

Attachment 3: Executive Summary of UF Budget Justification

Cincinnati's Parks Urban Forestry Program (UFP) provides hazard abatement and routine maintenance for the City's approximately 80,000 street trees. The UFP is funded through an annual assessment, presently (FY '22 and '23) set at \$0.21/FF (front foot) and with budgeted expenditures of \$2.4 million. In June 2021, the City's critical emergency tree services (EM) contract was publicly bid resulting in more than a 30% increase. The UFP analyzed the three year average (2018 – 2021) to determine the number of pruning/removal units per size class, and hourly time and material costs of past work performed under the EM contract. Based on these averages, costs were anticipated to increase \$187,000 for FY '22, from \$388,000 per year to \$575,000 (32% increase). A review of the historic cost of the UFP's Preventive Maintenance Pruning and Removal (PM) contracts revealed similar cost increases. For example, the unit price to prune a tree in Westwood increased from \$45 in the 2014 cycle, to \$70 in 2021, a 36% increase.

Under the guidance of Parks Chief Financial Officer (CFO), the UFP procured an *IBIS Tree Trimming Services Industry Report* that revealed tree trimming costs nationwide have increased 36% over the past 10 years. The report explains that this is due to labor supply, corresponding wage increases, and increased demand for services. The increased costs the UFP noted for its EM and PM bids is consistent with the findings of this IBIS business sector report. The Parks CFO noted that market analysis should be used to guide historic assessment increases and had this been done over the past 10 years, the UFP should have been at \$0.31/ FF instead of the current rate of \$0.21/ FF. This would have permitted UFP operations to better respond to market increases. Staff researched other Ohio municipalities that use FF assessment to fund their urban forestry programs, finding that Cincinnati has one of the lowest rates in the state. Toledo, Ohio, the closest comparison city to Cincinnati, is currently assessing more than double the FF rate, at \$0.50/FF, while serving a smaller population, similar sized area, but with less canopy coverage, and the same number of street trees.

From the initial findings, the UFP determined that if it were to continue full operations as planned, there would be a projected deficit of \$290,000 in FY 22, and \$635,000 in FY 23 resulting in budgetary shortfalls that would continue to compound and impact the city into the future. In anticipation, several options were considered to address the consequences, both mid-term (within the current and next fiscal year), and long-term (beyond FY 23).

Mid-Term: Starting the third quarter of FY 22 and through FY 23, UFP will cease planting and stump grinding services, focusing solely on hazard tree abatement, emergency response and preventative maintenance. Based on historic workload averages, this will require the UFP to borrow forward to FY24 (assessment year 2023) in the amount of \$274,000.

FY 24: Staff considered and analyzed the following options to correct for shortfall long term:

- 1) Maintain current assessment rate at \$0.21 and decrease services
- 2) Development of in-house tree crews
- 3) Increase the UF Assessment to meet our expected budgetary program needs.

Option 1 represents the worst-case scenario. An assessment rate of \$0.21/FF would bring insufficient revenue to keep pace with the costs of the local tree industry and inflation overall. Substantial programmatic cuts to planting and stump grinding would be necessary to balance the UFP budget. In addition, work scheduled under the preventive tree maintenance cycles would have to be strategically assigned based upon available budget, further delaying much needed tree care in neighborhoods that are already two to three years behind schedule. This would place more burden on the EM contract thereby decreasing efficiencies and increasing costs.

Option 2 would allow the UFP to minimize reliance on contractual tree services, through the creation of new positions, followed by hiring and outfitting an in-house tree crew. The drawback to this option would be the high initial cost for equipment purchases, coupled with the increasingly long time required for city vehicle acquisition. Also, the current salaries offered for City tree climbing positions are not competitive with private industry, creating a shortage of qualified tree climbers. Parks is currently working to address the latter issue with Central HR. Option 2 would still require an assessment increase of at least \$0.30/FF to hire and outfit a crew.

The best-case scenario would be Option 3, providing an adequate assessment increase commensurate with industry costs. This would allow the UFP to continue services as they have historically functioned and explore a hybrid approach with Option 2, adding an in-house crew over time, while maintaining current management objectives for tree maintenance and planting. Forestry staff calculated the community impact of a \$.10 increase, within and above low and medium income (LMI) census tracts as designated by HUD. Running these models indicated that an increase of \$0.10/FF from the current rate of \$0.21/ FF would have an equal impact on those above and below LMI. Meaning that the majority of property owners would go from paying **\$10.50 per year to \$15.50**.

The Urban Forestry Advisory Board (UFAB), tasked with guiding the UFP, is made up of City Manager appointed residents and departmental appointed city officials. Findings in this report were first presented to UFAB during their October meeting, in which the Board unanimously passed a motion to recommend the Board of Park Commissioners (CPB) set the determination of need for the Urban Forest assessment at \$0.31/FF. After supplying a detailed report of the current situation, staff presented findings and options to the CPB, during its December meeting. The CPB unanimously recommended that City Council increase the 2023 Forestry assessment to \$0.31/ FF, to allow the UFP to continue making strides in equitably increasing tree canopy coverage where it's needed most, get the pruning cycle back on schedule, work toward the incorporation of an in-house tree crew to reduce reliance on contractual services, and begin to build a 10% budgetary reserve to buffer against unforeseen, yet inevitable market fluctuations.

At this assessment rate, staff has developed a plan to minimize projected overruns for the next two fiscal years. FY22 and 23 funds will be focused on continued hazard tree abatement and progress to catch up on the preventive maintenance cycle, while conducting tree replacement and stump grinding as the budget allows. By doing so, staff has minimized the projected shortfall from \$925,000 to \$274,000. As noted, this deficit would be covered by borrowing forward to FY 24. This assessment rate for FY25 will allow us to work towards meeting the goals set by the CPB noted above.