

City of Cleveland Managers Update

4th Quarter

December 18, 2014

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CITY OF CLEVELAND
Mayor Frank G. Jackson

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.

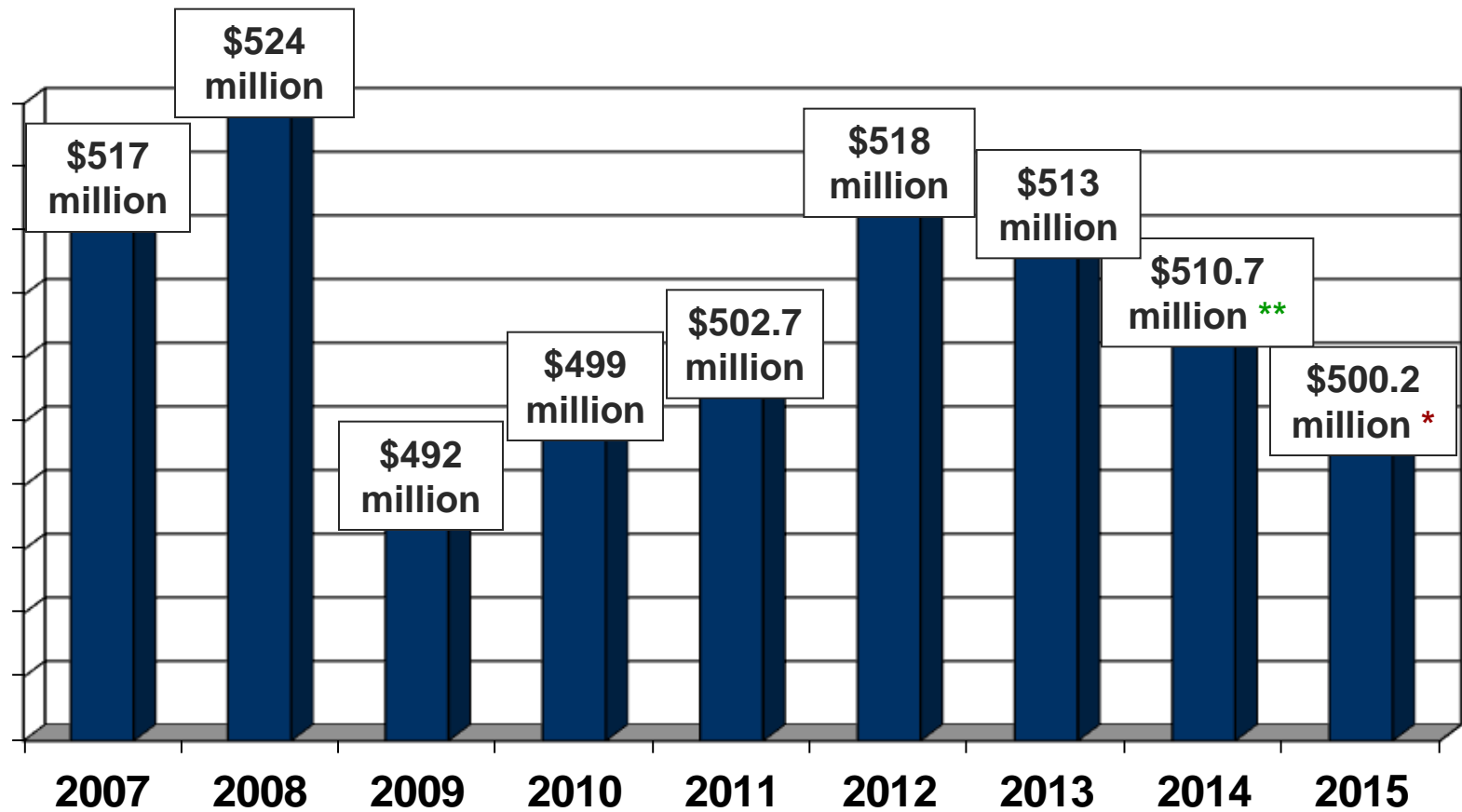
Working towards the goal

- 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

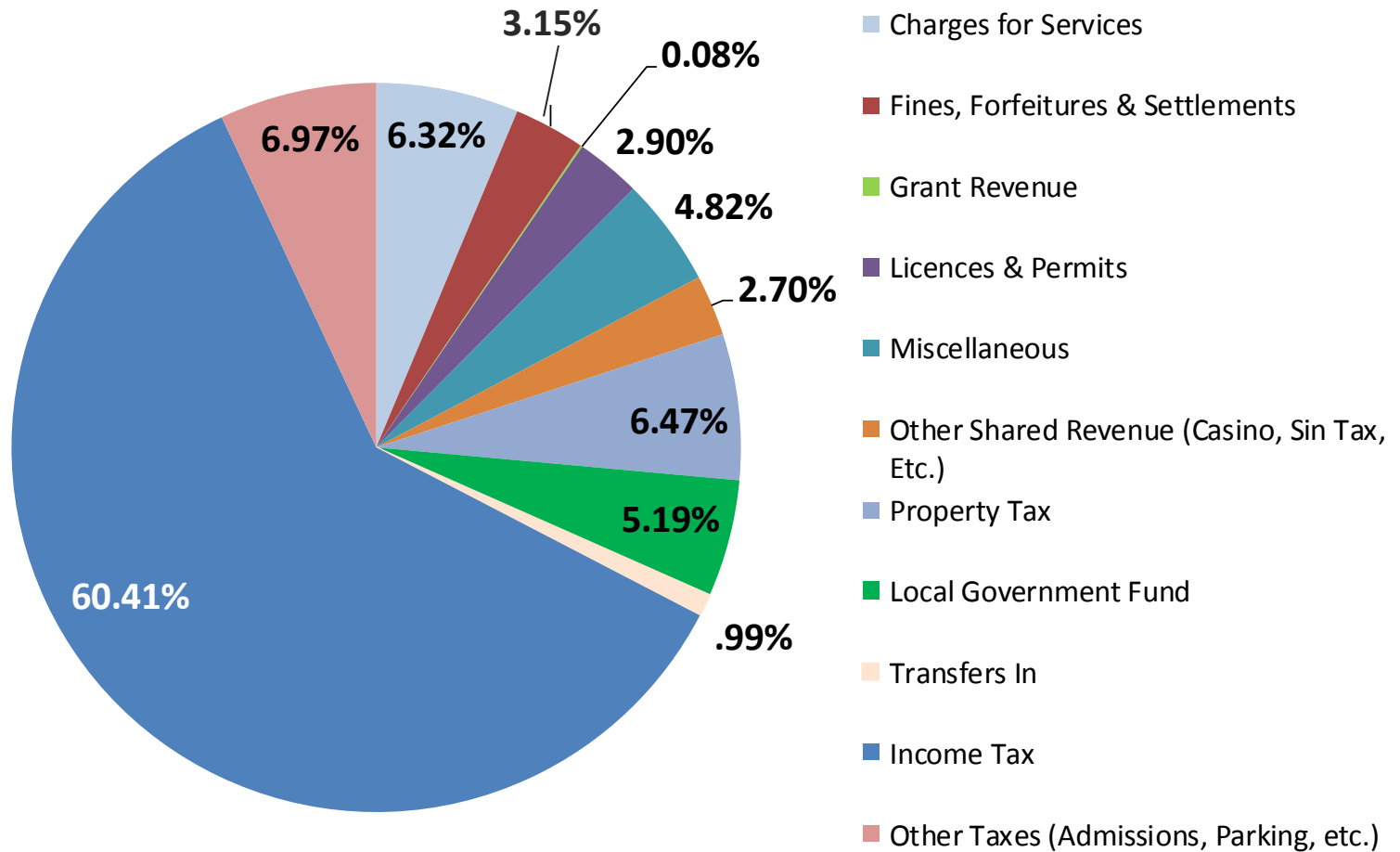
- For at least 30 years, revenue has not kept pace with the increase in expenses
 - Wages, benefits, health care
 - Fuel and utilities
- The global recession and state budget cuts led to significant revenue loss for the City.
 - Loss of \$39 million of income tax and property tax in 2008-2009 (global recession – foreclosure crisis).
 - 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

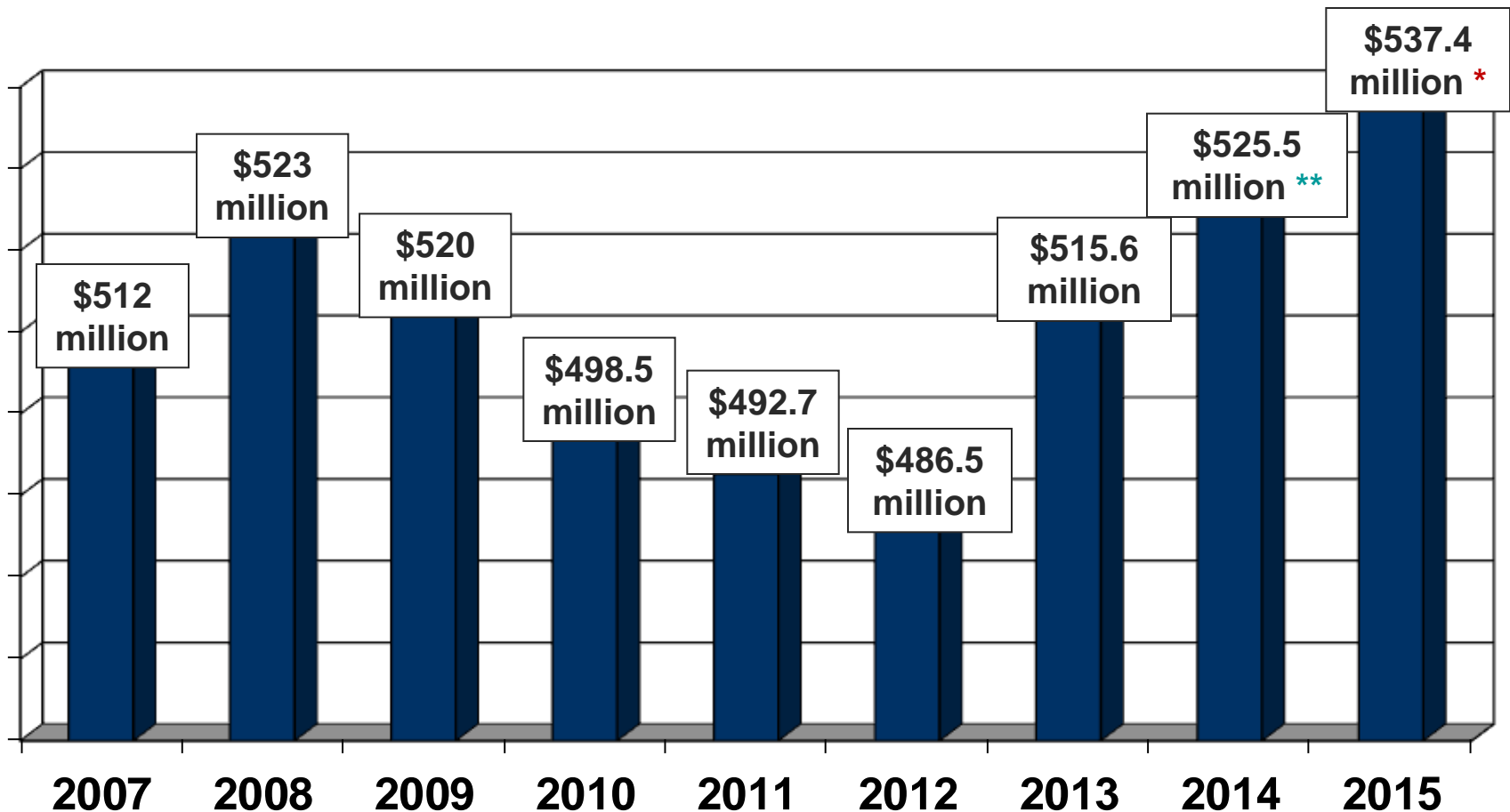


***Projected **Unaudited**

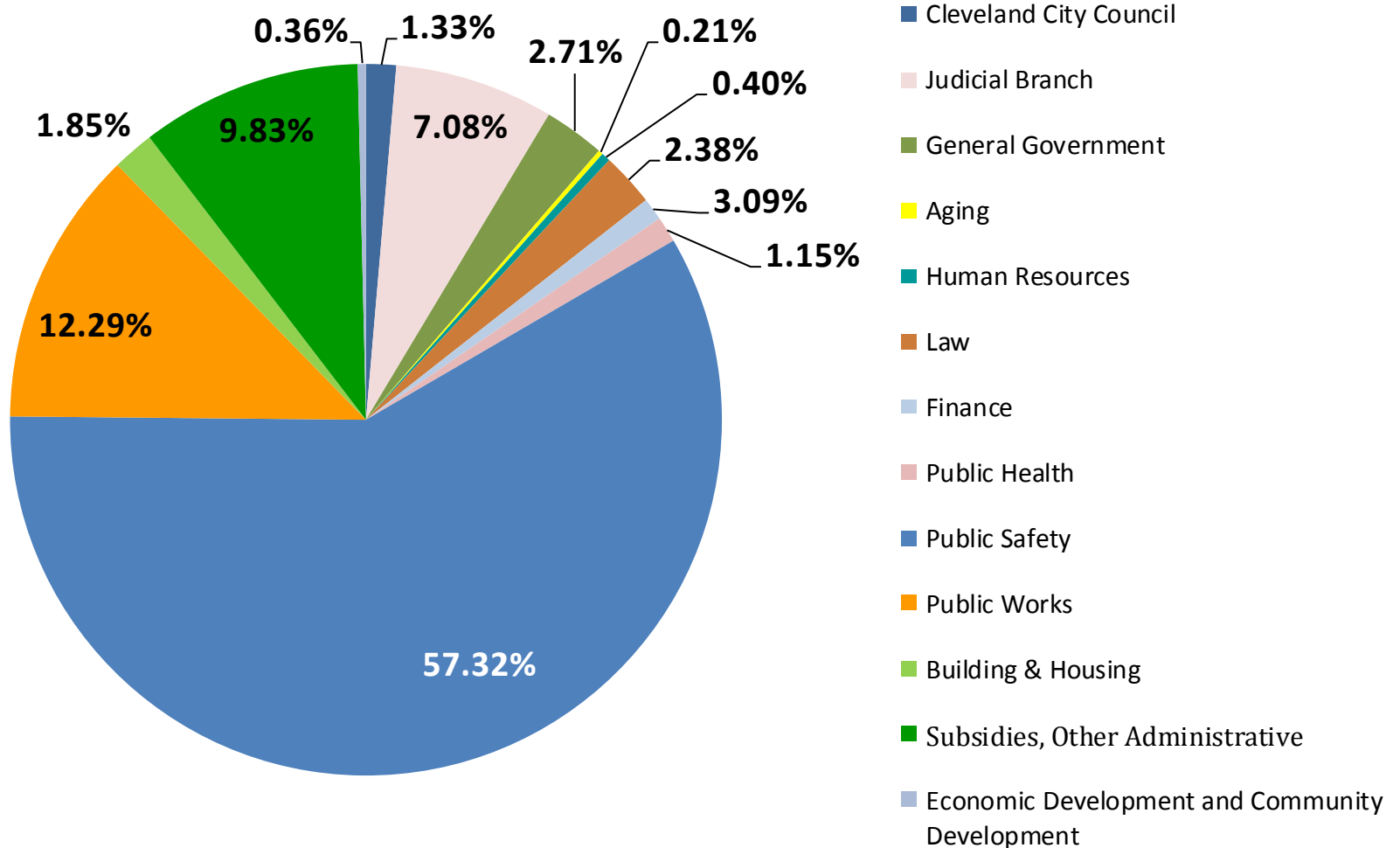
2015 Sources of Revenue - Percent



Expenditures – General Fund



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

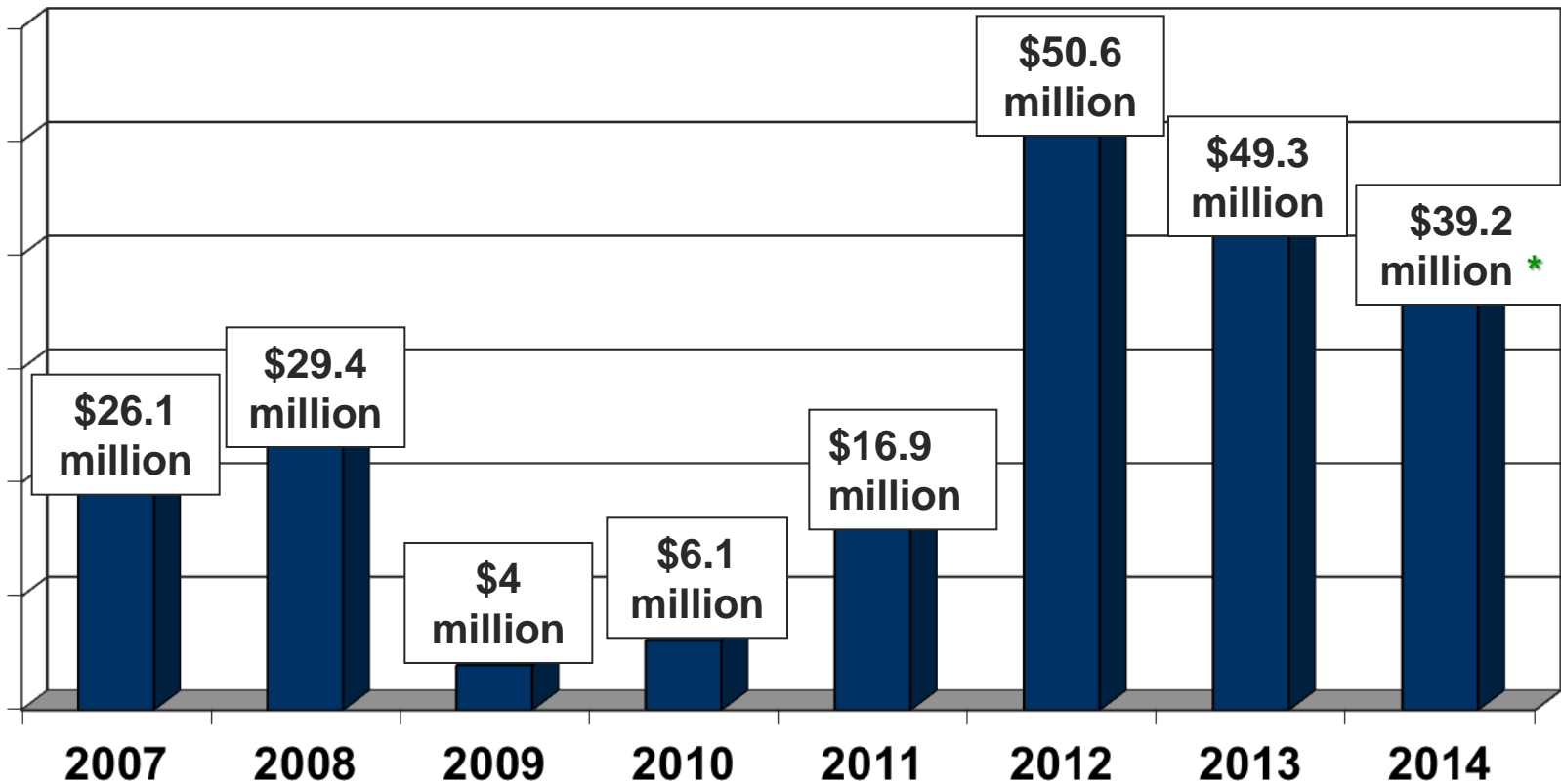
Additional **Unbudgeted** Expenses:

- 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

Source	Amount
Worker's Comp Refund	\$3,300,000
Estate Tax	\$635,000
Fines & Forfeitures	\$1,300,000
Red Light Camera Revenue	\$6,900,000
COPS grant	\$1,000,000
Local Government Fund	\$981,761
Solid waste collection fee	\$378,000
Casino	\$363,000
TOTAL	\$14,857,761

Carry Over Balance



* Projected

Estimates for Fiscal Year 2015

Beginning Balance	\$39,229,513
Revenue Estimate	\$500,231,952
Total Resources	\$539,461,465
Expense Estimate	\$537,441,515
Projected Ending Balance	\$2,019,950

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