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HUDSON

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To: City Council and Mayor

From: Jane Howington, City Manager
Frank Comeriato, Assistant City Manager
Jeff Knoblauch, Finance Director

Date: November 9, 2015

Subject: 2016 Operating Budget - Memo

Attached to this memo is a comparison of the 2015 and 2016 budgeted operating expenses for all funds. We compared personnel costs, which includes salaries & wages, pension, health insurance, workers comp, etc. as well as Other Operating expenses which includes professional development, contractual services and materials and supplies.

The top of the summary shows the grand total operating expenses for all funds. We then list the General Fund, Special Revenue Funds, Enterprise Funds and Internal Service Funds that make up the total. Within each of these groups, we listed out the comparison by department to show the increase or decrease over the prior year. If there was a significant year over year change, we included a notation in the Comment column to explain the reason for the fluctuation.

Grand Total All Funds:

There is a \$627,200 or 3.55% increase in total personnel costs and a \$2,238,408 or 8.16% decrease in Other Operating costs for a **net decrease of \$1,611,208 or 3.57% in total operating costs.**

The most significant cause of the decrease is the elimination of the operating costs of the Sewer operations due to the takeover by Summit County Department of Environmental Services (DOES). There was also savings achieved through the re-organization of Public Works personnel, amendment to cell phone contracts and elimination of underutilized software programs as previously discussed.

There are various cost assumptions included in all personnel operating budgets, as follows:

1. Health insurance increase of 4%
2. Employee contribution toward health insurance increased from 13% to 15%
3. The cost of living adjustment (COLA) is 1% for all employees
4. There are step increases of approximately 2% for all employees that are not at the top of the pay range
5. The number of full-time employees was 149 for 2015 and 151 for 2016. The increase is the additional Broadband and Communications employees. The Broadband employee is expected to be self-supporting and the Communications employee replaced the contractual employee.

Other significant changes and initiatives impacting the operations for 2016 include:

1. Changes to the fleet replacement program. There will be an increase in capital replacement costs however the repair costs will be reduced.
2. Relocation from Owen Brown facility. The cost of the move to the Ramco property is included in the operating costs. There will also be improvement costs associated with the relocation to the Ramco site.
3. Phase 2 of First & Main. Various costs associated with the 2nd phase are being formulated.
4. We are initiating a lean program that will first look at the utility billing and Community Development departments.
5. We will increase the use of technology to improve transparency and make additional information available to the public.
6. Personnel changes include shared services within the water and sewer operations as well as retirements
7. We have initiated performance measurements within each department to determine efficiency and effectiveness of our operations.
8. Hudson Cable TV moving toward high definition (HD) and streaming
9. New collection company for EMS ambulance billing
10. Continuation of the Broadband expansion
11. Computer replacement program by entire department to achieve standardization and improve efficiencies.
12. Engineering Department will start plan reviews for Community Development Department to improve workflow as well as recover personnel costs through developer chargeback. Engineering will also continue inspection program for developments and recovery of personnel costs through chargeback.
13. Chargeback developers for installation of electric service estimated at approximately \$300,000 for 2016.
14. Implement road salt reduction pilot program to reduce cost and environmental impact.