



City of Cincinnati

Agenda - Final-revised

Budget and Finance Committee

*Chairperson Reggie Harris
Vice Chair Jeff Cramerding
Councilmember Mark Jeffreys
Councilmember Scotty Johnson
Vice Mayor Jan-Michele Kearney
Councilmember Liz Keating
Councilmember Meeka Owens
Councilmember Seth Walsh
President Pro Tem Victoria Parks*

Tuesday, October 3, 2023

2:30 PM

Council Chambers, Room 300

SPECIAL MEETING

PRESENTATIONS

Cincy on Track: A Spending Plan for the Proceeds of the Proposed Sale of the Cincinnati Southern Railway

Sheryl M.M. Long, City Manager

William "Billy" Weber, Assistant City Manager

AGENDA

REPORT

1. [202302088](#) REPORT, dated 10/3/2023, submitted Sheryl M. M. Long, City Manager, regarding Cincy on Track: A Spending Plan for the Proceeds of the Proposed Sale of the Cincinnati Southern Railway.

Sponsors: City Manager

Attachments: [Report](#)

PRESENTATION

2. [202302112](#) PRESENTATION submitted by Sheryl M. M. Long, City Manager, dated 10/3/2023, regarding Cincy On Track Addressing Critical Infrastructure.

Sponsors: City Manager

Attachments: [Transmittal](#)
[Presentation](#)

ADJOURNMENT

October 3, 2023

To: Hon. Mayor and Members of City Council

202302088

From: Sheryl M. M. Long, City Manager

Subject: Cincy on Track: A Spending Plan for the Proceeds of the Proposed Sale of the Cincinnati Southern Railway

REFERENCE DOCUMENT # 202301876

The City Council, at its session on September 7, 2023, referred the following motion for review and report.

MOTION, submitted by Councilmembers Cramerding and Harris, WE MOVE that the administration prepare a report within the next thirty (30) days on the financial implications of the sale of the Cincinnati Southern Railway to Norfolk Southern, pending approval from Cincinnati voters. The report should address the possible spending opportunities for these funds, including the extent to which these funds can be used to remedy the City's outstanding \$500 million of critical failing infrastructure, the City's operating budget, and the City's pension liability. It should consider these challenges to our city budget as well as others that impede attaining a structurally balanced budget. It should also address how the spending of these funds is restricted and what they cannot be used for.

I. Overview of Proposed Sale

On November 7, 2023, at the General Election, the electors of Cincinnati will decide whether or not to approve the sale of the Cincinnati Southern Railway (CSR) to Norfolk Southern for approximately \$1.6 billion. If approved, the sale proceeds will be placed in an infrastructure trust that is projected to at least double the annual amount currently received by the City under the existing CSR lease—from the current \$26.5 million to a projected \$56 million. The trust structure is intended to generate investment returns and protect the trust fund balance in perpetuity, providing the City with desperately needed funding to address capital maintenance of core deteriorating infrastructure now and for generations to come.

In response to the motion, this is a report on the financial implications of the sale on the City's budget, including a proposed ten-year capital spending plan on eligible existing infrastructure projects and an explanation of other possible financial implications for the City's budget. The proposed capital spending plan is largely based on the "Top Ten Critical Infrastructure Needs" provided by departments in a report to Council dated March 15, 2023 (Reference Document # 202300833). Also attached is a map to visually represent the plan's proposed investments in neighborhoods across the City.

Eligibility of Use of Funds

Under state law the funds received by the City from proposed trust can only be used “on the rehabilitation, modernization, or replacement of existing infrastructure improvements.”¹ This conforms with how CSR lease proceeds are presently utilized by the City.

Existing infrastructure means public facilities owned by the City—such as streets, bridges, municipal buildings, police and fire stations, parks, recreation facilities, and health facilities.

The funds cannot be used to pay debt or on new infrastructure. Additionally, the funds cannot be used to pay operating expenses of the City.

Trust Governance

If the sale is approved, under state law² the proceeds of the sale will be placed in a trust fund, to be invested by a board of trustees for the benefit of the City of Cincinnati. Trustees will be appointed by the Mayor with the approval of City Council.

The trustees will be bound by a fiduciary duty to invest the proceeds of the sale to generate investment returns and preserve the trust balance in perpetuity for the benefit of the City. As further described below, the trustees will annually pay to the City an amount for funding capital projects for existing infrastructure.

In order to fulfill the trustee's duties and responsibilities in administering the trust, they must retain at least one independent financial advisor to assist in investing the trust funds and they may retain managers, administrative staff, agents, attorneys, advisors, and employees as appropriate and reasonable to carry out their duties.

Annual Payments

The trust structure is intended to produce investment returns to fund annual payments to the City, which are projected to more than double the \$26.5 million that the City is receiving now and preserve and grow the original \$1.6 billion in sale proceeds.

State law establishes a structure for determining the annual payment amount that protects the City's interest in receiving a large annual payment but also aims to maintain a trust balance large enough to ensure payments to the City in perpetuity. First, discretion is granted to the trustees to tailor the amount of the annual payment to the City to reflect investment returns in a given year, so in good investment years they can pay more while in bad investment years they can pay less and protect the trust balance. However, this discretion is limited by a required minimum payment of \$26.5 million per year, regardless of investment returns, so the City would not receive less than it is currently. Finally, if in the unlikely case that the trust balance dips below 75% of the balance from the previous year, then a moratorium on payments to the City is required until the balance of the trust recovers to the level of the previous year before that loss.

As an example, if the trust earned a 5.5% annual return (a conservative estimate at this time) on the \$1.6 billion balance, \$88 million in investment earnings would be generated. If the trustees reinvest 2% (\$32 million) of the earnings back in the trust to ensure its continued

¹ Ohio Revised Code 746.06(B).

² Chapter 746 of the Ohio Revised Code establishes the parameters of the proposed sale.

growth, the City would still receive 3.5% (\$56 million) that year for improvements to existing City infrastructure.

II. Capital Maintenance Needs and Existing Capital Resources

Capital Maintenance Needs

The City of Cincinnati owns and operates a variety of capital assets, including parks, recreation centers, police and fire stations, health centers, streets, bridges, and sidewalks—all of which are integral to the City’s social, economic, and environmental health, impacting the quality of life of every resident. However, due to a lack of sufficient capital resources, the City has been forced to defer much needed maintenance of this critical infrastructure. In a recent assessment, the City Administration determined that the City has nearly \$500 million in deferred capital maintenance for its existing infrastructure.

The lack of investment is evident throughout our City and is clear to residents. In a 2021 survey of Cincinnati residents, the maintenance of city streets, sidewalks, and infrastructure was identified as the greatest need by 72.1% of respondents, followed by police services (50.1%), and neighborhood services (43.7%).

Based on recommendations from the Smale Commission, the City Council set a goal for the City to repave 100 lane miles per year in order to keep up with the now 2,900 miles of streets maintained by the City. However, in the last decade this lane mile goal has been consistently missed due to a lack of available resources and increasing costs for repaving.

Investing in our capital infrastructure is one of the greatest needs for the City.

Existing Capital Resources and Uses

The City’s Capital Improvement Program (CIP) and Budget for FY 2024 was approved by the City Council in June 2023. The CIP includes a six-year plan for capital spending through FY 2029.

The City’s General Capital Budget varies from year to year but is typically about \$60 million per year and is primarily funded from income tax capital revenue, property tax supported debt revenue, and the lease proceeds from the CSR. The Approved FY 2024 General Capital Budget totals \$76.4 million, while in FY 2025 it totals \$63.8 million. As described above, these available resources have proved inadequate, even with the majority committed to existing infrastructure.

The annual Restricted Fund Capital Budget ranges greatly and is driven by the capital spending of Greater Cincinnati Water Works and the Metropolitan Sewer District, which is funded by the user fees of those utilities. The Approved FY 2024 Restricted Fund Capital Budget totals \$196 million, while in FY 2025 it totals \$364 million.

In addition to City resources, the Approved FY 2024 – 2025 Biennial Capital Budget includes a collective \$198 million in external grants for Roads and Bridges, driven by grants related to the replacement of the Western Hills Viaduct.

Any funds received from the sale of the CSR will serve as a supplement to the current CIP.

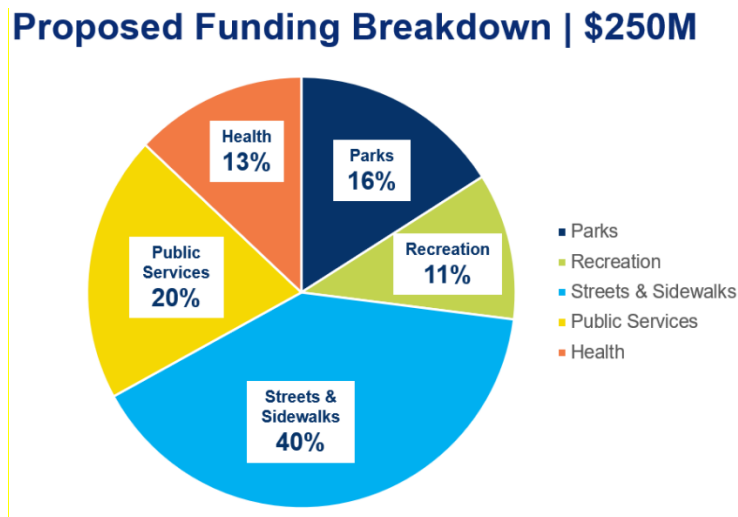
III. Cincy On Track—A 10-Year \$250 Million Spending Plan

The “Cincy on Track” plan seeks to address the City’s old, outdated, and dilapidated facilities and infrastructure that have been chronically underinvested in. The plan takes an inclusionary and intentional approach to addressing systemic issues to ensure that residents and businesses in the City have an opportunity to grow both economically and socially within the community they call home. It is important to note that certain facilities proposed in the plan offer support to neighborhoods across the City and provide essential services to disadvantaged populations. Over the proposed ten-year plan, the intent is to prioritize significant investment in Recreation Centers, Health Centers, and Parks, which play a vital role in improving the quality of life and livability of underserved neighborhoods.

The City Administration conservatively projects that the sale of the CSR will generate at minimum \$250 million in additional capital resources over ten years.³ The Administration proposes to deploy the funds among the following five major program categories:

- **Parks** - \$40.7 million
- **Recreation** - \$27.6 million
- **Streets & Sidewalks (Transportation Infrastructure)** - \$101 million
- **Public Services (including Police and Fire)** - \$49.6 million
- **Health** - \$31.1 million

A detailed list of projects and a map of project locations are attached to this report.



Project Guiding Principles

An integral part of the “Cincy on Track” plan is leveraging existing infrastructure investments to improve the livability of our City. At the core of the project selection process was a continual balancing of the following factors: infrastructure condition, equity, cost effectiveness, and project readiness. Project selections will be reevaluated on an annual basis.

³ For clarity, the \$250 million described would be funding not otherwise available based on current capital resources and does not include the existing baseline capital resources.

Within these factors, the City considered the following when proposing certain infrastructure investments:

- ❖ **Infrastructure Condition:** Repair or replace existing infrastructure that is at or beyond its useful service life.
- ❖ **Equity:** Distribute investments across all demographics with particular focus on underserved people and communities.
- ❖ **Cost Effectiveness:** Spend less without sacrificing the impact that quality infrastructure brings to communities.
- ❖ **Project Readiness:** Ability to repair, replace, or improve assets on schedule without disruptive delays.

Prioritization of Projects: Equity Analysis and Rapid Deployment

In determining the timing and prioritization of projects, the Administration will be conducting an equity analysis and focusing on projects that can be accomplished quickly.

The Administration will prioritize projects to drive increased equity in our City by analyzing the demographics of the beneficiaries most directly affected by each proposed project and identifying those projects that can deliver the most benefit to historically underserved minority and low-income communities. The intent is that this methodology for decision making will create and institutionalize a new approach that will drive consistently equitable infrastructure funding and improve service delivery to our communities in the greatest need moving forward. For example, this analysis would take into account the demographics of the client base of a health center in determining prioritization amongst other projects.

Many of the major infrastructure investments anticipated to be covered by these additional resources could take several years to plan, design, and construct. Therefore, in the first year of this new resource, projects that can be completed on a shorter timeline, approximately one year from being funded, will be prioritized.

Economic Inclusion: Small Business and MBE/WBE Support

The Department of Economic Inclusion runs the City's small business enterprise, local business enterprise, and minority and women business enterprise programs. The "Cincy on Track" plan will generate significantly more capital spending to support these important programs. Based on established goals for the programs and assuming primarily construction spending, the "Cincy on Track" plan could generate the following additional funding for the support of minority-owned, women-owned, and small businesses:

- **Women Business Enterprise (8%):** \$20,000,000
- **Minority Business Enterprise (12%):** \$30,000,000
- **Small Business Enterprise (30%):** \$75,000,000

IV. Other Financial Impacts – Capital and Operating

Though the uses of the CSR sale proceeds are restricted to capital expenses for existing infrastructure, the material increase in capital resources from the proposed sale will have other implications for the City's capital and operating budget.

Community and Economic Development

One impact of the influx of additional capital resources for existing infrastructure from the CSR sale is that there will be some additional flexibility with other capital sources currently fully committed to existing infrastructure projects.

If the CSR sale is approved, the Administration will propose that at minimum \$3 million from other capital resources are committed annually to community and economic development projects aimed at revitalizing our community and stimulating economic growth. In the event that the annual payments to the City exceed the additional \$25 million per year estimate included in this report, this amount could be revisited.

For context, the FY24 General Capital Budget allocated \$5.8 million to community and economic development. Therefore, this investment would be a material increase and has the potential to improve the quality of life in our neighborhoods and create economic opportunities for our residents and address inequities in our City. It can also increase the health of our tax base—further improving the City’s fiscal status.

City Council ultimately will determine the amount and use of these funds in future capital budgets; however, uses could include the acquisition, renovation, and creation of residential and commercial properties to support affordable and market-rate housing and homeownership initiatives, strategic commercial/industrial property acquisition, and neighborhood business district redevelopment.

Operating Budget Impacts

Though the CSR sale proceeds cannot be utilized for operating expenses, increased capital spending from the CSR sale proceeds are expected to reduce deferred capital maintenance needs and in turn generate operating budget savings over time.

The amount of savings captured cannot be quantified at this time as the savings are dependent on the completion of capital projects that are yet to be determined and will occur gradually over time. Reducing routine annual operating budget maintenance costs, improved energy efficiency, and increased existing City staff time devoted to managing capital projects (which can be reimbursed from the capital budget) could all contribute toward operating budget savings.

The utilization of the anticipated savings will ultimately be determined by City Council in the approval of future operating budgets. Operating budget savings can be used to help offset future operating budget deficits or provide resources for other initiatives such as increased employer pension contributions to the Cincinnati Retirement System (CRS).

cc: Virginia Tallent, Assistant City Manager
William “Billy” Weber, Assistant City Manager

Attachments:

Summary of “Cincy on Track” Plan
Proposed Projects Distribution Map

CINCY ON TRACK

Critical Infrastructure Plan

city of
CINCINNATI

At the general election on November 7, 2023, Cincinnati voters will decide whether to approve the sale of the Cincinnati Southern Railway system (CSR) for approximately \$1.6 billion. If the sale is approved, the City's capacity to fund critical infrastructure maintenance would potentially double compared to current lease proceeds from the railroad.

Currently, the leasing of the City-owned railroad generates about \$25 million per year. Estimates show that selling the railroad for approximately \$1.6 billion, investing the proceeds, and drawing on annual interest could generate \$40–50 million per year. Because the sale proceeds will be placed in a trust, the City government will only be able to spend money generated by investment interest, not deplete the principal amount; additionally, legislation mandates that the money can only be spent on existing infrastructure.

A recent assessment found that the unmet need for existing infrastructure improvements will cost an estimated \$500 million.

What is a Ballot Referendum?

A ballot referendum is a direct vote on a proposal, law, constitutional amendment, or political issue. Ballot referendums put issues directly in front of voters to vote Yes or No, in contrast to lawmaking done by elected politicians.

Equity for All

The Administration will prioritize projects to drive increased equity in our City by analyzing the demographics of the beneficiaries most directly affected by each proposed project and identifying those projects that can deliver the most benefit to historically underserved minority and low-income communities. The intent is that this methodology for decision making will create and institutionalize a new approach that will drive consistently equitable infrastructure funding and improve service delivery to our communities in the greatest need moving forward.

Infrastructure Program Categories FY 2026 – 2035



STREETS &
SIDEWALKS



PARKS



RECREATION



HEALTH



PUBLIC
SERVICES

TOTAL OF APPROX.

\$250
MILLION
over ten years

How will this impact me?

If the sale of the railroad is approved, earnings from the trust fund will be used to fix, maintain, and improve existing infrastructure that provides long-term value to all Cincinnatians. These deferred maintenance projects include roads, sidewalks, park and recreation facilities, fire stations, health centers, and more. The sale of the railroad would inject significant funds—tens of millions of dollars per year—into maintaining this critical infrastructure.

TOTAL OF APPROX.

\$250
MILLION
over ten years

=

**SUBSTANTIAL IMPROVEMENTS TO
EXISTING CRITICAL INFRASTRUCTURE**

Frequently Asked Questions

1 How much money does the City of Cincinnati currently make by leasing the railroad?

The City receives more than \$23 million annually in lease payments and approximately \$2 million annually in tax credit payments resulting from the ownership of the railroad and the rail operator's improvements of the line.

Since 1987 (the beginning of the current lease period), the City has received a cumulative \$609,255,342.

2 How much money will the City make if the railroad is sold?

After arduous negotiations and with the support of independent experts, the railroad Board of Trustees agreed to sell the railroad for \$1.6 billion, plus an additional \$25 million in transaction fees, pending voter approval. Estimates suggest that the City could receive \$40–50 million annually from interest earned on the sale proceeds once they're invested in a trust.

3 What will the City spend the \$1.6 billion on? Will it really be enough to pay for all these projects?

Revenue to the City of Cincinnati from CSR can only be used for existing infrastructure improvements. Under state law, the funds received by the City from proposed trust can only be used "on the rehabilitation, modernization, or replacement of existing infrastructure improvements." Existing infrastructure means public facilities owned by the City—such as streets, bridges, municipal buildings, police and fire stations, parks, recreation facilities, and health facilities.

The \$1.6 billion will not be spent all at once; rather, it will be placed in a trust fund that generates annual interest. This interest—estimated to be \$40–50 million per year—will be spent on existing infrastructure, and could be a nest egg for the City for generations.

4 How long will it take to accomplish all of the proposed projects outlined?

The proposed critical infrastructure projects outlined here will be completed over the course of approximately ten years. During and beyond those ten years, the Cincy on Track plan allows the City of Cincinnati to maintain long-term fiscal health and will lend stability to capital investment planning.



**STREETS &
SIDEWALKS
\$101M**

The \$101 million in Transportation and Engineering improvements are proposed to provide funding for:

- Mill Creek Road (Central Incinerator) Bridge Rehabilitation
- Street rehabilitation
- Converting electric lights to LED
- Improving traffic signals citywide
- Traffic calming: asphalt speed hump reconstruction citywide
- Streetlight replacement in Central Business District
- Replacing pavers in the crosswalks and sidewalks in Central Business District



**PARKS
\$40.7M**

The \$40.7 million in parks improvements are proposed to provide funding for:

- Major improvements at multiple parks, including lighting, help box, safety improvements, and cameras
- Mt. Echo Park: pavilion restoration and maintenance garage improvements
- Smale Riverfront: river edge stabilization
- French Park: French House grounds improvements, culvert and turf replacement
- Fairview Park: overlook stabilization
- Ault Park: cascade and pavilion renovation



**RECREATION
\$27.6M**

The \$27.6 million in recreation improvements are proposed to provide funding for:

- Major improvements to two recreation facilities: Dunham and Pleasant Ridge
- Riverside Sports Complex boat dock facilities rehabilitation
- Improvements to three aquatic facilities: Leblond, Winton Hills, and Mt. Adams
- Improving outdoor courts, playgrounds, and lighting at multiple ball fields



**HEALTH
\$31.1M**

The \$31.1 million in health center improvements are proposed to provide funding for:

- Replacing the Bobbie Sterne Health Center
- Replacing the CHD Administration Building
- Replacing the Northside Health Center
- Price Hill Health Center interior remodel
- Parking lot improvements and generators at multiple centers



**PUBLIC
SERVICES
\$49.6M**

The \$49.6 million in public services improvements are proposed to provide funding for:

- Major improvements to fire stations
- Cormany Garage renovation
- College Hill Town Hall renovation
- 801 Linn Street Renovation (Police)
- West Fork Incinerator Demolition and Site Reuse Project

The proposed infrastructure projects will supplement the programs and projects that are already in the City's Capital Improvement Program (CIP)

Proposed Project Funding Breakdown



STREETS & SIDEWALKS | \$101M

PROJECT NAME	FUNDING AMOUNT	NEIGHBORHOOD
Street Rehabilitation	\$48,250,000	City-wide
Asphalt Speed Hump Reconstruction	\$2,500,000	City-wide
Convert Electric Lights to LED Lighting Replacement	\$13,500,000	City-wide
Columbia Parkway Landslide Remediation	\$1,500,000	Central Business District Columbia Tusculum
Mill Creek Road (Central Incinerator) Bridge Rehab	\$500,000	Camp Washington, South Cumminsville, Millvale
Remove Downtown Lighting Circuits from Duke Manholes	\$8,500,000	Central Business District
Street Lighting Replacement	\$3,500,000	Central Business District
Traffic Signal Booms Replacement	\$13,250,000	Central Business District
Replace Pavers in Crosswalks & Sidewalks	\$4,000,000	Central Business District



PARKS | \$40.7M

PROJECT NAME	FUNDING AMOUNT	NEIGHBORHOOD
Restroom / Comfort Station Restoration	\$1,000,000	Citywide
Accelerated Playground Restoration	\$1,000,000	Citywide
Parkwide Lighting, Security, Help Box and Safety Improvements, Cameras	\$1,300,000	Citywide
Parks Operations Headquarters Improvements	\$1,650,000	Citywide
McEvoy Park Renovation	\$2,500,000	College Hill
Bellevue Pavilion Stabilization	\$6,000,000	CUF
Mt. Echo Park Improvements	\$2,150,000	East Price Hill
Smale Riverfront River's Edge Stabilization	\$17,000,000	Central Business District
Jackson Hill Park Renovation	\$725,000	Mt. Auburn
French House Grounds Improvements	\$575,000	Kennedy Heights & Pleasant Ridge
Fairview Park Overlook Stabilization	\$1,000,000	CUF

Proposed Project Funding Breakdown

RECREATION | \$27.6M

PROJECT NAME	FUNDING AMOUNT	NEIGHBORHOOD
Playground Equipment and Amenities at Ten Sites	\$1,800,000	Citywide
Renovate Athletic Fields (5)	\$1,315,000	Citywide
Lunken Tennis Courts (8)	\$1,100,000	Linwood
Dunham Recreation Center Renovation	\$10,000,000	West Price Hill, Westwood
Pleasant Ridge Recreation Center Renovation	\$4,820,000	Pleasant Ridge
Riverside Sports Complex Boat Dock Facilities Renovation	\$50,000	Sedamsville
Millvale Recreation Center Building Code Issue	\$100,000	Millvale
Leblond Aquatic Facility	\$1,650,000	East End
Winton Hills Aquatic Facility - Renovate Pool	\$4,350,000	Winton Hills
Mt. Adams Aquatic Facility -Renovation	\$2,490,000	Mt. Adams

HEALTH | \$31.1M

PROJECT NAME	FUNDING AMOUNT	NEIGHBORHOOD
Health Facility Parking Lot Improvements	\$1,000,000	Citywide
Health Facility Generators	\$350,000	Citywide
Outfit the Facility Maintenance Team	\$200,000	Citywide
Replace the Bobbie Sterne Health Center	\$10,000,000	Over-the-Rhine
Replace the CHD Administration Building	\$7,500,000	Corryville
Replace the Northside Health Center	\$5,000,000	Northside
Price Hill Health Center (PHHC) Interior Remodel	\$1,000,000	Price Hill
Price Hill Health Center (PHHC) Parking Lot Expansion	\$1,000,000	Price Hill
Price Hill Health Center (PHHC) Air Handler	\$120,000	Price Hill

City of Cincinnati Leadership

Aftab Pureval
Mayor

City Council

Jan-Michele Lemon
Kearney
Vice Mayor

Victoria Parks
President Pro-Tem

Jeff Cramerding

Reggie Harris

Mark Jeffreys

Scotty Johnson

Liz Keating

Meeka Owens

Seth Walsh

City Administration

Sheryl M.M. Long
City Manager

Virginia Tallent
Assistant City Manager

William "Billy" Weber
Assistant City Manager

Karen Alder
Director of Finance

Andrew Dudas
Director of Budget

Emily Woerner
City Solicitor

City of Cincinnati

801 Plum Street
Cincinnati, OH 45202

cincinnati-oh.gov

Proposed Project Funding Breakdown



PUBLIC SERVICES | \$49.6M

PROJECT NAME	FUNDING AMOUNT	NEIGHBORHOOD
Radcliff Emergency Operation Center HVAC & Roof Replacement	\$4,000,000	South Fairmont
City Hall HVAC & Cooling Tower Replacement	\$4,000,000	Central Business District
Cormany Garage Renovation	\$5,000,000	Camp Washington
College Hill Town Hall Renovation	\$5,000,000	College Hill
Fire Station 8 Replacement	\$7,200,000	Pleasant Ridge
Fire Station 2 Replacement	\$7,200,000	Carthage
Fire Station 49 Replacement	\$7,200,000	Madisonville
801 Linn Street Renovation (Police)	\$5,000,000	Queensgate
West Fork Incinerator Demolition and Site Reuse Project	\$5,000,000	South Cumminsville

Cincy on Track Projects Proposed Distribution

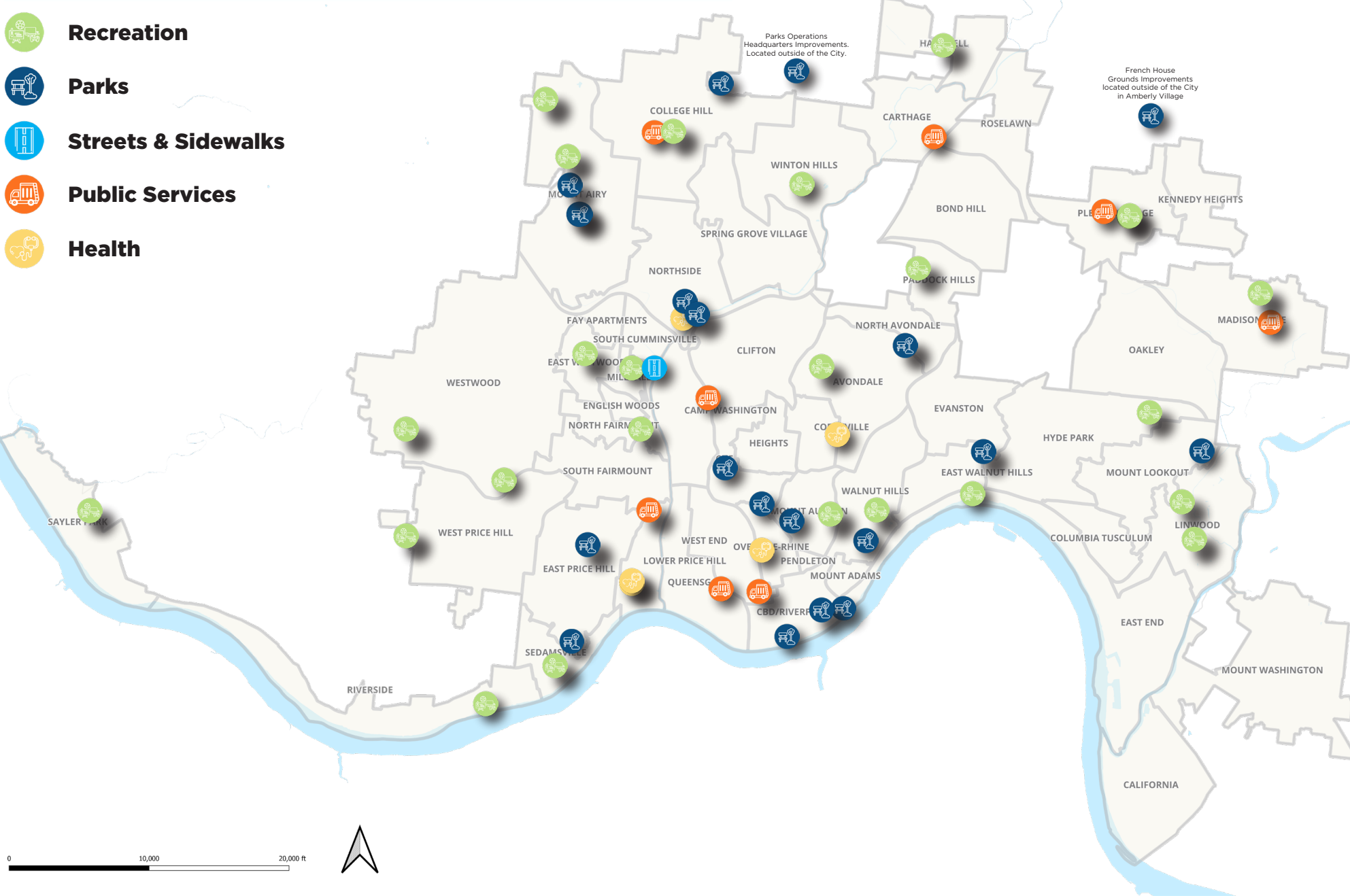
 **Recreation**

 **Parks**

 **Streets & Sidewalks**

 **Public Services**

 **Health**



List of Projects

- Citywide**
 - Parks Operations Headquarters Improvements (located outside of the City)
 - Parkwide Lighting, Security, Help Box and Safety Improvements, Cameras
 - Accelerated Playground Restoration
 - Citywide traffic signals
 - Convert all electric lights to LED
 - Health Facility Generators
 - Health Facility Parking Lot Improvements
 - Infrastructure Community Budget Requests (CBRs)
 - Minor Street Traffic Calming - Asphalt Speed Hump Reconstruction
 - Outfit the Facility Maintenance Team
 - Restroom / Comfort Station Restoration
 - Street Rehabilitation
- Avondale**
 - Replace Playground Equipment and Amenities
- Camp Washington**
 - Corrary Garage Renovation
 - Mill Creek Road (Central Incinerator) Bridge Rehabilitation
- Carthage**
 - Fire Station 2 Replacement
- College Hill**
 - College Hill Town Hall Renovation
 - McEvoy Park Renovation
 - Replace Playground Equipment and Amenities
- Columbia Tusculum**
 - Columbia Parkway Landslide Remediation (below Alms Park)
- Corryville**
 - Replace the CHD Administration Building
- CUF**
 - Bellevue Pavilion Stabilization
 - Fairview Park Overlook Stabilization
- Downtown**
 - Central Business District Street Lighting Replacement
 - Central Business District Traffic Signal Booms Replacement
 - City Hall HVAC/ Cooling Tower Replacement
 - Remove any components for Downtown Lighting Circuits from Duke Manholes
 - Replace pavers in the crosswalks and sidewalks in CBD
 - Smale Riverfront River's Edge Stabilization
- East End**
 - LeBlond Aquatic Facility Renovation
 - Renovate Athletic Fields (5)
- East Price Hill**
 - Mt. Echo Park Pavilion Restoration and Maintenance Garage Restroom Improvements
- East Westwood**
 - Replace Playground Equipment and Amenities
- Hartwell**
 - Replace Playground Equipment and Amenities
- Hyde Park**
 - Replace Playground Equipment and Amenities
- Kennedy Heights**
 - French House Grounds Improvements, Culvert and Turf replacement (located outside of the City in Amberly Village)
- Linwood**
 - Lunken Tennis Courts (8)
 - Replace Playground Equipment and Amenities
- Lower Price Hill**
 - Price Hill Health Center (PHHC) Air Handler
 - Price Hill Health Center (PHHC) Interior Remodel
 - Price Hill Health Center (PHHC) Parking Lot Expansion
- Madisonville**
 - Fire Station 49 Replacement
 - Renovate Athletic Fields (5)
- Millvale**
 - Millvale Recreation Center Building Code Issue
 - Mill Creek Road (Central Incinerator) Bridge Rehabilitation
- Mt Airy**
 - Renovate Athletic Fields (5)
- Mt. Adams**
 - Mt. Adams Aquatic Facility -Renovation
- Mt. Airy**
 - Replace Playground Equipment and Amenities
- Mt. Auburn**
 - Jackson Hill Park Renovation
 - Replace Playground Equipment and Amenities
- Mt. Lookout**
 - Ault Park Cascade and Pavilion Renovation
- North Fairmount**
 - Replace Playground Equipment and Amenities
- Northside**
 - Replace the Northside Health Center
- Over-the-Rhine**
 - Replace the Bobbie Sterne Health Center
- Paddock Hills**
 - Renovate Athletic Fields (5)
- Pleasant Ridge**
 - Fire Station 8 Replacement
 - Pleasant Ridge Recreation Center Renovation
 - Renovate Athletic Fields (5)
 - French House Grounds Improvements, Culvert and Turf replacement (located outside of the City in Amberly Village)
- Queensgate**
 - 801 Linn Street Renovation
- Sayer Park**
 - Renovate Athletic Fields (5)
- Sedamsville**
 - Replace Playground Equipment and Amenities
 - Riverside Sports Complex Boat Dock Facilities Renovation
- South Cumminsville**
 - West Fork Incinerator Demolition and Site Reuse Project
 - Mill Creek Road (Central Incinerator) Bridge Rehabilitation
- South Fairmount**
 - Radcliff Emergency Operations Center (EOC) HVAC and Roof Replacement
- Walnut Hills**
 - Replace Playground Equipment and Amenities
- West Pricehill**
 - Dunham Recreation Center Renovation
 - Replace Playground Equipment and Amenities
- Westwood**
 - Dunham Recreation Center Renovation
 - Replace Playground Equipment and Amenities
- Winton Hills**
 - Winton Hills Aquatic Facility - Replace Pool

October 3, 2023

To: The Members of Budget and Finance Committee 202302112
From: Sheryl M. M. Long, City Manager
Subject: Presentation – Cincy On Track Addressing Critical Infrastructure

Attached is the Cincy On Track Addressing Critical Infrastructure presentation for the Special Budget and Finance Committee meeting on October 3, 2023.

cc: William “Billy” Weber, Assistant City Manager
Natasha Hampton, Assistant City Manager
Virginia Tallent, Assistant City Manager
Andrew Dudas, Budget Director

CINCY ON TRACK

Critical Infrastructure Plan

October 3, 2023

Agenda

- Overview
- **Project Eligibility and Infrastructure Trust**
- Cincy On Track
- **Other Financial Implications of Proposed Sale**

Overview

On November 7, 2023, at the General Election, the electors of Cincinnati will decide whether to approve the sale of the Cincinnati Southern Railway (CSR) for an approximate \$1.6 billion.

In a recent assessment it was determined that the City's unmet need for existing infrastructure improvements is estimated to be nearly \$500 million.

Addressing deferred capital maintenance and increasing resources for it is one of the greatest financial and operational challenges faced by the City.





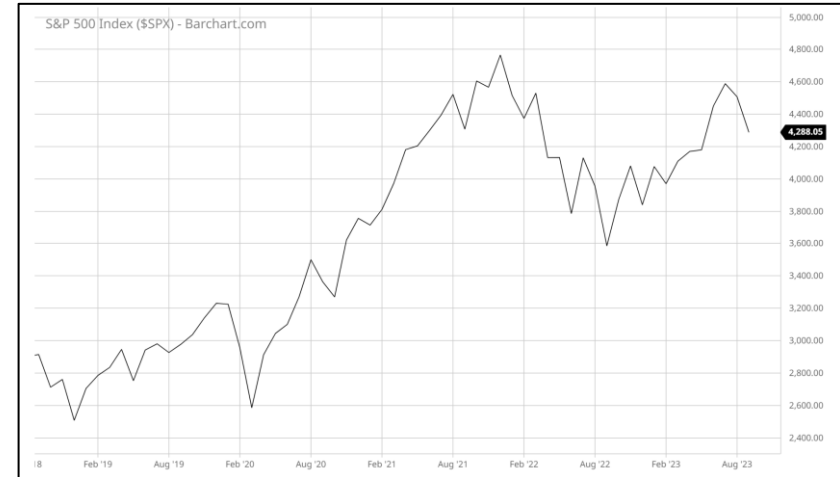
Cincy on Track

An aerial photograph of a dense urban neighborhood, likely Cincinnati, showing a mix of brick and multi-story buildings. A semi-transparent white box with a blue border is centered over the image, containing the main title text. The background shows a variety of architectural styles, including older brick structures and more modern buildings, with some trees visible in the foreground.

Investing in Existing Infrastructure Means Investing in Equity

Infrastructure Trust Structure

- State law requires that all \$1.6 billion in sale proceeds are placed in an infrastructure trust to be invested to generate returns that will fund payments to the City for existing infrastructure projects.
- **Purpose of this trust is to balance the City's dual interests of the present and future**—receiving large payments now and preserving a trust balance to continually generate payments for future generations.
- Basic strategy for balancing those interests and preserving the trust balance is to allow for pulling more money out when returns are good and pulling less money out when returns are bad.
- Additional growth in the trust balance will allow for larger payments over time to offset construction cost increases.



Eligible Use of Funds

State law dictates funds received by the City from the infrastructure trust can only be spent “on the rehabilitation, modernization, or replacement of existing infrastructure improvements.”

Existing Infrastructure means public facilities owned by the City, including:

- Streets
- Bridges
- Municipal buildings
- Police and Fire Stations
- Parks & Green space
- Recreation Facilities
- Parking facilities

The funds cannot be used to pay debt or on new infrastructure and cannot be used to pay operating expenses of the City.



Infrastructure Trust Structure

Board of Trustees

- Public body appointed by the Mayor with approval of City Council.
- Fiduciary duty to manage the trust assets efficiently and to preserve them in perpetuity.
- Will hire a financial advisor and other professional advisors to assist in managing the trust.
- City's Finance Director has collaborative role with trustees in establishing investment and management policies for the trust.

Annual Payments to the City

- Annual payment amount will vary from year to year—based on investment returns.
- State law grants trustees the discretion to set annual amount to balance need for payments to the City but protect the trust balance for future years.
- Minimum annual payment amount limits this discretion—starting at \$26.5 million a year and escalating annually with inflation.
- If the trust balance drops by more than 25% in a single year, a moratorium on payments is required until balance recovers.

Capital Maintenance Needs and Existing Resources

Capital Needs:

- Current estimate is \$500 million in deferred capital maintenance for existing infrastructure.
- Recent survey of residents had 72.1% of respondents identify the greatest need by the City was maintenance of city streets, sidewalks, and infrastructure.
- City has consistently been unable to meet the 100-lane mile per year goal with existing resources.

Existing Capital Resources:

- City's General Capital Budget is typically about \$60 million per year and is primarily funded from income tax capital revenue, property tax supported debt revenue, and the existing lease proceeds from the CSR.

Program	Resources:	
	General Capital Resources for the Approved FY 2024 Budget total \$76.5 million, which is a 39.8% (or \$50.6 million) decrease from the Approved FY 2023 Budget Update amount of \$127.1 million.	
Property Tax Supported Debt (36.4%) \$27.8 M	Southern Railway Note Proceeds (34.1%) \$26.1 M	Income Tax Capital Revenue (18.3%) \$14.0 M
		Southern Railway Tax Credit Note Proceeds (7.8%) \$6.0 M

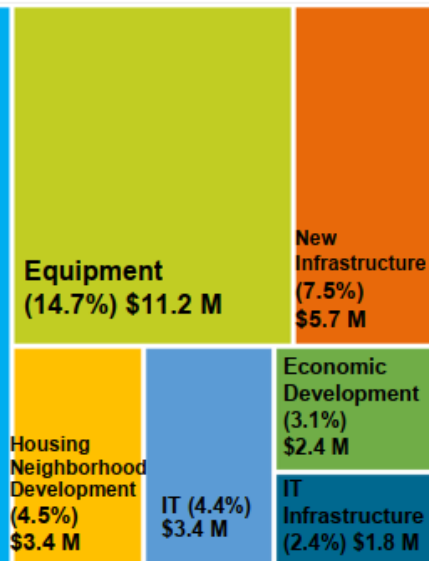
Not shown: Reprogramming, 3.0%, \$2,300,000. Miscellaneous Other Revenue, 0.3%, \$250,000.

Existing General Capital Uses

The City has historically committed the majority of general capital funds to addressing existing infrastructure—but the available resources have proved inadequate to keep up with the demands.

Program Expenses: The General Capital Budget is utilized by the City to cover expenditures such as transportation infrastructure, City buildings, fleet vehicles, recreation facilities, and parks. Many aspects of City assets, ranging from fire stations to park areas, have aged beyond their useful life. Although facility replacement is often economically infeasible, proper care and maintenance remains a City priority.

**Infrastructure (Smale Commission) (63.4%)
\$48.5 M**



Not shown: Environment, 0.1%, \$51,000.

Note: Software and Hardware (IT) is denoted as "IT"

Cincy On Track – A 10-Year \$250 Million Spending Plan

City Administration conservatively projects that the sale of the CSR will **generate at minimum \$25 million a year in additional capital resources each year.**

The plan serves to reinforce the City's investment in the future among five major program categories:



Parks



Recreation



Streets & Sidewalks (Transportation Infrastructure)



Public Services



Health

Project Guiding Principles

An integral part of the Cincy on Track plan is leveraging existing infrastructure investments to improve the livability and equity of our City.

- **Infrastructure Condition** | Repair or replace existing infrastructure that is at or beyond its useful service life.
- **Equity** | Distribute investments Citywide with particular focus on underserved communities.
- **Cost Effectiveness** | Spend less without sacrificing the impact that quality infrastructure brings to communities.
- **Project Readiness** | Ability to repair, replace, or improve assets on schedule without disruptive delays.

Equity is a Priority – Equitable Infrastructure Investment

The City Administration plans to prioritize impact at every step of the deployment of the additional \$25 million per year and will incorporate this approach into the deployment of remaining general capital resources.

- The **beneficiaries** of each project will be identified and documented.
- Projects that will most benefit the City's historically underserved minority and low-income residents will be prioritized for funding.
- This approach recognizes that geography or neighborhood location for infrastructure investment does not necessarily equate to the people that will directly benefit from that investment.

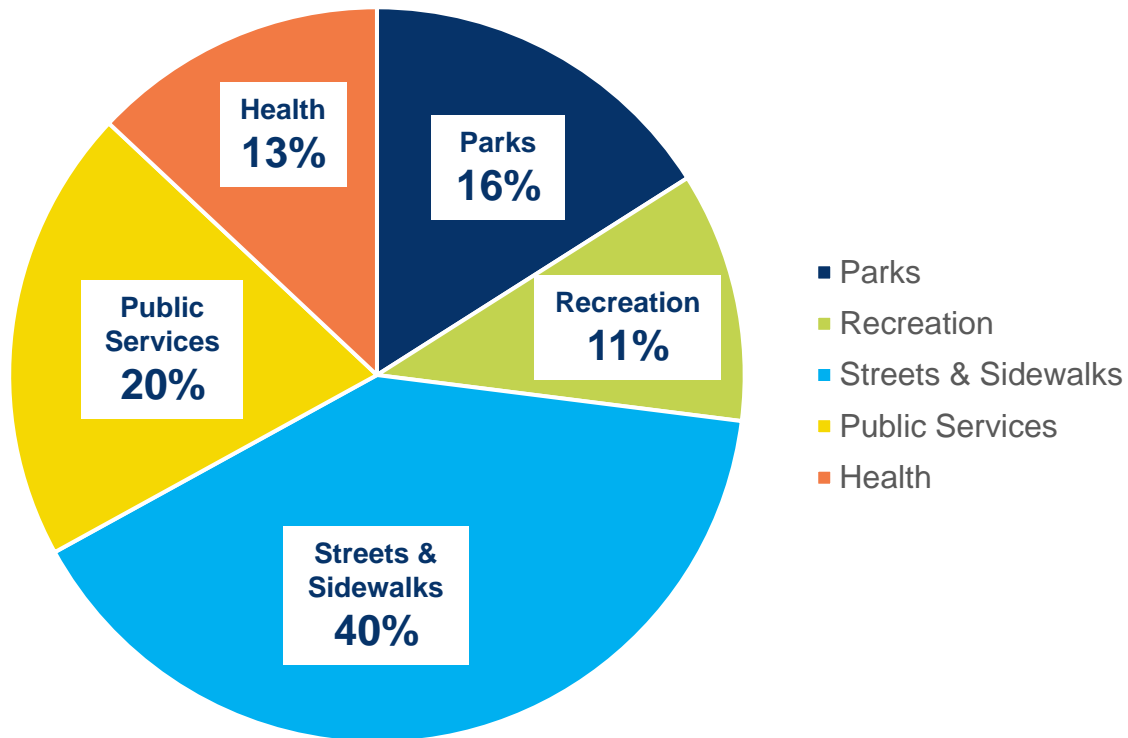
Equity is a Priority – Economic Inclusion

Through the City's MBE/WBE and SBE programs, an additional \$250 million in capital spending will drive significant benefit to these programs and their beneficiaries:

- **Women Business Enterprise (8%):** \$20,000,000
- **Minority Business Enterprise (12%):** \$30,000,000
- **Small Business Enterprise (30%):** \$75,000,000

These amounts will escalate if the City receives more than the projected \$250 million over ten years.

Proposed Funding Breakdown | \$250M





RECREATION
\$27.6M

The \$27.6 million in Recreation improvements is proposed to provide funding for:

- Major improvements to two recreation facilities: Dunham & Pleasant Ridge
- Riverside Sports Complex Boat Dock Facilities rehabilitation
- Improvements to three aquatic facilities (Leblond, Winton Hills, Mt. Adams)
- Improving outdoor courts, playgrounds, and lighting at multiple ball fields



PARKS

\$40.7M

The \$40.7 million in Parks improvements is proposed to provide funding for:

- Major improvements at multiple parks to include parkwide lighting, help box, safety improvements, and cameras
- Mt. Echo Park Pavilions Restoration and Maintenance Garage Restroom improvements
- Smale Riverfront River's Edge Stabilization
- French House Grounds Improvements, Culvert and Turf replacement
- Fairview Park Overlook Stabilization
- Ault Park Cascade and Pavilion renovation



STREETS &
SIDEWALKS

\$101M

The \$101 million in Transportation and Engineering improvements is proposed to provide funding for:

- Mill Creek Road (*Central Incinerator*) Bridge Rehabilitation
- Street Rehabilitation
- Convert electric lights to LED
- Improve traffic signals (*Citywide*)
- Street Traffic Calming – Asphalt Speed Hump Reconstruction (*Citywide*)
- Street Lighting Replacement in Central Business District
- Replace pavers in the crosswalks and sidewalks in Central Business District



**PUBLIC
SERVICES
\$49.6M**

The \$49.6 million in Public Services improvements is proposed to provide funding for:

- Major improvements to fire stations
- Cormany Garage renovation
- College Hill Town Hall renovation
- 801 Linn Street Renovation (Police)
- West Fork Incinerator Demolition and Site Reuse Project

Of the \$49.6 million, \$26.6 million will be used for Public Safety (Police & Fire) facility improvements.



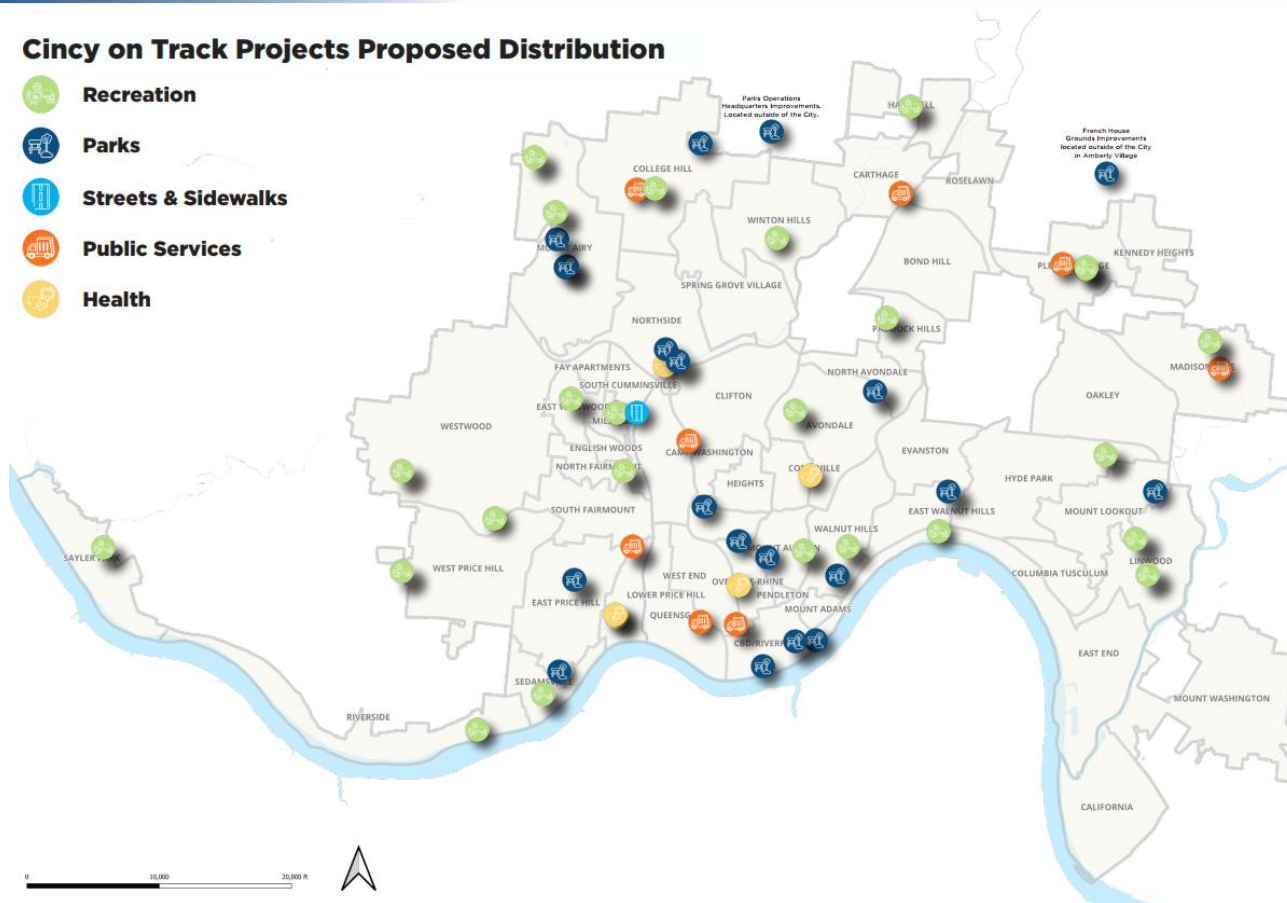
HEALTH
\$31.1M

The \$31.1 million in Health Center's improvements is proposed to provide funding for:

- Replacing the Bobbie Sterne Health Center
- Replacing the CHD Administration Building
- Replacing the Northside Health Center
- Price Hill Health Center interior remodel
- Parking lot improvements, and generators at various centers

Cincy on Track Projects Proposed Distribution

-  Recreation
-  Parks
-  Streets & Sidewalks
-  Public Services
-  Health



List of Projects

- Citywide**
- Parks Operations Headquarters Improvements (located outside of the City)
 - Parkade Lighting, Security, Health Ris and Safety Improvements, Cameras
 - Accelerated Playground Restoration
 - Citywide Traffic Upgrade
 - Convert all electric lights to LED
 - Health Facility Parking Lot Improvements
 - Infrastructure Community Budget Requests (CIBR)
 - Minor Street Traffic Calming - Asphalt Speed Hump Installation
 - Quilt the Facility Maintenance Team
 - Restroom / Comfort Station Restoration
 - Street Rehabilitation
- Avondale**
- Replace Playground Equipment and Amenities
- Camp Washington**
- Coramby Garage Renovation
 - HB Creek Road (Central Incentive) Bridge Rehabilitation
- Carthage**
- Fire Station 2 Replacement
- College Hill**
- College Hill Town Hall Renovation
 - McEvoy Park Renovation
 - Replace Playground Equipment and Amenities
- Columbia Tusculum**
- Columbia Parkway Landside Remediation (before Alms Park)
- Corryville**
- Replace the CHD Administration Building
- CUP**
- Bellevue Pavilion Stabilization
 - Fenwick Park Overlook Stabilization
- Downtown**
- Central Business District Street Lighting Equipment
 - Central Business District Traffic Signal System Replacement
 - City Hall HVAC/ Cooling Tower Replacement
 - Remove any components for Downtown Lighting Circuits from Duke Mansions
 - Replace pavers in the crosswalks and sidewalks in CBD
 - Snake Diverter Overly Street Stabilization
- East End**
- Leiford Aquatic Facility Renovation
 - Renovate Athletic Fields (5)
- East Price Hill**
- Mt. Carmel Park Pavilion Renovation and Maintenance Garage Renovation Improvements
- East Westwood**
- Replace Playground Equipment and Amenities
- Hartwell**
- Replace Playground Equipment and Amenities
- Hyde Park**
- Replace Playground Equipment and Amenities
- Kennedy Heights**
- French House Grounds Improvements, Culvert and Turf replacement (located outside of the City in Amberly Village)
- Linnwood**
- Lupton Tennis Courts (8)
 - Replace Playground Equipment and Amenities
- Lower Price Hill**
- Price Hill Health Center (PHHC) Air Handler
 - Price Hill Health Center (PHHC) Interior Remodel
 - Price Hill Health Center (PHHC) Parking Lot Expansion
- Madisonville**
- Fire Station 49 Displacement
 - Renovate Athletic Fields (5)
- Milbake**
- Milbake Recreation Center Building Code Issue
 - HB Creek Road (Central Incentive) Bridge Rehabilitation
- MI Adams**
- Renovate Athletic Fields (5)
 - Mt. Adams Aquatic Facility Renovation
- MI Airy**
- Replace Playground Equipment and Amenities
- MI Auburn**
- Jackson Hill Park Renovation
 - Replace Playground Equipment and Amenities
- MI Lookout**
- Ash Park Cascade and Pavilion Renovation
- North Fairmount**
- Replace Playground Equipment and Amenities
- Northside**
- Replace the Northside Health Center
- Over-the-Rhine**
- Replace the Bobbie Sterne Health Center
 - Renovate Athletic Fields (5)
- Paddock Hills**
- Renovate Athletic Fields (5)
- Pleasant Ridge**
- Fire Station 8 Replacement
 - Pleasant Ridge Recreation Center Renovation
 - Renovate Athletic Fields (5)
 - French House Grounds Improvements, Culvert and Turf replacement (located outside of the City in Amberly Village)
- Quaywest**
- 801 Leno Street Renovation
- Sayer Park**
- Renovate Athletic Fields (5)
- Sedamville**
- Replace Playground Equipment and Amenities
 - Riverside Sports Complex Boat Dock Facilities Renovation
- South Cumminsville**
- West Park Incentive Demonstration and Site Reuse Project
 - HB Creek Road (Central Incentive) Bridge Rehabilitation
- South Fairmount**
- Replace Playground Equipment and Amenities
- West Price Hill**
- Durrant Recreation Center Renovation
 - Replace Playground Equipment and Amenities
- Westwood**
- Durrant Recreation Center Renovation
 - Replace Playground Equipment and Amenities
- Winton Hills**
- Winton Hills Aquatic Facility - Replace Pool

Operating Budget Impacts

The CSR Sale is not expected to have material impacts on the City's operating budget—especially in the short-term.

Long-term savings may be derived from:

- Reduced annual operating budget maintenance costs
- Improved energy efficiency in City buildings
- Increased existing City staff time devoted to managing capital projects (which can be reimbursed from the capital budget).

City Council will dictate how any savings are deployed in the approval of future operating budgets but uses could include addressing operating deficits or other operating expense investments—like increased employer pension contributions.

Additional Equity Opportunity: Community and Economic Development Investments

If approved, the sale will cause an unprecedented increase in capital resources for existing infrastructure. The increased funding for existing infrastructure will provide additional flexibility in the City's other general capital resources—primarily income tax and property tax sources.

If the sale is approved, the Administration proposes that at minimum \$3 million per year from other capital resources be committed to community and economic development projects. If annual payments exceed the additional \$25 million per year estimate, this amount could be revisited and increased.

The City's elected officials will decide on how to deploy these funds, but this is another opportunity from the sale to further drive equity, investment, and economic opportunity in the City's historically underserved minority and low-income communities.

Conclusion