

# City of Cleveland Managers' Update

## 1<sup>st</sup> Quarter

February 1, 2013



**CITY OF CLEVELAND**  
Mayor Frank G. Jackson

# 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.

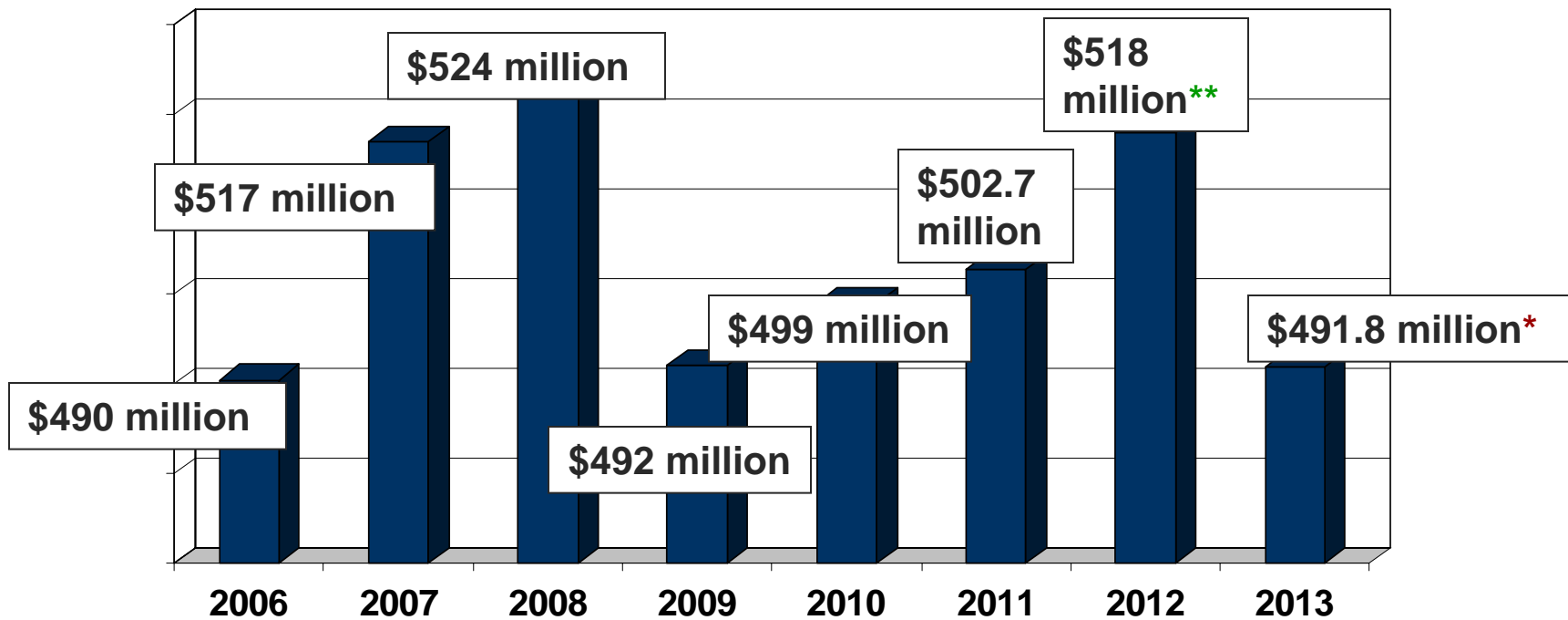
# Creating structural balance

- 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



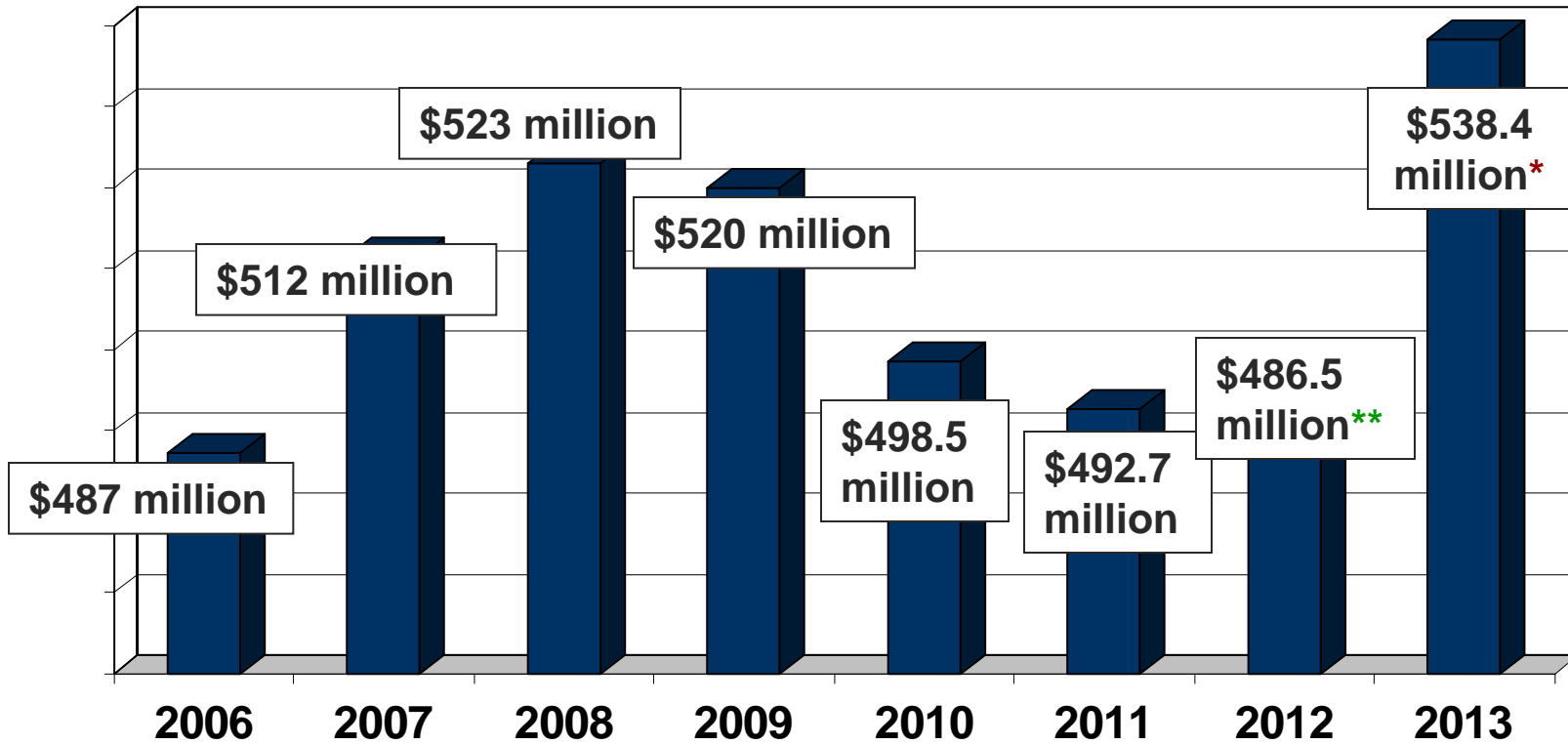
**\*Projected**

**\*\*Unaudited**

# Revenue loss from 2012 to 2013

Property tax	\$4,100,000
Local government fund	\$6,100,000
COPS grant	\$3,000,000
Estate tax	\$2,566,000
One time revenue (Med Mart and land sales)	\$14,300,000
<b>Total revenue loss</b>	<b>\$30,066,000</b>

# Expenditures – General Fund

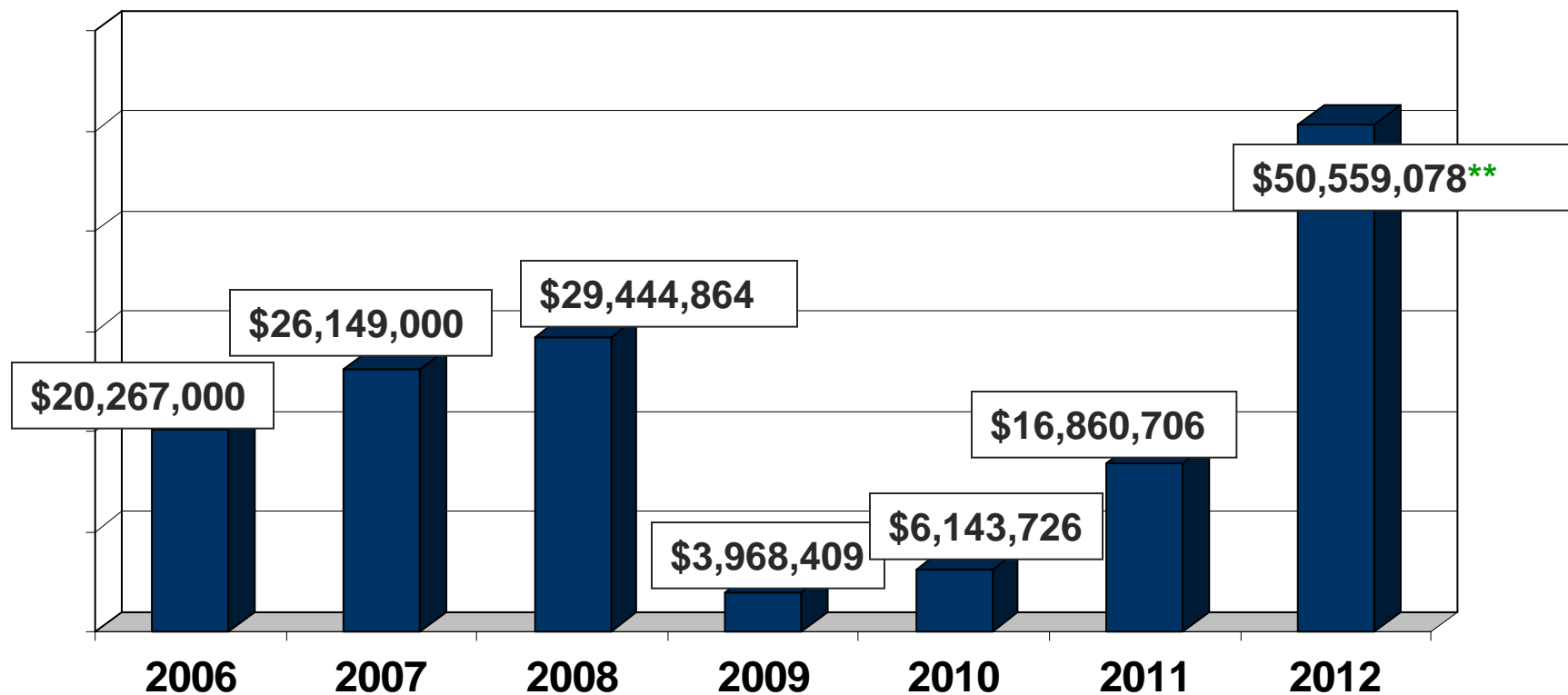


\*Projected

\*\*Unaudited



# Carry Over Balance



\*\*Unaudited

# Estimates for Fiscal Year 2013

Beginning Balance	\$50,559,078
Revenue Estimate	\$491,838,421
<b>Total Resources</b>	<b>\$542,397,499</b>
Expense Estimate	\$538,373,986
Projected Ending Balance	\$4,023,513

# 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 27<sup>th</sup> 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