,759,752					5,759,752
Net Profit Taxes	2,706,317					2,706,317
All Other	10,148,021		15,000,000			25,148,021
Other Government Receipts		5,995,144		2,518,474		8,513,618
Other Receipts		363			4,543,839	4,544,202
Totals	47,279,276	5,995,507	15,000,000	2,518,474	4,543,839	75,337,097

General Fund Revenue & Expense History



General Fund Revenue Projections

	FY 14	FY 15
	Projected	Recommended Budget
Payroll Taxes	\$ 22,287,904	\$ 21,948,523
Ad Valorem Taxes	6,716,664	6,716,664
Insurance Premiums Tax	5,759,752	5,759,752
Net Profit Taxes	2,706,317	2,706,317
All Other	10,048,599	10,148,020
General Fund Revenue	47,519,236	47,279,276
General Fund Expenses Includes Debt & TAN Payments	47,460,950	47,259,128
Beginning Unassigned Fund Balance	738,274	796,560
Ending Unassigned Fund Balance	\$ 796,560	\$ 816,708

General Fund Revenue and Expense Projections

2014-2015 Recommended Budget

		General Fund
Fund Balance Beginning of the Year	\$	796,560
Projected Revenue		
Payroll Taxes		21,948,523
Ad Valorem Taxes		6,716,664
Insurance Premiums Tax		5,759,752
Net Profit Taxes		2,706,317
All Other		10,148,020
Total Projected Revenue		<u>47,279,276</u>
Projected Expenses		
Administration		7,378,387
Police Department		12,645,476
Fire Department		12,276,397
Public Works Department		9,045,937
Capital Outlay		160,000
Debt Service Including TAN payment		5,356,527
Employee, Police & Fire Pension Contribution/Expenditures		396,404
Total Projected Expenses		<u>47,259,128</u>
Fiscal Year 2015 Carryover (Projected Revenue Less Expenses)		<u>20,148</u>
Estimated Fund Balance End of Year	\$	<u><u>816,708</u></u>

Key Changes in General Fund Revenue

- Projected Decrease in Payroll Tax Collection
- Conservative Projections Based on Prior Year's History
- Increase Daily Parking Rate at Rivercenter Garage from \$8 to \$10 - \$22,500
- Increase Metered Parking Space Rates by 10 cents per half hour from 25 cents to 35 cents - \$48,000 revenue
- Increase Park Shelter Rental Rates - \$2,500
- In Progress, new procedure to collect City issued parking citations

Potential New Revenue

- Increase Ambulance Billing Fee (Hard Bill Residents)
- Implement Life Safety Inspection Fees in Fire Department
- False Alarm Fees
- Riverfest – Lease Public Space to Vendors
- Lease City Commission Meeting Space

Considered but not Recommended

- Establish Billing for Rescue Services
- Charge for Parking at Mainstrasse Public Parking Lot

General Fund Expenditures by Department

	FY 14	FY 15
	Projected	Recommended Budget
Police	\$ 12,758,418	\$ 12,645,476
Fire	12,504,664	12,276,397
Debt Service	4,597,557	5,006,527
All Other Departments	17,600,311	16,980,728
Total General Fund	\$ 47,460,950	\$ 46,909,128

Key Changes in General Fund Expenditures

- Staffing

Approximately six full time positions eliminated or converted to part time

Approximately three part time positions eliminated

Key Changes in General Fund Expenditures (cont'd)

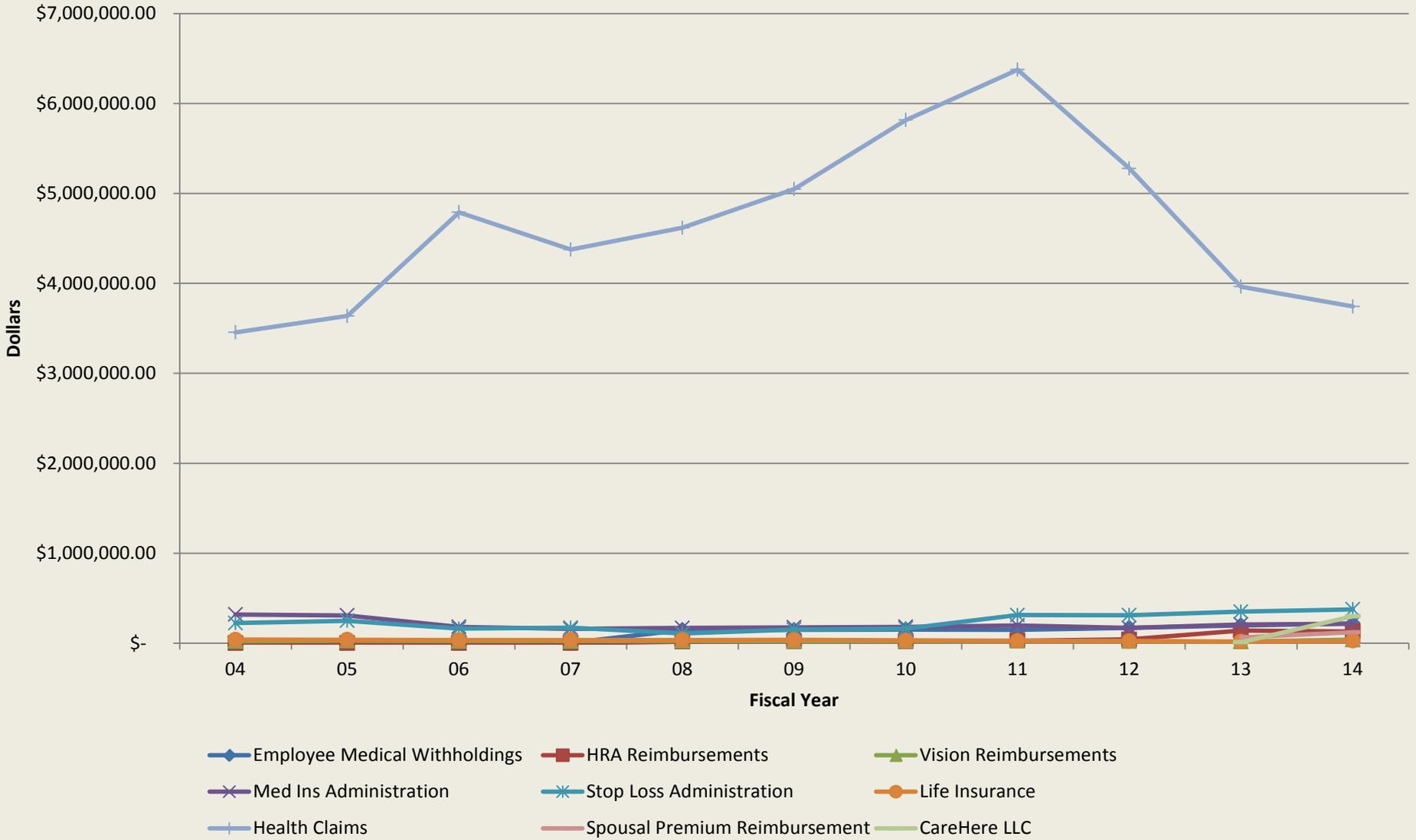
- Eliminate 3% Wage Increases for all Non-Union Employees - \$150,000
- Increase Amortization Period for City Pension Funds from 20 to 25 Years - \$126,860
- Reconfigure Snow and Ice Removal Staffing Plan - \$40,000
- Revise Employee Cell Phone Reimbursement Plan - \$25,000

Potential Changes in General Fund Expenditures

- Incentivize Early Retirements
- Change Employee Health Plan to State Plan
- Pooling and Sharing of City Vehicles
- Eliminate 10 Hour Day in Police Department
- Annual Waste Fee Direct Bill to Property Owners

City of Covington, KY

Medical Expenses by Category: 2004 - 2014



Changes in General Fund Expenditures Considered but not Recommended

- Close City Swimming Pools - \$220,000
- Close City Swimming Pools for One Week - \$9,000

Other Changes to General Fund

- COV 200 - \$25,000
- Keep Covington Beautiful - \$25,000
- Administration Department
 - Workplace Fraud Hotline - \$2,250
- Finance Department
 - Eliminate full time Staff Accountant and Tax Auditor positions
 - Add Paycor to provide payroll services

Other Changes to General Fund (cont'd)

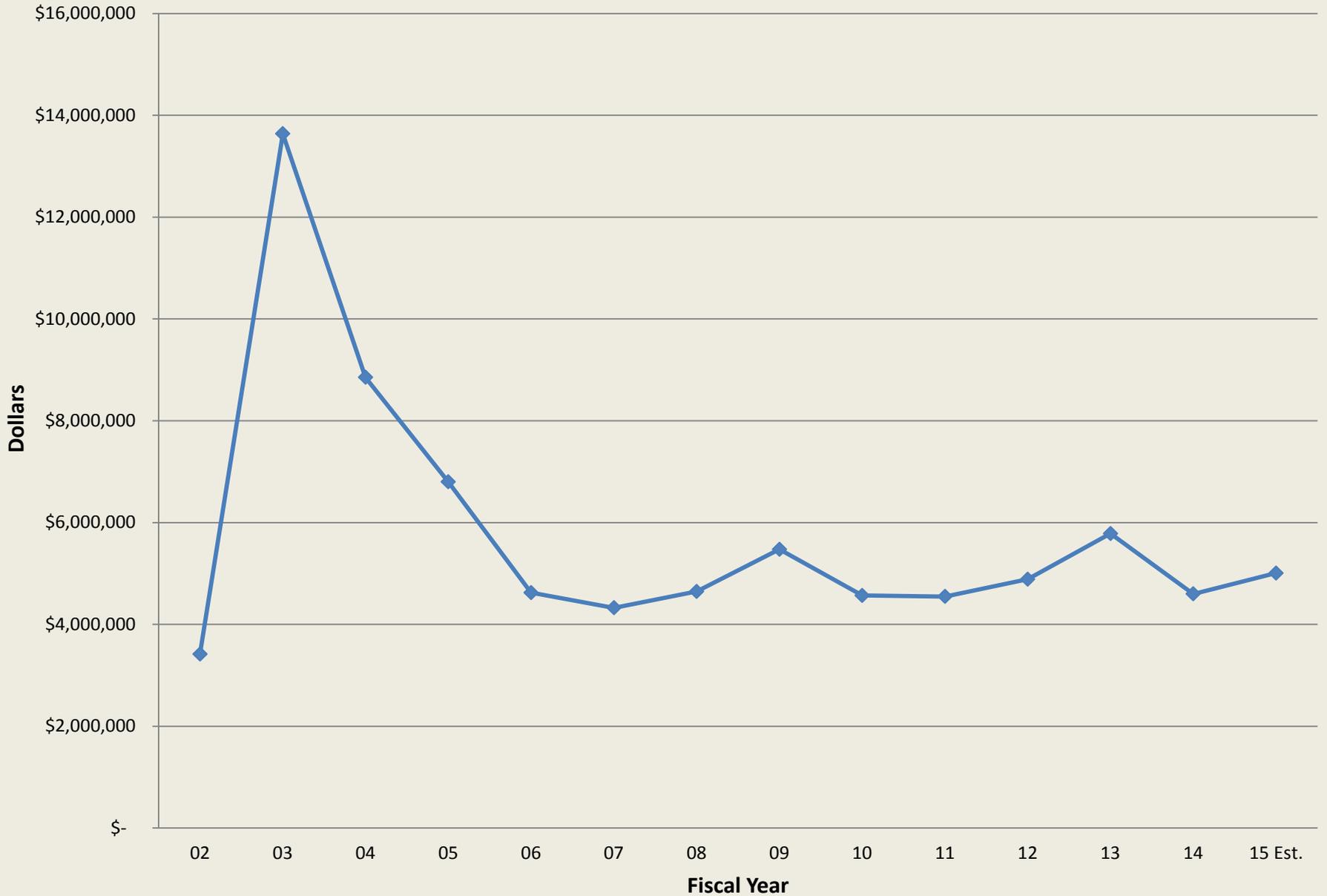
Fire Department

- Added funding to replace all personal protective equipment
- Eliminate \$25,000 in Unscheduled Overtime
- Added Personal Protective Equipment (PPE) replacement - \$51,000

Human Resources

- Added Paycor Human Resources component for automation of HR functions and time and record keeping - \$18,000
- Eliminate newspaper advertising, use web based sources only

City of Covington, KY Debt Payments: 2002 - 2015



Other Changes to General Fund (cont'd)

Legal Department

- Transferred Marketing and Communications position to Legal Department from Development Department
- Added one full time attorney to assist with legal work brought in house and delinquent, tax, fee and loan collection

Programs and Strategic Projects Division

- Added Arts Director from Marketing and Communication Division from Development Department

Other Changes to General Fund (cont'd)

Public Improvements Department

- Added one new full time mechanic for position that had been vacant for four years
- Replace full time administrative assistant position with part time

Police

- Reduce Overtime by \$100,000 (2,461 annual hours of service) from \$750,000 to \$650,000 and redeploy a full time Lieutenant (2,080 annual hours of service) and full time Sergeant working in IT (2,080 annual hours of service) to Crime Bureau and Patrol Bureau to reduce overtime there

Capital Fund (Community Investment Plan)

- The recommended Capital Project Fund of \$45,561,520 utilizes a \$15 million bond issue by the City and approximately \$30 million in funds from other non-City sources such as CDBG, Devou Properties, Inc, and state and federal grants and programs
- Five Year Community Investment Plan for Infrastructure, Economic Development and Neighborhood Revitalization, Facilities and Recreation, and Fleet and Equipment.

Capital Fund

2015 Capital Fund Projections	Bond Funding Request	Other Funding Requests	Total Estimated Projects
INFRASTRUCTURE	\$ 5,075,000	\$ 3,611,000	\$ 8,686,000
ECONOMIC DEVELOPMENT & NEIGHBORHOOD REVITALIZATION	9,806,530	16,562,886	26,369,416
FACILITIES AND RECREATION	3,250,000	6,519,678	9,769,678
FLEET AND EQUIPMENT	626,426	110,000	736,426
Total	\$ 18,757,956	\$ 26,803,564	\$ 45,561,520

Capital Projects

Infrastructure

- Levee Repairs – 21st Street Slide
- Levee Repairs – Water Stops
- Russell Street Repaving
- Pointe Benton Storm Water Improvements – Phase I
- Riverside Drive Design
- Highway Avenue Project (Sidewalk/Fence)
- Sidewalk Improvements – North Covington
- Pike and Main Intersection Improvements
- Yoke Project
- Street Resurfacing

Capital Projects (cont'd)

Economic Development & Neighborhood Revitalization

- Demolitions/Foreclosures
- Urban Agriculture (CDBG)
- Jeff Ruby Waterfront Restaurant
- Riverfront Commons
- Hotel Covington
- 6th Street Corridor (Scott to Johnson) Streetscape
- Electric Alley for Gateway Urban Campus

Capital Projects (cont'd)

Facilities and Recreation

- Licking River Greenway Phase II
- Senior Citizens Center (CDBG)
- Devou Golf Course Hole #1 Realignment (Drees Pavilion)
- Gus Sheehan Playground Improvements (Drees Pavilion)
- Volpenhein Playground Improvements (Drees Pavilion)
- Latonia Playground Improvements (CDBG)
- BMX Track at Cappel Complex (CDBG)
- Goebel Park Improvements (CDBG)
- Randolph Park Improvements
- Devou Park Golf Course Clubhouse (split year) (Drees Pavilion and City)
- Healthy Living Center (split year)
- Fire Houses Facility Repairs
- City Center Garage Repairs

Capital Projects (cont'd)

Fleet and Equipment

- Dump Trucks (2)
- Critical Trucks (3)
- Ambulance Remount (2)

Tax Anticipation Note (TAN) Reduction

- Make initial payment of \$350,000 from City reserve funds as part of ten year plan to eliminate the TAN.
- Collection of One-Time Fund (described below) can be used to expedite elimination of the TAN.
 - Delinquent Property Taxes
 - Delinquent Waste Fees
 - Delinquent Occupational License Fees
 - Collection of \$400,000 of Unpaid City Issued Parking Citations
 - Recovery of Embezzled Funds

Rebuild Financial Reserves

- Adopt Minimum Fund Balance Ordinance
- Collection of One-Time Funds:
 - Delinquent Property Taxes
 - Delinquent Waste Fees
 - Delinquent Occupational License Fees
 - Collection of \$400,000 of Unpaid City Issued Parking Citations
 - Recovery of Embezzled Funds

Economic Development Project Funding

- City's Economic Development Investment Fund
- Pursue Non-Performing Economic Development Loans to Replenish Fund
- Other Sources, Federal, State, Local, and Private

All City Budget - Recap

2014-2015 Requested Budget

	General Fund	Housing Voucher Program	Capital Improvement	Nonmajor Government CDBG, Home	General Fund Restricted	Combined Funds Total
Fund Balance Beginning of the Year	\$ 796,560	\$ 983,460	\$ -	\$ 627,694	\$ 229,319	\$ 2,637,033
Estimated Revenue						
Payroll Taxes	21,948,523	-	-	-	-	21,948,523
Ad Valorem Taxes	6,716,664	-	-	-	-	6,716,664
Insurance Premiums Tax	5,759,752	-	-	-	-	5,759,752
Net Profit Taxes	2,706,317	-	-	-	-	2,706,317
All Other	10,148,021	-	15,000,000	-	-	25,148,021
Receipts from Other Governments	-	5,995,144	-	2,518,474	-	8,513,618
Other Receipts	-	363	-	-	4,543,839	4,544,202
Total Estimated Revenue	<u>47,279,276</u>	<u>5,995,507</u>	<u>15,000,000</u>	<u>2,518,474</u>	<u>4,543,839</u>	<u>75,337,097</u>
Estimated Expenses						
Administration	7,378,387	5,995,507	-	2,518,474	2,188,134	18,080,502
Police Department	12,645,476	-	-	-	-	12,645,476
Fire Department	12,276,397	-	-	-	-	12,276,397
Public Works Department	9,045,937	-	-	-	-	9,045,937
Capital Outlay	160,000	-	15,000,000	-	-	15,160,000
Debt Service Including TAN payment Employee, Police & Fire Pension Contribution/Expenditures	5,356,527	-	-	-	-	5,356,527
	396,405	-	-	-	2,126,386	2,522,791
Total Estimated Expenses	<u>47,259,128</u>	<u>5,995,507</u>	<u>15,000,000</u>	<u>2,518,474</u>	<u>4,314,520</u>	<u>75,087,629</u>
Estimated Fund Balance End of Year	<u>\$ 816,708</u>	<u>\$ 983,460</u>	<u>\$ -</u>	<u>\$ 627,694</u>	<u>\$ 458,638</u>	<u>\$ 2,886,500</u>

Recap of City Manager Budget Goals for FY 2014-2015

- Structurally Balanced Budget (Kentucky Constitution & KRS)
- Grow General Fund Revenues
- Reduce General Fund Expenditures
- Community Investment Plan
 - Reinvest + Grow
 - Improve + Sustain
 - Return on Investment
 - Improve Quality of Life
- Tax Anticipation Note (TAN) Reduction
- Rebuild Financial Reserves
- Economic Development Project Funding

Next Steps

- May 27 – June 24 Commission and Community Feedback
- June 24 Scheduled First Reading of Budget Ordinance
- June 26 Scheduled Second Reading of Budget Ordinance
- July 1 FY 2014-2015 Begins