Goal

City of Cleveland employees will provide high quality service to every resident, business and visitor. The City of Cleveland will create a balanced budget and build a strong, sustainable economic future for the City of Cleveland and our residents.
Working towards the goal

• Since 2006, the City of Cleveland has:
  – Overcome the greatest economic crisis since the great depression while protecting as many city jobs as possible and continuing to invest in the economy
  – Maintained, and in some areas increased, City services with less revenue
  – Invested in City departments in a way that encourages efficiency
• However, the cost of providing city services continues to rise while revenues have not kept pace.
• There are factors outside of our control that will affect our budget:
  – HB5 (takes effect in 2016)
  – Tax Challenges by Professional Sports Teams
Review of City Finances

• For at least 30 years, revenue has not kept pace with the increase in expenses
  – Wages, benefits, health care
  – Fuel and utilities

• The global recession and state budget cuts led to significant revenue loss for the City.
  – Loss of $30 million in local government fund (LGF), commercial activities tax, tangible personal property tax and estate tax combined since 2010.
Revenue – General Fund

*Projected  **Unaudited
2015 Sources of Revenue - Percent

- Charges for Services: 6.97%
- Fines, Forfeitures & Settlements: 6.32%
- Grant Revenue: 3.15%
- Licences & Permits: 0.08%
- Miscellaneous: 2.70%
- Other Shared Revenue (Casino, Sin Tax, Etc.): 4.82%
- Property Tax: 6.47%
- Local Government Fund: 5.19%
- Transfers In: 0.99%
- Income Tax: 60.41%
- Other Taxes (Admissions, Parking, etc.): 6.97%
Expenditures – General Fund

- 2007: $512 million
- 2008: $523 million
- 2009: $520 million
- 2010: $498.5 million
- 2011: $492.7 million
- 2012: $486.5 million
- 2013: $515.6 million
- 2014: $525.5 million
- 2015: $537.4 million

*Projected  **Unaudited
2015 Expenses by Department - Percent

*Mayor’s Office, OEO, MOCAP, City Planning, Boards & Commissions*
Cost increases for the 2015 budget

- Civil Service Testing
  - For Police and Fire entrance exams to maintain current workforce levels
- Health Care
  - Projecting a 3% increase in cost due to self-insurance
- The cost of salt used during snow removal per ton has doubled (from $29.40 to $51.22)
- April 1st Wage increase for negotiated contracts
- 10 Additional Police Officers (C.O.P. Grant)
Cost increases for the 2015 budget

Additional **Unbudgeted** Expenses:

- Remaining outstanding contract negotiations with public safety which may include retro pay which will be millions of dollars.
- DOJ Compliance
- RNC Anticipated prep costs and cash flow support for safety and security, some of which will be reimbursed.
- Anticipated settlements
## Key revenue loss 2014 to 2015

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Worker’s Comp Refund</td>
<td>$3,300,000</td>
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<tr>
<td>Estate Tax</td>
<td>$635,000</td>
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<tr>
<td>Fines &amp; Forfeitures</td>
<td>$1,300,000</td>
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<tr>
<td>Red Light Camera Revenue</td>
<td>$6,900,000</td>
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<tr>
<td>COPS grant</td>
<td>$1,000,000</td>
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<tr>
<td>Local Government Fund</td>
<td>$981,761</td>
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<tr>
<td>Solid waste collection fee</td>
<td>$378,000</td>
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<tr>
<td>Casino</td>
<td>$363,000</td>
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<tr>
<td>TOTAL</td>
<td>$14,857,761</td>
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</tbody>
</table>
Carry Over Balance

2007: $26.1 million
2008: $29.4 million
2009: $4 million
2010: $6.1 million
2011: $16.9 million
2012: $50.6 million
2013: $49.3 million
2014: $39.2 million

*Projected
## Estimates for Fiscal Year 2015

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Beginning Balance</td>
<td>$39,229,513</td>
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<tr>
<td>Revenue Estimate</td>
<td>$500,231,952</td>
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<tr>
<td><strong>Total Resources</strong></td>
<td>$539,461,465</td>
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<tr>
<td>Expense Estimate</td>
<td>$537,441,515</td>
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<td>Projected Ending Balance</td>
<td>$2,019,950</td>
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</table>
Challenges in fiscal year 2015

- Collective bargaining negotiations
- The loss of $6.9 million in revenues from automated traffic enforcement program (cameras)
- Continued rise of the cost of health care
  - The City currently spends $70 million per year in health care benefits (medical, dental, vision)
    - Approximately $47 million to the general fund
    - Preventive care sought by city employees will help control this cost
Key points for 2015

• Our goal is to have a 5% reserve ($25 million) to enhance rating agency credit reviews and support ongoing fiscal solvency.
  – This year, the reserve will remain at $18,688,000
• Focused efforts to reduce health care costs to the City by encouraging preventive care through Wellness Works and Routine Medical Check Ups
• No budgeted layoffs, pending any additional adverse legislation or actions by the state or federal government.
Where We Are Now…

• Despite economic growth in our area, the City’s revenue remains flat. The City receives no direct benefit i.e. sales tax, business tax (Commercial Activity Tax) from the development of restaurants, hotels and businesses in Greater Cleveland.

• Our municipal budget is supported primarily by income taxes (60%) and property taxes (18% county levy).

• We continue to have challenges to our tax base like House Bill 5 and challenges from Professional Sports Teams that will likely substantially reduce the amount of income tax we receive.

• There is no anticipation of any new taxes that would positively impact revenue collection so our only option is to control costs.

• Successfully controlling costs will preserve our current work force and the efficient delivery of services.
Role of Public Servants

• The work we do as public servants is key to our financial success and our bottom line: service delivery.

• To be successful, I’m relying on you as managers to continue to:
  – Manage the city’s resources with strong fiscal controls.
  – Require high quality work from our employees at all times.
  – Provide excellent customer service.
  – Be proactive in your health care and encourage your employees to be proactive as well.
Thank you