City of Cleveland Managers’ Update
1st Quarter
February 1, 2013
City of Cleveland Goals

- Create structural balance in the City’s budget
- Build a sustainable future for the City of Cleveland
- Provide high quality service to every resident, business and visitor
The City of Cleveland today

- Cleveland is well-positioned for the future but still faces financial challenges.
- There are signs of economic growth.
- The cost of providing city services continues to rise.
- The potential for future state and federal revenue loss must be considered.
Creating structural balance

• Our financial goal is to create structural balance in our budget:
  – Have our costs in line with our revenue
  – Eliminate the need for one-time revenue
  – Build up Rainy Day fund

• Provides certainty and stability for the future

• Create a good investment environment
Review of City Finances

- Since 2006, 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.
  - The State has cut local government fund, commercial activities tax and tangible personal property tax by $27 million since 2011.
- Recent development projects and an improving economy have relieved some of the pressure on our municipal budget.
Revenue – General Fund

2006: $490 million
2007: $517 million
2008: $524 million
2009: $499 million
2010: $502.7 million
2011: $518 million**
2012: $518 million**
2013: $491.8 million*

*Projected
**Unaudited
## Revenue loss from 2012 to 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property tax</td>
<td>$4,100,000</td>
</tr>
<tr>
<td>Local government fund</td>
<td>$6,100,000</td>
</tr>
<tr>
<td>COPS grant</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Estate tax</td>
<td>$2,566,000</td>
</tr>
<tr>
<td>One time revenue (Med Mart and land sales)</td>
<td>$14,300,000</td>
</tr>
<tr>
<td><strong>Total revenue loss</strong></td>
<td>$30,066,000</td>
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## Carry Over Balance

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>2006</td>
<td>$20,267,000</td>
</tr>
<tr>
<td>2007</td>
<td>$26,149,000</td>
</tr>
<tr>
<td>2008</td>
<td>$29,444,864</td>
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<tr>
<td>2009</td>
<td>$3,968,409</td>
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<tr>
<td>2010</td>
<td>$6,143,726</td>
</tr>
<tr>
<td>2011</td>
<td>$16,860,706</td>
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<tr>
<td>2012</td>
<td>$50,559,078</td>
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</tbody>
</table>

**Unaudited**
# Estimates for Fiscal Year 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$50,559,078</td>
</tr>
<tr>
<td>Revenue Estimate</td>
<td>$491,838,421</td>
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<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$542,397,499</strong></td>
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<tr>
<td>Expense Estimate</td>
<td>$538,373,986</td>
</tr>
<tr>
<td>Projected Ending Balance</td>
<td>$4,023,513</td>
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</table>
Potential impacts on year end balance

• Ongoing Federal budget challenges could impact grant funding
  – Potential impact on grant-funded departments, particularly Community Development, Public Health and Aging

• The possibility of additional cuts to state revenue

• Continued rise of the cost of health care
  – The City currently spends $70 million per year in health care benefits (medical, dental, vision)
  – The cost of providing medical benefits, like all other costs, continues to rise
    • Market fluctuations
    • Level of preventative care sought by City employees
    • Impact of Affordable Health Care Act
Impact of Affordable Health Care Act

• The Affordable Health Care Act requires health care benefits to be provided to seasonal and part-time employees who work a minimum number of hours during the year.

• Monthly premiums per employee for City health care benefits range from $373 for single coverage to $1,225 for family coverage.
Budget approach for 2013

- 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 total $18,675,000

- No budgeted layoffs pending the outcome of the State’s biennial budget and continued economic growth.
Cost increases for the 2013 budget

- Increase in the police force with the hiring of 25 new officers through lateral transfers from Ohio police departments
  - Allows the creation of a specialized unit to focus on guns and violent crime
- Increase in the number of ambulances on duty from 15 to 18
- Continuation of enhanced public safety and public works
  - Due to increased activity in Downtown Cleveland
  - Maintains service in the neighborhoods
- A 27th pay period, which increases our general fund costs by $13 million
- Stadium debt is no longer funded by sin tax; increases our general fund costs by $9.8 million
Positioning for the future

• Despite the challenges that we still face, our goal is to create structural balance in our budget and operate within our means – It will require continued operational efficiency and strict cost controls.
– It will depend on the continued growth of the economy and building on that momentum.
Signs of economic growth

• A reported $7 billion in recent and planned investments and activities is creating momentum in Cleveland’s economy.
  
  • Medical Mart and Convention Center
  • Uptown – Phases II
  • Cleveland Museum of Art
  • Flats East Bank
  • MidTown Tech Park
  • Orlando Baking Company expansion
  • Gordon Square Arts District
  • Public Auditorium
  • 2013 National Senior Games
  • 2014 Gay Games
Building on the Momentum

• The work we do as public servants is the key to building on this momentum.

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