

June 3, 2024

FOR YOUR INFORMATION

To: Mayor and Members of City Council

From: Sheryl M. M. Long, City Manager

Subject: Recommended FY 2025 Budget Update – Q&A #2

This memo includes responses to questions that the Office of Budget and Evaluation has received regarding the Recommended FY 2025 Budget Update. The content is for your information. Follow-up questions can be directed to Andrew Dudas, Budget Director, at extension 1562 or Andrew.Dudas@cincinnati-oh.gov.

1. Please explain the Fleet Replacement Project resources included in the City Manager’s Recommended FY 2025 Budget Update.

The Fleet Replacements capital project in the Department of Public Services (DPS) supports the replacement of automotive and motorized equipment for City agencies supported by the General Fund. Many of the vehicles are out of lifecycle in General Fund agencies because they have exceeded the established standards for maximum mileage, age, or maintenance costs. The maintenance costs for repairing this equipment have increased dramatically, hampering operating funds and limiting a department's ability to perform its core functions. Recommended funding for fleet replacement in the FY 2025 Budget Update totals \$13.1 million. For comparison purposes, the City only allocated \$8.73 million to fleet replacement in FY 2024, so this year’s recommended allocation represents a \$4.37 million or 50% increase. These resources will be used to make strides toward replacing the fleet on life cycle for various vehicle and equipment classifications after years of underfunded fleet replacement.

The base Capital Budget includes \$11.1 million to fund the Fleet Replacements project. Additional General Fund resources of \$2.0 million are also available in the “Fleet Replacements – GF” project account, to supplement the \$11.1 million. The additional \$2.0 million increases each department allocation, resulting in the ability to replace more vehicles in FY 2025. Public safety vehicles make up the largest portion of the annual replacement, so the amount available for public safety vehicles will increase as a result of the additional funding. Even with the additional funding,

the City will continue to contend with long wait times for certain vehicles based on manufacturing timelines.

As part of the performance management program that will support a performance-based budgeting approach, a new fleet telematics system has been implemented. To better understand the performance data that will be generated from the City's fleet, the Recommended Budget includes funding for a Management Analyst in the Office of Performance and Data Analytics (OPDA) to support Fleet Services. The Management Analyst will develop utilization reports to gain a better understanding of how the fleet is utilized. This reporting will include insights into miles driven, energy consumption, and repair history for each vehicle. Through OPDA's performance management process, this new position will maximize the data to make more informed resource allocation decisions on the City's fleet. Until this additional staffing capacity and resulting analysis is completed, the Administration does not recommend significantly increasing fleet capital resources in FY 2025 beyond the already allocated \$13.1 million.

2. What is the purpose of Bond Retirement Fund 151?

The purpose of Bond Retirement Fund 151 is to collect revenue received under the property tax debt millage and to pay debt service as stated in Ohio Revised Code (ORC) Chapter 131. These dollars are only permitted to pay debt service and the costs associated with the issuance of debt. The balance in the Bond Retirement Fund fluctuates throughout the year as debt service is paid only twice a year. City Council sets debt service millage each year as part of the Tentative Tax Budget (TTB) at an amount necessary to meet the ongoing debt service obligations of the City's debt portfolio.

The Finance Department works closely with the City's Financial Advisor to perform long-term planning for the City's capital needs and overall outstanding debt levels. The decision on whether to assume new debt is based on the City's ability to afford new debt, which is determined by an objective analytical approach considering, among other conditions, an analysis of:

- Existing debt obligations;
- The entirety of the City's annual finances related to ongoing capital and operational needs;
- The City's Capital Improvement Plan in the most recent biennial budget and five year planning horizon;
- The metrics generated by the City's Debt Management Policies;
- Comparative debt ratios and "Best Practices" of similar highly rated "AA to AAA" local government credits and/or other highly rated Ohio local government credits, as appropriate;

- Rating agency criteria as published by S&P Global, Moody's and/or Fitch as applicable; and
- Analysis of current and future local economic conditions.

All City debt obligations, including but not limited to, bonds, notes, loans, and leases, must comply with the City's attached Debt Policy (Administrative Regulation No. 66). This policy was put in place to protect the City's credit rating. For General Obligation Debt of the City, the par amount of outstanding and planned debt cannot exceed statutory debt limitations as set forth by state law at the time of the issuance, including a deduction for emergency needs and judgments.

cc: William "Billy" Weber, Assistant City Manager
Natasha S. Hampton, Assistant City Manager
Virginia Tallent, Assistant City Manager
Andrew Dudas, Budget Director