



SHAKER HEIGHTS

# 2019 Proposed Operating Budget Overview

**Joint: Council/Finance and Administration Committee  
Work Session  
November 12, 2018**

# Presentation Outline

- 2018 General Fund Year-end Projection
  - Revenues and Expenses
- 2019 General Fund Budget Overview
  - Revenues and Expenses
  - Transfers to Other Funds
- Other Funds Overview.
- Budget Highlights: City Goals and Priorities.
- Next Steps in the budget process.

# 2018 General Fund Year-End Revenue Projections

## 2018 Revenue Projections Assumptions

- Anticipate revenue for the year will be \$49,089,166 or a 1.35% increase over 2017.
- Property Taxes – Increased by \$78,826 over 2018 budget.
- Income Taxes – As of the end of October, income tax collections were \$447,163 ahead of 2017, or 2.42%. November revenue is down from 2017. The final distribution is on November 15 which may change 2018 revenue projection.
- Other Local Taxes – Modest decline for the year.
- State Shared Revenue – Estimate possible decline in November and December with collections flat for the year.
- Intergovernmental Revenue – Projected decline of \$16,473 (15.2%) due to delay in receiving Federal NEA grant of \$50,000, but it is possible that grant will be received in 2018.
- Charges for Services – Expect to end year down 0.9% due to fewer court cases being filed.

# 2018 General Fund Year-End Revenue Projections (Cont'd)

- Licenses & Permits – Expected to be 10.5% lower than 2018 budget.
- Investment Earnings – Will remain significantly up for the year, \$313,833 (104.6%) increase.
- Fines & Forfeitures – Reduced case filings in 2018 will reduce fines by \$100,000 (18.2%) from budget.
- Miscellaneous – Increased RITA refund will increase revenue by \$98,843 (13.3%) from budget.
- Total revenue will be 1.3% or \$630,470, higher than 2018 budget.



## Summary of General Fund Operating Revenue \*

2016-2017 Actual | 2018 Budget & Estimate

Revenue Source	2016 Actual	2017 Actual	2018 Budget	2018 Estimate	18 Est. Var. from 2018 Budget	Budget Var. %
<b>Local Tax Revenue</b>						
Income Tax	\$32,818,535	\$34,237,225	\$34,494,635	\$34,947,210	\$452,575	1.3%
Property Tax	\$6,254,454	\$6,209,468	\$6,208,275	\$6,287,101	\$78,826	1.3%
Estate Tax	\$105,763	\$8,845	\$0	\$9,185	\$9,185	N/A
Other Taxes **	\$979,022	\$965,365	\$974,722	\$944,214	(\$30,508)	-3.1%
<b>Local Government Fund</b>	\$629,398	\$596,573	\$592,134	\$592,123	(\$11)	0.0%
<b>Intergovernmental Revenue</b>	265,735	\$143,587	\$138,436	\$108,709	(\$29,727)	-21.5%
<b>Charges For Services</b>	\$3,328,329	\$3,254,256	\$3,240,856	\$3,213,286	(\$27,570)	-0.9%
<b>Fines &amp; Forfeitures</b>	\$588,268	\$503,144	\$550,050	\$450,050	(\$100,000)	-18.2%
<b>License &amp; Permits</b>	\$1,119,660	\$1,291,854	\$1,244,030	\$1,113,054	(\$130,976)	-10.5%
<b>Investment Earnings</b>	\$219,189	\$340,360	\$300,000	\$613,833	\$313,833	104.6%
<b>Miscellaneous</b>	\$805,897	\$885,853	\$715,558	\$810,401	\$94,843	13.3%
<b>Total Operating Revenue</b>	<b>\$47,114,250</b>	<b>\$48,436,530</b>	<b>\$48,458,696</b>	<b>\$49,089,166</b>	<b>\$630,470</b>	<b>1.3%</b>

\* Operating revenue only.

\*\* Includes locally enacted taxes on admissions, alcohol, cigarettes and property tax reimbursements from the State.

# 2018 General Fund Year-End Expenditure Projections

- Operating expenditures will be 3.5% or \$1,004,912 below the 2018 budget.
- Compensation will be 1.8% or \$424,615 below 2018 budget primarily as a result of vacancies in the Police Department and Municipal Court and the Economic Development Director.
- Other expenditures will be 5.7% or \$580,297 below the 2018 budget primarily as a result of reduced contractual expenditures in Planning, Neighborhood Revitalization and Economic Development.

# 2016 and 2017 Expenditures, 2018 Estimate, Excluding Transfers Out

## Summary of General Fund Expenditures

2017 Actual | 2018 Budget & 2018 Estimate | 2019 Budget

General Fund Budget by Expenditure Category	2016 ACTUAL	2017 Actual	2018 Budget	2018 Estimate	2017-2018 % Chg
<b>EXPENSES</b>					
Compensation	\$25,707,676	\$26,141,527	\$27,030,616	\$26,606,001	1.78%
Travel & Education	\$112,369	\$155,976	\$228,822	\$157,475	0.96%
Contractual Svcs	\$6,097,586	\$6,619,940	\$7,717,693	\$7,423,292	12.14%
Materials & Supplies	\$1,465,762	\$1,484,910	\$1,588,145	\$1,496,584	0.79%
Capital Outlay	\$284,568	\$392,525	\$360,567	\$290,874	-25.90%
Misc. Expense	\$292,073	\$204,145	\$292,127	\$238,833	16.99%
Other Exp.	\$8,252,358	\$8,857,496	\$10,187,354	\$9,607,058	8.46%
<b>Total Operating Exp.</b>	<b>\$33,960,034</b>	<b>\$34,999,023</b>	<b>\$37,217,970</b>	<b>\$36,213,059</b>	<b>3.47%</b>

# 2019 General Fund Budget Overview

## 2019 Revenue Budget

- Budgeted revenue for the year will be \$50,384.896 or a 4.0% increase from the 2018 budget and a 2.6% increase over projected 2018 revenue.
- Property taxes will increase by \$500,000 as a result of the reappraisal.
- Income taxes will increase by 2.0% subject to actual 2018 year-end collections.
- State shared revenue will be near the 2017 actual, but about \$8,000 above 2018 projected revenue.
- Intergovernmental revenue will decrease \$16,473 (15.2%) from projected 2018 revenue due to the elimination of HIDTA grant support and reduced grants.
- Charges for services is projected to increase by \$46,282 (1.4%) as a result of an anticipated increases in court case filings and EMS revenue.

# 2019 Budget Revenue Projections

## 2019 Revenue Budget continued

- Licenses and permits are projected to be \$69,334 (6.2%) lower than 2018 as a result of the completion of Phase 1 of the Van Aken District project.
- Investment earnings are projected to increase by \$90,000 or 14.7% above the 2018 estimate.
- Fines and forfeitures are projected to be flat.
- Miscellaneous revenue is projected to be \$30,281 (3.7%) lower.

## Summary of General Fund Operating Revenue \*

2017 Actual | 2018 Budget & Estimate | 2019 Budget

Revenue Source	2017 Actual	2018 Budget	2018 Estimate	2019 Budget	19 Budget Var. 2018 Est.	Budget Var. %
<b>Local Tax Revenue</b>						
Income Tax	\$34,237,225	\$34,494,635	\$34,947,210	\$35,646,497	\$699,287	2.0%
Property Tax	\$6,209,468	\$6,208,275	\$6,287,101	\$6,787,101	\$500,000	8.0%
Estate Tax	\$8,845	\$0	\$9,185	\$0	(\$9,185)	0.0%
Other Taxes **	\$965,365	\$974,722	\$944,214	\$1,021,771	\$77,557	8.2%
<b>Local Government Fund</b>	\$596,573	\$592,134	\$592,123	\$600,000	\$7,877	1.3%
<b>Intergovernmental Revenue</b>	\$143,587	\$138,436	\$108,709	\$92,236	(\$16,473)	-15.2%
<b>Charges For Services</b>	\$3,254,256	\$3,240,856	\$3,213,286	\$3,259,568	\$46,282	1.4%
<b>Fines &amp; Forfeitures</b>	\$503,144	\$550,050	\$450,050	\$450,050	\$0	0.0%
<b>License &amp; Permits</b>	\$1,291,854	\$1,244,030	\$1,113,054	\$1,043,720	(\$69,334)	-6.2%
<b>Investment Earnings</b>	\$340,360	\$300,000	\$613,833	\$703,833	\$90,000	14.7%
<b>Miscellaneous</b>	\$885,853	\$715,558	\$810,401	\$780,120	(\$30,281)	-3.7%
<b>Total Operating Revenue</b>	<b>\$48,436,530</b>	<b>\$48,458,696</b>	<b>\$49,089,166</b>	<b>\$50,384,896</b>	<b>\$1,295,730</b>	<b>2.6%</b>

\* Operating revenue only.

\*\* Includes locally enacted taxes on admissions, alcohol, cigarettes and property tax reimbursements from the State.

## 2019 Expenditure Budget

- Budgeted operating expenditures are \$39,459,212, excluding transfers, which is an increase of 6.0% from the 2018 budget, and 8.96% over the projected 2018 expenditures.
- Compensation – An increase of 3.7% compared to the 2018 budget and 5.35% compared to 2018 projected expenditures. This is based on a 2.0% COLA for all employees, an 8.4% increase in healthcare costs, some additional employees that will be funded by reductions in other expenses and two part time employees will be increased to full time.
- Other Categories – Various increases and decreases in these items, but overall “Other Expenditures” increase by 6.02% from the 2018 budget. Increased cost relate to the lease/purchase of a replacement fire truck, the hiring of certain consultants and the transfer (reclassification) of \$560,196 from the Self Insurance Fund into the General Fund budget for risk management costs as suggested by the City’s auditor.
- Overall, including transfers, we are projecting a \$724,990 General Fund surplus in 2019, but no change in end-of-year Reserve percentage (33%).

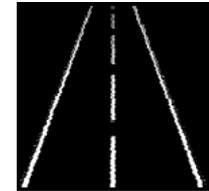
## Summary of 2019 General Fund Budget

### 2017 Actual | 2018 Estimate vs 2018 Budget | 2019 Budget

General Fund Summary	2017 Actual	2018 Budget	2018 Estimate	2019 Budget	18 Budget Var. 2018 Est	%18 Budget to 19 Budget
<b>Total Revenue *</b>	<b>\$48,436,530</b>	<b>\$48,458,696</b>	<b>\$49,089,166</b>	<b>\$50,384,896</b>	<b>\$1,295,730</b>	<b>4.0%</b>
Personal Services	\$26,141,527	\$27,030,616	\$26,606,001	\$28,030,609	\$1,424,608	3.7%
Other Expenditures	\$8,857,496	\$10,187,354	\$9,607,058	\$11,428,603	\$1,821,545	12.2%
<b>Total Operating Expenditures</b>	<b>\$34,999,023</b>	<b>\$37,217,970</b>	<b>\$36,213,059</b>	<b>\$39,459,212</b>	<b>\$3,246,153</b>	<b>6.0%</b>
Total Transfers Out	\$12,734,457	\$10,887,127	\$12,302,127	\$10,200,694	(\$2,101,433)	-6.3%
<b>Total Expenditures</b>	<b>\$47,733,480</b>	<b>\$48,105,097</b>	<b>\$48,515,186</b>	<b>\$49,659,906</b>	<b>\$1,144,720</b>	<b>3.2%</b>
<i>Net operating Result</i>	<i>\$703,050</i>	<i>\$353,599</i>	<i>\$573,980</i>	<i>\$724,990</i>	<i>\$151,010</i>	
Ending General Fund Balance	\$15,432,623	\$15,786,222	\$16,006,603	\$16,731,593		
Ending Balance as % of Expenditures	32.33%	32.82%	32.99%	33.69%		

# 2019 Transfers Out

- Recreation – Transfer provides sufficient amount to cover Recreation Fund expenditures after drawing down fund balance in 2018.
- Street Construction and Sewer Maintenance – 2018 amount.
- Pension Funds – 2019 transfer is net amount of Police and Fire transfers required to pay pensions cost after receipt of dedicated real estate tax; an increase of \$256,230 from 2018.
- Street Lights – 2018 increased amount of \$265,000.
- Debt Service – Based on current debt service, including costs, for general obligation debt.
- Urban Renewal debt will not require a transfer in 2019.
- Sewer and General Capital - \$2,400,000 for general capital and \$2,000,000 for sewer capital for the 2019 capital budget.
- Self Insurance – Does not require a transfer for 2019.



# 2019 General Fund Transfers

Transfers Out	2016 Actual	2017 Actual	2018 Budget	2018 Estimate	2019 Budget
To Recreation Fund (105)	793,925	875,000	1,075,060	1,075,060	1,500,000
To Economic Development Fund (203)	23,225	0	0	250,000	0
To Street Maintenance & Repair Fund (201)	330,000	413,359	400,000	400,000	400,000
To Sewer Maintenance Fund (204)	502,000	502,000	502,000	502,000	502,000
To Street Lighting Fund (281)	248,000	250,000	250,000	265,000	265,000
To Debt Service Fund (301)	1,333,700	609,500	1,205,186	1,205,186	1,248,061
To Urban Renewal Debt Service Fund (302)	0	490,000	480,478	480,478	0
To General Capital Fund (401)	4,900,000	4,950,000	4,000,000	3,550,000	2,400,000
To Sewer Capital Fund (402)	340,000	2,050,000	400,000	2,000,000	2,000,000
To Self Insurance Fund (605)	945,540	945,540	945,000	945,000	0
To Police Pension Fund (205)	859,041	750,000	803,094	803,094	972,056
To Fire Pension Fund (206)	865,369	860,000	826,309	826,309	913,577
Total Transfers Out from General Fund	11,377,800	12,734,457	10,887,127	12,302,127	10,200,694
Total Expenditures	45,337,834	47,733,480	48,105,097	48,515,185	49,659,906

# Other Funds Overview

## **Special Revenue, Debt Service and Internal Service Funds**

- A detailed description of these funds is contained in the Fund Descriptions of the Budget Book. These funds are used to support ongoing operations with revenues that are restricted as to their use, from revenues charged to departments for services and from approved levels of General Fund support.
- The major sources of revenue for these funds, excluding transfers from the General Fund, are:
  - City's share of gasoline and motor vehicle registration fees and taxes of \$1.053 million;
  - Special assessment revenue of \$755,000 for Tree Maintenance;
  - Special assessment revenue of \$570,000 for Street Lighting; and
  - Sewer user fees of \$950,000 for maintenance of the sewers.
  - Program and other fee revenue of \$1,724,747 for Recreation programs.

## Summary of 2019 All Funds Budget by Fund Type

### 2018 Operating Budget | 2019 Operating Budget

Fund Type	2018 Operating Budget	2019 Operating Budget	% Chg from 2018 Budget
General Fund	\$37,217,970	\$39,459,212	6.02%
Economic Development Fund	1,203,373	401,739	-66.62%
Recreation Fund	3,361,008	3,498,958	4.10%
Police & Fire Pensions	2,338,297	2,389,662	2.20%
Special Assessment Funds	1,590,768	1,590,945	0.01%
Special Revenue Funds	3,040,593	2,991,166	-1.63%
Court Revenue Funds	397,283	398,042	0.19%
Debt Service Funds	4,323,513	3,934,197	-9.00%
Internal Service Funds	3,123,797	3,346,790	7.14%
Self Insurance Funds	\$6,009,419	6,036,828	0.46%
<b>Total All Funds</b>	<b>\$62,606,021</b>	<b>\$64,047,539</b>	<b>2.30%</b>

# Key Budget Assumptions

- Annual operating surplus.
- Maintain General Fund reserve %.
- Departments budgeted to prior year's level to allow flexibility for contingencies and unexpected expenditures.
- Limited growth of the base budget including staffing.
- Continued subsidy of Sewer and Street Lighting Funds.
- Revenue from recreation programs is not expected to cover all expenses.



# What Guided Prioritization in the 2019 Budget?

- The City's 4 goals:
  - Efficient, Cost Effective Government
  - Vibrant Commercial and Retail Development
  - High Quality, High Functioning Neighborhoods
  - Attractive, Desirable Quality of Life
- Priorities within each goal.
- Base budget increases vs. one-time expenses.
- Council feedback.
- Public input.
- Management Team recommendations.



# 2019 General Fund Budget Changes with Impact to Base Budget

2019 Budget	\$39,459,212
2018 Budget	<u>37,217,970</u>
Increase	\$2,241,242
Base budget increase:	
• 2% COLA for all employees	\$652,000
• 8.44% healthcare	<u>341,000</u>
	\$993,000
• 2 PT employees to FT	\$90,000
• Fire engine lease (net)	65,000
• DBWP membership increase	7,000
• Crossing Guard at S. Woodland/Warrensville	<u>15,000</u>
	\$177,000
<b>Total</b>	<b>\$1,170,000</b>

# 2019 General Fund Budget Changes: One-Time Expenses

• Certain retirement payouts	\$122,000
• Salt cost increase	300,000
• Fuel cost increase	75,000
• Disaster recovery plan	30,000
• Joint facilities plan	50,000
• Lee Road streetscape pilot project plan	50,000
• Tax relief research	50,000
• TIF financial and legal analysis	75,000
• Sustainability consultant	60,000
• POS process review	25,000
• Building/Housing LEAN training	<u>23,000</u>
<b>Total</b>	<b>\$860,000</b>

# Goal: Effective, Cost Efficient Government

## **Priority: Technology**

- Data center disaster response plan.
- Employee time, attendance and scheduling system.
- Outsource Fire Department life safety systems.
- Revamp Building/Housing processes for Citizenserve implementation.

## **Priority: Sustainability**

- Sustainability consultant and formal Sustainability and Technology Committee.
- Maintain General Fund reserve of 33%.

## **Priority: Transparency**

- Public meeting live streaming system for City Hall Council Chambers.
- Ohio Open Checkbook.
- Sunshine Calendar listings.

# Goal: Effective, Cost Efficient Government (cont'd)

## Priority: Fiscal Stewardship

- Continued cost savings by outsourcing jail services to Solon and joint Fire/Police dispatch at Heights Hillcrest Communications Center.
- Joint facilities plan for City, Schools and Library.
- Tax relief research.



# Goal: Vibrant Commercial and Retail Development

## Priority: Economic Development

- Add to ED/Housing Reserve.
- Upgrade one P/T ED Staff to F/T.
- Police bike patrol in Van Aken and Chagrin/Lee business districts
- Storefront loan program.
- Clean and Safe Ambassadors at Van Aken district.
- \$ support to SHDC.
- Van Aken district Phase II.



## Priority: Planning

- Financial and legal consultants to identify additional funding sources for ED projects.
- Streetscape plan for pilot project on Lee Road to enhance redevelopment efforts.

# Goal: High Quality, High Functioning Neighborhoods

## **Priority: Housing and Neighborhood Revitalization**

- Traffic and pedestrian improvements at Warrensville/Shaker and Chagrin/Lynnfield.
- Aggressive repair of the City's sanitary and storm sewer infrastructure.
- Strong street resurfacing program.
- Police officers on shift on bikes in residential neighborhoods.
- Grant-funded smoke detectors distributed to residents.
- Model Block Program and energy-efficiency program in Moreland.
- Neighborhood engagement in Moreland and Lomond.
- Upgrade P/T Teen Coordinator to F/T to engage youth especially in Lomond.

# Goal: Attractive, Desirable Quality of Life

## Priority: Attract and Retain

- Moreland infill marketing.
- Resident attract and retain campaign.
- Expand #ShakerPlays – adult and youth programs in parks.



# Changes Included in General Fund Operating Budget at No New Cost

- 51<sup>st</sup> firefighter offset by comparable reduction in overtime.
- 2 F/T streets/sewers employees in Public Works offset by equal reduction in contractual services.
- 1.5 to 2 F/T Building Maintenance Mechanics in Public Works; elimination of outsourced building repairs services.
- Risk management activities moved to General Fund from Self-Insurance Fund (salaries, property and liability insurance premiums, outside attorneys); corresponding reduction in Transfers Out.



# What's Not Included in General Fund Operating Budget

- Public Works union employees COLA for 2018.
- Compensation for any union employees greater than 2% COLA already budgeted.



# Next Steps in the Budget Process

- **November 26 – Council/Finance and Administration Committee Work Session following Council Meeting:**
  - 2019 Capital Budget presentation
  - Feedback on 2019 Operating and Capital Budgets
  - Public input
- **December 3 – Council Work Session:**
  - Council feedback and discussion on 2019 Operating and Capital Budgets, including changes due to revised revenue projections
  - Public input
- **December 17 – Council Meeting:**
  - Adoption of 2019 budget ordinances, including for non-bargaining compensation ordinance for COLA