



SHAKER HEIGHTS

2020 Proposed Operating Budget Overview

**Joint Council/Finance and Administration Committee
Work Session
November 11, 2019**

Presentation Outline

- 2019 General Fund Year-end Projection
 - Revenues and Expenses
- 2020 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.

2019 General Fund Year-End Revenue Projections

2019 Revenue Projections Assumptions

- **Total General Fund Revenue** - Anticipated revenue for the year is projected to be \$52,083,226, a 7.15% increase over 2018 revenue of \$48,606,105 and 5.65% increase over 2019 budgeted revenue of \$49,296,708.
- **Property Taxes** (13.8% of total General Fund budgeted revenue) for the year are projected to be \$6,783,894, a 7.9% increase over 2018 revenue of \$6,287,100.
- **Income Taxes** - (69.4% of total General Fund budgeted revenue) Based up collections to date, 2019 income tax revenue is now projected at \$36.5 million.
- **Other Local Taxes** (0.1% of total General Fund budgeted revenue) are projected to increase slightly.

2019 General Fund Year-End Revenue Projections (Cont'd)

- **State Shared Taxes** - (1.2% of total General Fund budgeted revenue) – are projected to increase by approximately 13% over 2018 revenue, primarily due to the State no longer diverting the local share of the LGF to other programs.
- **Intergovernmental Revenue** - (0.2% of total General Fund budgeted revenue) – are projected to decrease primarily due to lower shared cost reimbursements from the court district's member communities and less grant revenue than was originally anticipated in the 2019 budget.
- **Charges for Services** - (6.0% of total General Fund budgeted revenue) – Expected to be up 6% over 2018, primarily due to increased Municipal Court caseload.

2019 General Fund Year-End Revenue Projections (Cont'd)

- **Fines** - (1.0% of total General Fund budgeted revenue) – Expected to increase approximately 25% over 2018, primarily due to increase Municipal Court caseload.
- **Licenses & Permits** - (2.0% of total General Fund budgeted revenue) – Expected to decrease approximately 10% over the amount received in 2018.
- **Miscellaneous Revenue** – (2.0% of total General Fund budgeted revenue) – Expected to decrease approximately 10% over the amount received in 2018, primarily due to less grant reimbursement revenue.

Summary of General Fund Operating Revenue *

2017-2018 Actual | 2019 Budget & Estimate

Revenue Source	2017 Actual	2018 Actual	2019 Amended Budget	2019 Estimate	19 Est. Var. from 2019 Budget	% Chg from 2019 Budget
Local Tax Revenue						
Income Tax	\$34,237,225	\$33,721,082	\$34,223,270	\$36,500,742	\$2,277,472	6.2%
Property Tax	\$6,209,468	\$6,287,100	\$6,787,101	\$6,783,894	(\$3,207)	0.0%
Estate Tax	\$8,845	\$9,185	\$0	\$6,086	\$6,086	NA
Other Taxes **	\$965,365	\$956,103	\$1,021,771	\$1,015,932	(\$5,839)	-0.6%
Local Government Fund	\$596,573	\$605,402	\$600,000	\$683,347	\$83,347	12.2%
Intergovernmental Revenue	\$143,587	\$159,382	\$135,961	\$74,087	(\$61,874)	-83.5%
Charges For Services	\$3,254,256	\$3,271,348	\$3,286,189	\$3,483,861	\$197,672	5.7%
Fines & Forfeitures	\$503,144	\$496,038	\$510,000	\$621,801	\$111,801	18.0%
License & Permits	\$1,291,854	\$1,260,378	\$1,146,190	\$1,139,163	(\$7,027)	-0.6%
Investment Earnings	\$340,360	\$734,208	\$703,833	\$876,724	\$172,891	19.7%
Miscellaneous	\$885,853	\$1,105,879	\$882,393	\$897,589	\$15,196	1.7%
Total Operating Revenue	\$48,436,530	\$48,606,105	\$49,296,708	\$52,083,226	\$2,786,518	5.4%

* Operating revenue only.

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

2019 General Fund Year-End Expenditure Projections

- 2019 Operating expenditures are currently projected based upon the 2019 appropriated budget.
- The transfer to the Economic Development/Housing Reserve Fund has been increased based upon Vision Loan repayments actually received from borrowers income tax withholding payments and an additional \$250,000 for future Economic Development activities.
- The transfer to the General Capital Fund to finance the 2020 Capital Program has been increased based upon greater than anticipated income tax revenue received in 2019 and the reduction in the transfer to the Sewer Capital Fund.

2019 General Fund Year-End Expenditure Projections (cont'd)

- The Sewer Capital Fund transfer to finance the 2020 Sewer Capital Program has been decreased by \$2,000,000 in anticipation of the adoption of a new sewer user fee schedule and the proposal to issue debt to finance the 2020 Capital Program.
- The Sewer Maintenance transfer for 2019 has been increased from \$502,000 to \$752,000 for additional proactive sewer maintenance.
- A new transfer is being proposed to provide partial financing for the 27th paydate that will occur in 2026, something that occurs approximately once every eleven years. The proposed annual transfer is based upon the City's current average payroll of \$1.3 million and will allocate this expense over the next seven years.

2017 and 2018 Expenditures, 2019 Estimate, Excluding Transfers Out

Summary of General Fund Expenditures 2017 & 2018 Actual 2019 Budget & 2019 Estimate					
General Fund Budget by Expenditure Category	2017 Actual	2018 Actual	2019 Budget	2019 Estimate	2018-2019 % Chg
EXPENSES					
Compensation	\$26,141,527	\$26,093,497	\$27,628,192	\$27,628,192	5.88%
Travel & Education	\$155,976	\$199,520	\$320,849	\$320,849	60.81%
Contractual Svcs	\$6,619,940	\$6,908,997	\$8,421,225	\$8,423,915	21.93%
Materials & Supplies	\$1,484,910	\$1,533,101	\$1,942,157	\$1,939,467	26.51%
Capital Outlay	\$392,525	\$263,957	\$381,384	\$381,384	44.49%
Misc. Expense	\$204,145	\$204,011	\$400,561	\$400,561	96.34%
Other Exp.	\$8,857,496	\$9,109,586	\$11,466,176	\$11,466,176	25.87%
Total Operating Exp.	\$34,999,023	\$35,203,083	\$39,094,368	\$39,094,368	11.05%
Transfers Out	\$12,734,457	\$12,082,621	\$10,200,694	\$12,706,394	5.16%
Total Expenditures	\$47,733,480	\$47,285,704	\$49,295,062	\$51,800,762	9.55%

2020 General Fund Budget Overview

2020 Revenue Budget

- **2020 Budgeted Revenue - \$52,432,200** – A 6.4% increase over the 2019 budget 0.7% increase over the projected 2019 revenue total.
- **Property Taxes** – Projected at the same level as 2019 because 2020 will be the second year of the reappraisal cycle. This will be impacted by valuation appeals granted by the Board of Revision. A more accurate estimate will be received from the County Budget Commission in early December.
- **Income Tax** – Projected at a 2.5% growth rate over 2019 projected revenue. The rate of growth used is slightly lower than the historical growth rate.
- **State Shared Revenue** – Projected at a 12.7% growth rate, primarily based upon restoration of the City's share of the State Local Government Fund which was diverted the last two budget years to state opioid programs.

2020 Budget Revenue Projections

2020 Revenue Budget (cont'd)

- **Intergovernmental Revenue** – Projected to decrease by 45.2% (\$61,500) primarily due to reduction in grant revenue. It is anticipated that this estimate will be increased as some recurring public safety grants are awarded in the near future.
- **Charges For Services** – Projected to decrease slightly, primarily due to a reduction in the estimate of EMS fees.
- **Licenses and Permits** – Virtually unchanged from the amount estimated for 2019.
- **Fines and Forfeitures** – Unchanged from the amount estimated for 2019.
- **Miscellaneous Revenue** – Projected to decrease by 2% over the amount estimated for 2019.

Summary of General Fund Operating Revenue *

2018 Actual | 2019 Budget & Estimate | 2020 Budget

Revenue Source	2018 Actual	2019 Budget	2019 Estimate	2020 Budget	2020 Budget Var. 2019 Est.	% 20 Budget to 19 Est
Local Tax Revenue						
Income Tax	\$33,721,082	\$34,223,270	\$36,500,742	\$37,407,400	\$906,658	2.5%
Property Tax	\$6,287,100	\$6,787,101	\$6,783,894	\$6,787,100	\$3,206	0.0%
Estate Tax	\$9,185	\$0	\$6,086	\$0	(\$6,086)	-100.0%
Other Taxes **	\$956,103	\$1,021,771	\$1,015,932	\$1,012,400	(\$3,532)	-0.3%
Local Government Fund	\$605,402	\$600,000	\$683,347	\$671,500	(\$11,847)	-1.7%
Intergovernmental Revenue	\$159,383	\$135,961	\$74,087	\$74,500	\$413	0.56%
Charges For Services	\$3,271,348	\$3,286,189	\$3,483,861	\$3,232,600	(\$251,261)	-7.2%
Fines & Forfeitures	\$496,038	\$510,000	\$621,801	\$510,000	(\$111,801)	-18.0%
License & Permits	\$1,260,378	\$1,146,190	\$1,139,163	\$1,149,400	\$10,237	0.9%
Investment Earnings	\$734,208	\$703,833	\$876,724	\$703,800	(\$172,924)	-19.7%
Miscellaneous	\$1,105,878	\$882,393	\$897,589	\$883,500	(\$14,089)	-1.6%
Total Operating Revenue	\$48,606,105	\$49,296,708	\$52,083,226	\$52,432,200	\$348,974	0.7%

* Operating revenue only.

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

2020 Expenditure Budget

- **Budgeted Operating Expenditures Excluding Transfers - \$41,712,614** – A 6.7% increase over the 2019 budget of 39,091,678.
- **Compensation** - (70.8% of the General Fund Operating Budget) – A 6.8% increase over the amount budgeted for 2019. The 2020 budget reflects the impact of negotiated wage increases of 2.25% agreed upon in 2019, an estimate for the Police unions which have not settled and the addition of a construction project manager position in the Public Works Department and no increase in the cost of employee health insurance.
- **Other Categories** - (29.2% of the General Fund Operating Budget) – A 6.4% increase over the amount budgeted for 2019.
- **Overall Impact** – A \$338,230 surplus is being projected for 2020. The projected General Fund available fund balance of \$17,688,311 will be equal to 33.96% of the proposed 2020 Operating Budget, a slight increase from the 33.49% estimated for 2019 and the actual 36.1% for 2018.

Summary of 2020 General Fund Budget

2018 Actual | 2019 Estimate vs 2019 Budget | 2020 Budget

General Fund Summary	2018	2019	2019	2020	Budget Var.	Budget % Change
	Actual	Budget	Estimate	Budget	2020 vs. 2019	2020 vs. 2019
Total Revenue *	\$48,606,105	\$49,296,708	\$52,083,226	\$52,432,200	\$348,974	0.7%
Personal Services	\$26,093,497	\$27,628,192	\$27,628,192	\$29,513,244	\$1,885,052	6.8%
Other Expenditures	\$9,109,586	\$11,466,176	\$11,466,176	\$12,199,370	\$733,194	6.4%
Total Operating Expenditures	\$35,203,083	\$39,094,368	\$39,094,368	\$41,712,614	\$2,618,246	6.7%
Total Transfers Out	\$12,082,621	\$10,200,694	\$12,706,394	\$10,381,356	(\$2,325,038)	-18.3%
Total General Fund Expenditures	\$47,285,704	\$49,295,062	\$51,800,762	\$52,093,970	\$293,208	0.6%
<i>Net operating Result</i>	\$1,320,401	\$1,646	\$282,464	\$338,230	\$55,766	
Ending General Fund Balance	\$17,067,917	\$17,069,563	\$17,350,381	\$17,688,611		

2020 Transfers Out

Transfer for 2020 Operations

- Pension Funds – 2020 transfer is net amount of Police and Fire transfers required to pay pensions cost after receipt of dedicated property tax; +\$101,204.
- Street Lights – \$265,000, same as 2019.
- Recreation - \$727,008 vs. \$1,500,000 in 2019 due to alignment of expenses in General Fund and Recreation Fund.
- Street Maintenance - \$0; no subsidy needed due to increased State Gasoline Tax Revenue.
- Sewer Maintenance - \$0 due to proposed sewer fee increase and increased 2019 transfer.

2020 Transfers Out

Transfer for 2020 Operations (cont'd)

- Self Insurance - \$436,000 subsidy for Worker's Compensation claims and administration.
- Debt Service – \$1,030,811 Based on current debt service, including costs, for general obligation debt, includes \$ for Urban Renewal Debt. Sewer Debt to be paid from Sewer Fund.

Transfer for 2021 Capital

- General Capital Fund - \$5,750,000
 - \$3,000,000: Basic Capital Replacement /Repair
 - \$2,000,000: Streets
 - \$750,000: TBD

New Transfer: \$185,700 for Reserve for 27th pay in 2026.

2020 General Fund Transfers

	2017	2018	2019	2019	2020
	Actual	Actual	Budget	Estimate	Budget
<u>Operating Transfers</u>					
Police Pension Fund	750,000	803,094	972,056	972,056	1,010,850
Fire Pension Fund	860,000	826,309	913,577	913,577	975,987
Street Lighting Assessment Fund	250,000	265,000	265,000	265,000	265,000
Recreation Fund Subsidy	875,000	1,275,060	1,500,000	1,500,000	727,008
Street Maintenance Fund	413,359	400,000	400,000	400,000	0
Sewer Maintenance Fund	502,000	502,000	502,000	752,000	0
Self Insurance Fund	945,540	945,000	0	0	436,000
Economic Development Fund	29,058	101,494	0	820,000	0
Debt Service Fund	609,500	1,205,186	1,248,061	1,248,061	1,030,811
Urban Renewal Debt Service Fund	490,000	480,478	0	0	0
<u>Capital Transfers</u>					
General Capital Fund	4,950,000	3,169,000	2,400,000	5,650,000	5,750,000
Sewer Capital Fund	2,050,000	2,000,000	2,000,000	0	0
<u>Other Transfers</u>					
Central Stores Fund - Advance	0	110,000			
Van Aken District Fund	10,000	0	0	0	0
2026 27th Payroll Reserve	0	0	0	185,700	185,700
Transfers Out	\$12,734,457	\$12,082,621	\$10,200,694	\$12,706,394	\$10,381,356

Other Funds Overview

Special Revenue, Debt Service and Internal Service Funds

- 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 \$1,253,300 for sewer maintenance and infrastructure based upon the proposed 2020 fee schedule changes.
 - Program and other fee revenue of \$1,724,747 for Recreation programs.

Summary of 2020 All Funds Budget by Fund Type

2019 Operating Budget | 2020 Operating Budget

Fund Type	2019 Operating Budget	2020 Operating Budget	% Chg from 2019 Budget
General Fund	\$39,094,368	\$41,711,670	6.69%
Economic Development Fund	741,739	318,739	-57.03%
Recreation Fund	3,452,328	2,677,052	-22.46%
Police & Fire Pensions	2,346,500	2,486,261	5.96%
Special Assessment Funds	1,719,216	1,723,507	0.25%
Special Revenue Funds	3,087,021	3,249,738	5.27%
Court Revenue Funds	398,041	458,855	15.28%
Debt Service Funds	4,155,138	3,947,117	-5.01%
Internal Service Funds	3,343,184	3,607,258	7.90%
Self Insurance Funds	\$6,035,813	6,061,696	0.43%
Total All Funds	\$64,373,348	\$66,241,893	2.90%

Key 2020 Budget Assumptions

- Annual operating surplus.
- Maintain General Fund reserve of 25% minimum.
- 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 Street Lighting Fund.
- Revenue from recreation programs is not expected to cover all expenses.
- New fixed sewer fee and increased MCF rate beginning May 2020.

What Guided Prioritization in the 2020 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.



2020 General Fund Budget Changes with Impact to Base Budget (excludes transfer-out)

2020 Budget	\$41,712,614
2019 Budget	<u>39,094,368</u>
	Increase \$2,618,246

Base budget increase:

- 2.25% COLA for all employees plus cost of additional negotiated union compensation (Note: No health care cost increase) \$872,000
- Placeholder for nonbargaining employee Compensation & classification plan \$200,000
- Joint Dispatch 5,000
- Construction Project Manager 109,000
- Fire Truck lease 114,000
- Property Insurance (increase & extra 3 months) 107,000

2020 General Fund Budget Changes with Impact to Base Budget (excludes transfer-out)

Base budget increase (cont'd):

• Senior Transportation Services	\$ 10,000
• Recycling – 6 months	33,000
• CitizenServe annual fee	22,500
• Road Salt	50,000
• 3358 Lee Property Taxes	7,000
• Recreation expenses moved from RecFund to General Fund	\$463,000
Total Impact to Base Budget	\$1,992,500

2020 General Fund Budget Changes: One-Time Expenses

• Shaker Heights Development Corporation (SHDC)	
Property Acquisition	\$250,000
• 2 nd Year Forward Together Planning	<u>50,000</u>
Total One-Time Expenses	\$300,000

Goal: Effective, Cost Efficient Government

Priority: Technology

- Continue implementation of CitizenServe code enforcement and permitting software.
- Implement MUNIS time, attendance and scheduling system.

Priority: Sustainability

- Continuing contract with Sustainability consultant.
- General Fund Reserve of 33.96%, comparable to 2019.
- Placeholder for update to non-bargaining employee pay classification and compensation plan.

Priority: Transparency

- Comprehensive sewer plan and methodology for funding.

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

Priority: Fiscal Stewardship

- Continued cost savings by outsourcing jail services and Fire/Police dispatch and residents' Life Safety Systems.
- Address backlog of funded City Facilities Maintenance Projects.
- Self-insured Employee Healthcare and Workers' Compensation.
- Financial based wellness incentives for bargaining unit employees.
- Extend property insurance coverage for 15 months to align procurement cycle on more cost-effective timeline per recommendation of Risk Management Task Force.
- Finalize negotiation of collective bargaining agreements.

Goal: Vibrant Commercial and Retail Development

Priority: Economic Development

- Support SHDC's property acquisition Chagrin – Lee district.
- Storefront loan program.
- VAD Clean and Safe Ambassadors.
- Next phases of Van Aken District development.

Priority: Planning

- Continued joint facilities planning with schools and library.
- Traffic and pedestrian improvements at various intersections.

Goal: High Quality, High Functioning Neighborhoods

Priority: Housing and Neighborhood Revitalization

- Aggressive maintenance and repair of City sewer infrastructure.
- Strong street resurfacing program.
- Continue: Neighborhood engagement and leadership training; Moreland Model Block Program, Heritage Home Loan Program.
- Police and Fire hiring to budgeted level.

Goal: Attractive, Desirable Quality of Life

Priority: Attract and Retain

- Continue #ShakerPlays – adult and youth programs in public spaces.
- Continue Senior Transportation Services to support aging in place.
- Implement Master Tree Plan.

Next Steps in the Budget Process

- **November 18 – Council/Finance and Administration Committee Work Session following Council Meeting:**
 - 2020 Capital Budget presentation.
 - Feedback on 2020 Operating and Capital Budgets.
 - 1st reading of proposed sewer fee ordinance.
 - Public input.
- **December 2 – Council Work Session:**
 - Council feedback and discussion on 2020 Operating and Capital Budgets, including changes due to revised revenue projections.
 - 2nd reading of proposed sewer fee ordinance.
 - Public input.
- **December 16 – Council Meeting:**
 - 2019 amended appropriation ordinance, with updated transfers-out based on revised revenue/expenditure projections.
 - Adoption of 2020 operating and capital budget ordinances, including non-bargaining compensation ordinance for COLA; and ordinance creating new 27th pay reserve fund.
 - 3rd reading and adoption of proposed sewer fee ordinance.