



**To:** Mayor Smith and Honorable Councilmembers  
**From:** Tom Carroll, Village Manager *Tom M. Carroll*  
**Date:** November 28, 2017  
**Subject:** Draft 2018 Budget and Capital Improvement Program Transmittal Memorandum

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Submitted herewith is the draft 2018 Budget and Capital Improvement Program for the Village of Silverton. It is balanced, plans for over \$3 million of investment in capital infrastructure and equipment in 2018, provides our employees a 2.5% wage increase, and does so without raising taxes. It provides for:

- the realignment and widening of Montgomery and Stewart roads,
- the establishment of a new pocket park on Stoll,
- streetscape improvements along two key blocks of Montgomery Road connecting Ag 47 to the downtown,
- two to four public art installation projects at various locations throughout the community,
- the complete reconstruction of Park Avenue,
- the renovation of 6943 Montgomery Road into what will become the new Silverton Town Hall,
- the complete reconstruction of Kenton Avenue,

- the replacing of a water main and roadway on Elwynne Drive,
- the construction of a new salt storage facility at the Public Works campus on Alta Avenue,
- an update to the 2008 Comprehensive Plan, and
- the acquisition of a new police cruiser to be used by Hamilton County Sheriff's deputies pursuant to the 2014 contract between the Village and Hamilton County.

The Village is ending 2017 with unusually strong cash positions because several substantial projects (e.g. Montgomery and Stewart Road Project, the Town Hall project) conceived of and funded in the 2017 fiscal year are just now getting underway as 2017 draws to a close. Staff forecasts the Village will end 2017 with \$3,222,069 across all funds, with \$798,522 of that total being unrestricted fund balance in the Village's General Fund. Once all the 2017-2018 capital projects are completed in the coming 12 months, staff forecasts

the Village will end the 2018 fiscal year with \$1,361,322 across all funds and \$866,631 of unrestricted fund balance in the General Fund. The \$866,631 figure is a lower-than-preferred projected year end fund balance in the General Fund; the last four fiscal years the Village has strived to end with at least \$1 million of unrestricted fund balance in the General Fund. The projected 2018 General Fund balance is lower in part because the Village will be depositing almost \$240,000 in a court escrow account while the Village litigates with Cincinnati Bell over the costs for the utility company to relocate its assets to accommodate the realignment of Montgomery and Stewart. The 2018 Budget does not reflect these funds being returned to the Village in 2018, though that is fully our expectation since we believe our position regarding the pending Cincinnati Bell litigation to be correct. The 2018 Budget also provides considerable resources for litigation to ensure the Village pays no more than the fair-market value for needed right of way for this same public project at Montgomery and Stewart.

Despite lower-than-preferred projected fund balances in the General Fund at the end of next fiscal year, the Village has a healthy reserve in the Debt Service Fund and has provided enough cash to the Stewart Road TIF Fund that it is able to meet its debt obligations through at least 2024. The Village also helped provide some starting capital for the Community Improvement Corporation of Silverton through 2017. All of these reserves contributed directly to the lower projected General Fund balance at the end of next year.

The draft 2018 Budget makes certain assumptions about funding that may or may not materialize in 2018. This budget provides flexibility to grow or shrink the capital plan depending on which grants we obtain. In addition, the draft

2018 Budget and CIP provides two operational service enhancements next year. Starting in April, the Village will provide 12 additional deputy hours each week to enhance public safety. Also, starting in July, the Village will provide all households wheeled recycling carts with fortnightly (every two weeks) curbside collection as a standard service level.

Please also note several of the Village's funds are shown to end 2018 with \$0. Specifically, the Mayor's Court Computer Fund and the Entry of Forfeiture Fund will have no resources by the end of next fiscal year. This is intentional. These are restricted funds and the Village is putting the limited resources restricted within these funds to good use. Several other funds (e.g. Street Maintenance and State Highway) will end 2018 with modest fund balances. Ultimately, these restricted revenue funds are backed up and supported by the General Fund, and staff is suggesting these be spent down to modest balances to maximize the use of the restricted revenues and free up the General Fund for road and park investments.

In the remainder of this transmittal memorandum, I will discuss revenue trends, highlight noteworthy operating expenditures, describe our 2018 Capital Improvement Program, list key milestone dates that will influence the upcoming budget implementation, and recognize the individuals who collectively make the Village of Silverton organization action-oriented.

### **Revenues**

The Village has enjoyed continued growth in 2017 in municipal income tax, our largest source of revenue. Currently, staff forecasts our 2017 income tax levels to be \$1,950,000, an almost 6% increase over 2016's actual collections. This continuing growth in income tax levels reflects the financial security an increasing percentage of our

residents are enjoying as well as a demographic shift in our community as younger professionals are moving to Silverton. Next year, staff is forecasting \$2,000,000 of income tax, a modest 2.5% growth over the 2017 forecast.

Other revenues are generally budgeted next year to be flat over 2017 projections or actual receipts. Our second largest source of revenue is real estate taxes, which are budgeted at \$533,896 in 2018. Unless delinquencies on real estate payments unexpectedly spike next year, the \$533,896 figure should be exceeded easily.

The draft 2018 Budget and CIP also contemplates the start of a three year increase in sanitation fees to cover a portion of the new five-year contract with Rumpke that starts on July 1, 2018. The overall charge paid per household will increase from \$12.06 per month for the first half of the year to \$13.24 for the second half of the year. However, the Village's per household charge starting in July from Rumpke will be \$15.24, and the Village is subsidizing solid waste rates \$26,400 from the General Fund in the second half of 2018 to soften the impact of the rate increases. This subsidy of \$2 per month per household for six months will continue into 2019, and was considered as part of the addition of every-other-week recycling services starting next July. This subsidy will drop to \$1 per month per household in the second half of 2019 (residents will pay \$14.24 in July of 2019). It will end in July of 2020 as residents will then pay the full cost of the solid waste and recycling services (i.e. \$15.24 per household per month). This is somewhat complicated, but is a deliberate attempt to phase in the cost increases to our residents.

Finally, Silverton received less TIF revenue collections in 2017 than anticipated from the Mini-Cooper and BMW expansions.

The TIF fund received only \$25,384 in 2017 for tax year 2016 (property tax is one year in arrears), which is less than we expected given the sizeable investment BMW made. It is still hoped that the 2017 taxes paid in 2018 will increase and thus assist the Stewart Road TIF to meet its obligations on its own until the bond is completely paid back. As you will remember, the Village transferred \$250,000 to the TIF fund in 2017 to provide resources to pay off the 2016 debt issue for Stewart Road. If the TIF revenue does not rise in 2018 or soon thereafter, than the General Fund will likely need to subsidize the Stewart Road TIF Fund in 2024. For now, this is something to monitor, and no action is needed at this time.

### **Expenditures**

This draft 2018 Budget and CIP provides 500 hours of seasonal assistance in public works, a reduction compared to previous years. Please keep in mind, however, that the Village added a full-time public works employee in 2017, so the reduction in seasonal hours is more than offset by the 2,080 full-time hours provided by a full-time employee.

### *Litigation*

The 2018 draft budget sets aside significant sums for special litigation above and beyond our normal retainer for legal services. Silverton is involved in three lawsuits regarding the Montgomery and Stewart Road Reconstruction Project. This includes two trials over fair compensation to property owners for the acquisition of right of way (LLK at 7458 Montgomery Road and Mary Ann Restle at 7428 Montgomery Road) as well as a dispute with Cincinnati Bell. Silverton has already provided funding equal to our appraisals' valuation of just compensation for these two right-of-way acquisitions. It is possible a jury will award additional compensation for these takes, however, and a separate appropriation will have to be

made if this occurs. As already mentioned, the Village has placed almost \$240,000 in a court escrow as we litigate with Cincinnati Bell over control of the right of way. We expect to prevail in this court case and receive this money back in the General Fund, though the 2018 Budget and CIP does not rely on this happening.

#### *Personnel Costs*

All employees other than the Village Manager are scheduled to receive a 2.50% pay raise in 2018, the approximate rate of inflation. The pay adjustments are reflected in the 2018 line items throughout the appropriate departments and funds. All 2018 position salaries are summarized in the appendix of this draft Budget and CIP. With Council providing more substantial pay raises in recent years, staff believes employee rates of pay have caught up to the cost of living from years when the Village of Silverton was unable to provide wage increases following the 2008 recession. The Mayor and Village Council members will also receive a modest pay adjustment approved back in 2014, with that pay increase starting in December of 2017 and continuing until amended again by a future council. This is the first change in Mayor and Council compensation since 1983.

#### *Other Expenditure Trends*

Throughout the draft Budget, various adjustments have been made to reflect changes in costs and spending needs, though most operating expenses are held consistent year over year. Several line items have been increased (e.g. office supplies in the General Fund) because of the planned costs of needing to print new envelopes, letterhead, etc. to reflect our new address after the move to 6943 Montgomery Road in March.

As mentioned before, the Village will be paying for additional patrol hours in 2018 through our award-winning partnership with the office of Hamilton County Sheriff Jim Neil. Next year, the Village is projected to pay \$796,000 for 312 hours of patrol services each week. Together with the Sheriff's Office, we will be phasing in 12 more hours each year in 2019 and 2020. Also, the Village is increasing its expenditure starting on July 1<sup>st</sup> next year for trash and recycling. The Village has entered into a flat fixed rate for solid waste and recycling from services with Rumpke between July 1 of 2018 and June 30 of 2023. The Village will be phasing out the subsidy over the next three fiscal years until the residents and businesses pay the full cost of sanitation and recycling services in 2021 through 2023.

#### **Capital Improvement Plan**

Projects already underway in 2017 will be continued into the next fiscal year. This includes the \$1.3 million road improvement at Montgomery and Stewart, the reconstruction of Park Avenue, the construction of a pocket park along Stoll Lane, the renovation of a vacant building to serve as a new Town Hall, and streetscape improvements along two blocks of Montgomery Road.

Next year, Silverton will start other projects that continue four years of major reinvestment into our infrastructure. Preliminary scores from the Ohio Public Works Commission (OPWC) lead staff to believe that Silverton will receive 50% grant, 50% loan (0%) for both Elwynne and Kenton Avenue next year. It seems likely funding for Elwynne will be obtained early in 2018 but funding for Kenton will not be known until May when we learn about the statewide OPWC Small Government Program. Accordingly, the draft 2018 Budget provides resources for designing both projects in the OPWC Fund.

Litigation expenses require that we forego continuing the residential sidewalk program in 2018. This is unfortunate as the new program was very successful and we learned some ways to make it better with our first pass in 2017 along West Fordham, North Fordham, Elm, and South Avenue. Having said that, sidewalk work will be done along Montgomery Road, and along sections of Park Avenue and Kenton too. If Village Council wishes to add this sidewalk program back into the 2018 Budget, we must either cut other expenses or be comfortable with lower fund balances in the General Fund. Either is a valid policy option should Council wish to advance our sidewalk program again in 2018.

The 2018 Budget provides for the construction of a new salt storage barn to replace the one we currently have because it is structurally unstable. The cost to remove the old barn and stabilize the hill are not included in this cost figure, however.

Finally, the Park Improvement Fund has \$165,000 in it for new construction at the Stoll Lane Pocket Park, two to four public art installations, and continuation of our popular tree giveaway program and rekindled summer concert series.

**Key Budget Dates in 2017 and 2018**

An annual budget is the operational plan for the coming twelve months. As with any plan, changes along the way will prove necessary as funding materializes (or does not), and new opportunities are presented. The 2018 Budget provides flexibility for the Village to respond to grants, leverage outside funding opportunities, and scale capital projects up or down as needed.

Here are some key dates to keep in mind, and what the implications are for our operating and financial plans:

| <b>Date</b>       | <b>Event</b>  | <b>Implication</b>  |
|-------------------|---|---|
| December 1, 2017  | District 2 Integrating Committee Meeting                      | Silverton will find out if Elwynne Drive is completely funded (or substantially funded) from our District 2 Ohio Public Works Commission committee.   |
| December 7, 2017  | Budget Work Session   | Council will review the proposed financial plan for 2018 between 5:30 and 7 p.m.  |
| December 14, 2017 | Appropriation Ordinances                                      | Council will consider final amendments to 2017 appropriations and set the 2018 Budget and CIP through a 2018 appropriations ordinance.  |
| January, 2018     | Hamilton County CDBG Funding Announcement                     | Silverton will learn about our 2018-2020 CDBG applications. Silverton has applied for \$25,000 in 2018 for public art, \$100,000 in 2019 for Lillian Avenue, and \$50,000 in 2020 for streetscape improvements along the 7200 block of Montgomery Road.       |
| March 2, 2018     | Projected Completion Date, Renovation of 6943 Montgomery Road | The Village will commence relocating our offices upon completion of the renovation at 6943 Montgomery Road. Once asbestos is abated in 6860 Plainfield, the Village will turn possession of the Memorial Municipal Building to the Silverton Brewing Company. |
| March 31,         | Expiration of Hamilton  | The three-year contract with Hamilton County for law enforcement will end March   |

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|--------------|---|---|
| 2018         | County Sheriff Contract                   | 31, 2018. The new contract has been negotiated and will phase in service enhancements over the next three years.  |
| April, 2018  | State Capital Budget Awards Announced     | The Village will learn if its application for \$100,000 of state assistance for a Vietnam Memorial and Gateway public art display are funded through the State Capital Budget process. This project is not included in the draft 2018 Budget, but can be added if funded. The Village does have funding to pay for design costs should this be awarded. |
| May, 2018    | OPWC Small Community Funding Announcement | Silverton is not expecting to receive OPWC funding for Kenton Avenue's reconstruction from our local integrating committee, yet we expect to compete very well statewide. This is how South Avenue, Sibley Avenue, and Park Avenue were funded in the last several years.   |
| July 1, 2018 | Commencement of new Rumpke Contract       | This is the date the Village will commence its new, five-year contract including fortnightly recycling services. For the second half of 2018, Silverton will subsidize the costs, and this will continue until the full cost is shouldered by residents starting July 1, 2020.  |
| July 1, 2017 | Start of Ohio fiscal year                 | This is the earliest date we may execute a contract for OPWC projects such as Elwynne Drive and Kenton Avenue. Funds are included for the design of these projects in 2018.   |

There are other important dates and milestones next year, but the above dates have the most impact to our budget.

**Acknowledgements**

At times, the pace of Village activities exceeded our organizational capacity in 2017. Ground has been broken on the Ag 47 redevelopment project in June. A plan is being implemented to relocate municipal facilities to the west. We are increasing solid waste and law enforcement service levels next year. Road reconstruction occurred on eight streets throughout Silverton in 2017. Sidewalks were repaired on four streets through a new residential sidewalk replacement program. Silverton has been engaged in five separate pending or actual legal actions to reshape our community's landscape. We are about to start construction of a new pocket park. Residents are very engaged in planning for public art, and our

cultural events have been rekindled and expanded. Silverton is being proactive to bend the historical trajectory of our community. We are being deliberate to make this the community's inherent potential as a safe, neighborly, convenient, inclusive, and progressive community come to fruition.

Silverton's elected leaders reflect the best characteristic of the Silverton community: faith, tolerance, patience, courage, kindness, and vision. Council has set clear goals, made bold plans, and when necessary, fights for what is right.

And Council is served by a great team of truly dedicated public servants. Silverton added an additional maintenance worker to our staff in 2017 so that our public works team can have the resources to be more proactive about infrastructure maintenance. The public works team is capably led by Rick

Lehmkuhl who knows every square inch of this community's infrastructure after almost 35 years of maintaining it. Rick has been a role model and mentor for me over the last four years, and I am grateful to him for all he has taught me. Meredith George and Alycia Boggs assist residents with taxes and court proceedings, doing so with great care and fairness. Together they make this organization run, and Alycia's efforts are a big part of our pleasant growth in income tax receipts in 2016. Jim Replogle has made great strides working with property owners to ensure that all in our community meet our property maintenance standards. Every one of our employees has both hands on an oar and is pulling very hard to propel Silverton forward.

This fall, we had a key transition in the Finance Director position as Patricia Wirthlin accepted full-time employment with the City of Milford. We were sorry to see Pat go, but happy that she has the opportunity to advance her career. It is one of my organizational objectives to have such great employees that other organizations seek them out and hire them away from us occasionally.

Fortunately, we hired a very capable replacement in Denise Stemen. Denise started her new position with us just as the budget season was getting underway. She worked long hours to help prepare this budget and simplify our financial presentation. Denise is a former CPA who worked with the Auditor of State for many years, and she is already finding ways to make our reporting better. This draft 2018 Budget and CIP could not have been produced without Denise's great attention to detail, ability to quickly learn complex funding solutions for diverse projects, and ensure that all the funding is in the correct fund to match its purpose. I have never been

more grateful to a Finance Director for their assistance than I am to her today.

As has been articulated many times before, our excellent working relationship with the Hamilton County Sheriff's Office is key to not only our community's safety, but to Silverton's structurally balanced budget. It is hard for me to believe that we start our second multi-year contract in April. They have achieved what Sheriff Neil promised they would: they are our home town policing agency. The women and men who serve here are true professionals, and we have come to be part of one team even though our uniforms indicate we work for different agencies.

Silverton is able to box well above our weight class because of the capable assistance we receive from firms such as the Kleingers Group and Dinsmore and Shohl. Tim Casto, Jay Stewart, Lynne Nischwitz, Ryan Young, and their colleagues at the Kleingers group show vision and passion for our small community. They are quite literally helping to rebuild Silverton. Bryan Pacheco, Mark Arnzen, Kelly Pitcher, Jessica Worth, Brad Ruwe, and Richard Tranter have all helped the Village with key legal advice and advocacy. Mr. Pacheco takes his role of being our Village Solicitor very seriously, and is as responsive to us as he would be to a Fortune 500 company served by his firm.

In the year we are completing, the Village has engaged no fewer than six Silverton small business owners to assist us with our goals and objectives. This includes continuing our contract for property maintenance mowing with Gardens Plus and engaging Silverton photographer Tom Kinsel. We now have a great inventory of professional photographs, and even made the cover of the Ohio Municipal League's magazine earlier in

2017. Additionally, Selena Burke provided great film work for the #OhMySilverton project which will be presented on December 14<sup>th</sup>. And Ben and Allyson Wichner are driving our social media campaign to a whole new level.

We also used design services from Silverton architect Mark Dierkers and interior design help from Linda Glaser of Intra Design on Montgomery Road. They both have taken great personal pride in the design work they have provided us. Our small community has a diverse and highly talented collection of creative and hardworking individuals who multiply our capabilities considerably. Silverton is blessed.

It is and continues to be my greatest professional honor to serve Mayor Smith, Village Council, and the Silverton community. My hope for our future grows with each passing year, and I am well pleased to call greater Silverton my home. Thank you for allowing me to serve here.

I look forward to discussing next year's operating and capital plans on December 7 and in the remaining weeks of 2017.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Tom M. Connell". The signature is written in a cursive style with a large initial "T" and "C".