

City of Cleveland Managers Update

2016 Mayor's Estimate

February 1, 2016



CITY OF CLEVELAND
Mayor Frank G. Jackson

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. We will receive admission, parking, and bed taxes.
- Our municipal budget is supported primarily by income taxes (60%) and property taxes (6%) of the City's total budget (66%).
- We continue to have challenges to our tax base like House Bill 5 (effective 2016) and requests for exemptions from municipal tax collection by professional sports players and executive level professionals will adversely affect income tax collection.
- We've been under cost control mode for some time now. Our ability to maintain and enhance services into the future will require additional revenue streams.
- Successfully controlling costs has allowed us to preserve our current work force and the delivery of services to this point.

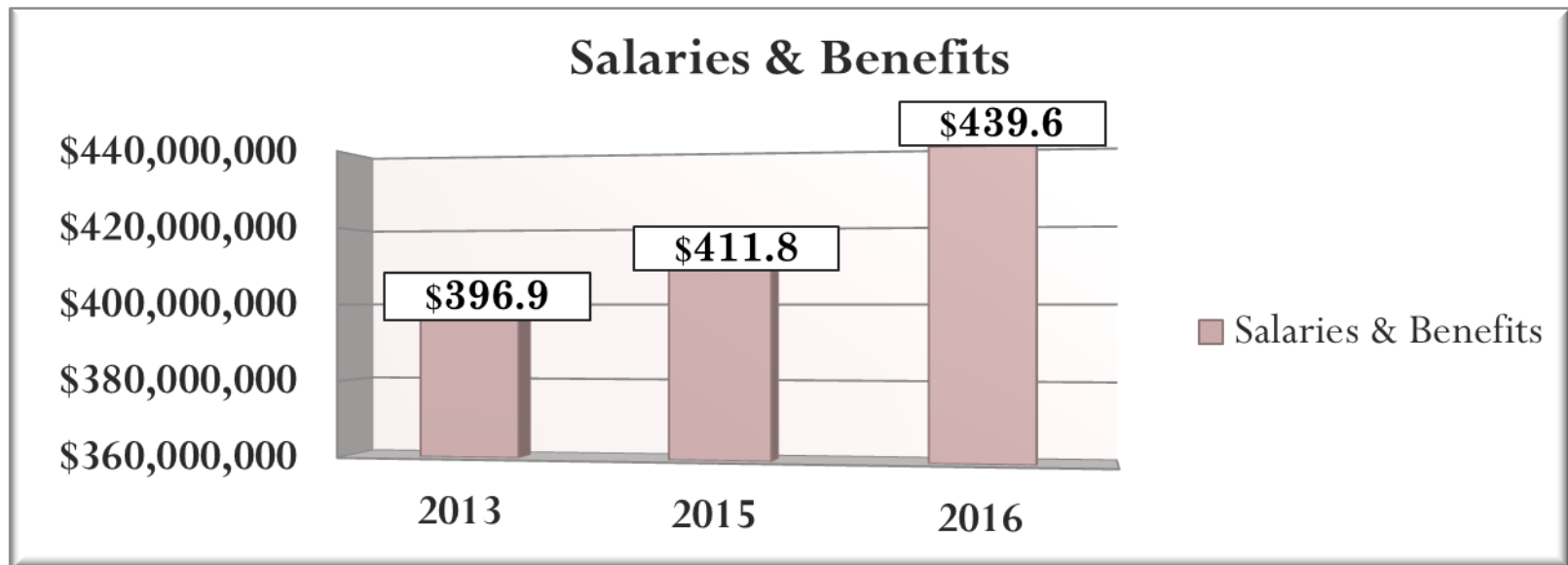
Review of City Finances

- For the last 10 years, revenue has not kept pace with the increase in expenses but going forward we will have additional expenses:
 - Wages, benefits, health care
 - Fuel and utilities
- In addition we will see increase in cost with the *Consent Decree, Union Negotiations and Wage Driven Costs.*
- The global recession and state budget cuts led to significant permanent revenue losses for the City:
 - Permanent annual loss of \$18 million property tax foreclosure crisis.
 - Permanent annual loss of \$30 million in local government fund (LGF), commercial activities tax, tangible personal property tax and estate tax.* Since 2010, the accumulated annual loss from State of Ohio Revenue loss is \$111.3 million.
 - Additional annual loss of \$13.2 million between 2014 – 2015 (Camera enforcement program, fines & forfeitures etc.)

*** In 2010 the City lost \$26 million in income tax alone.**

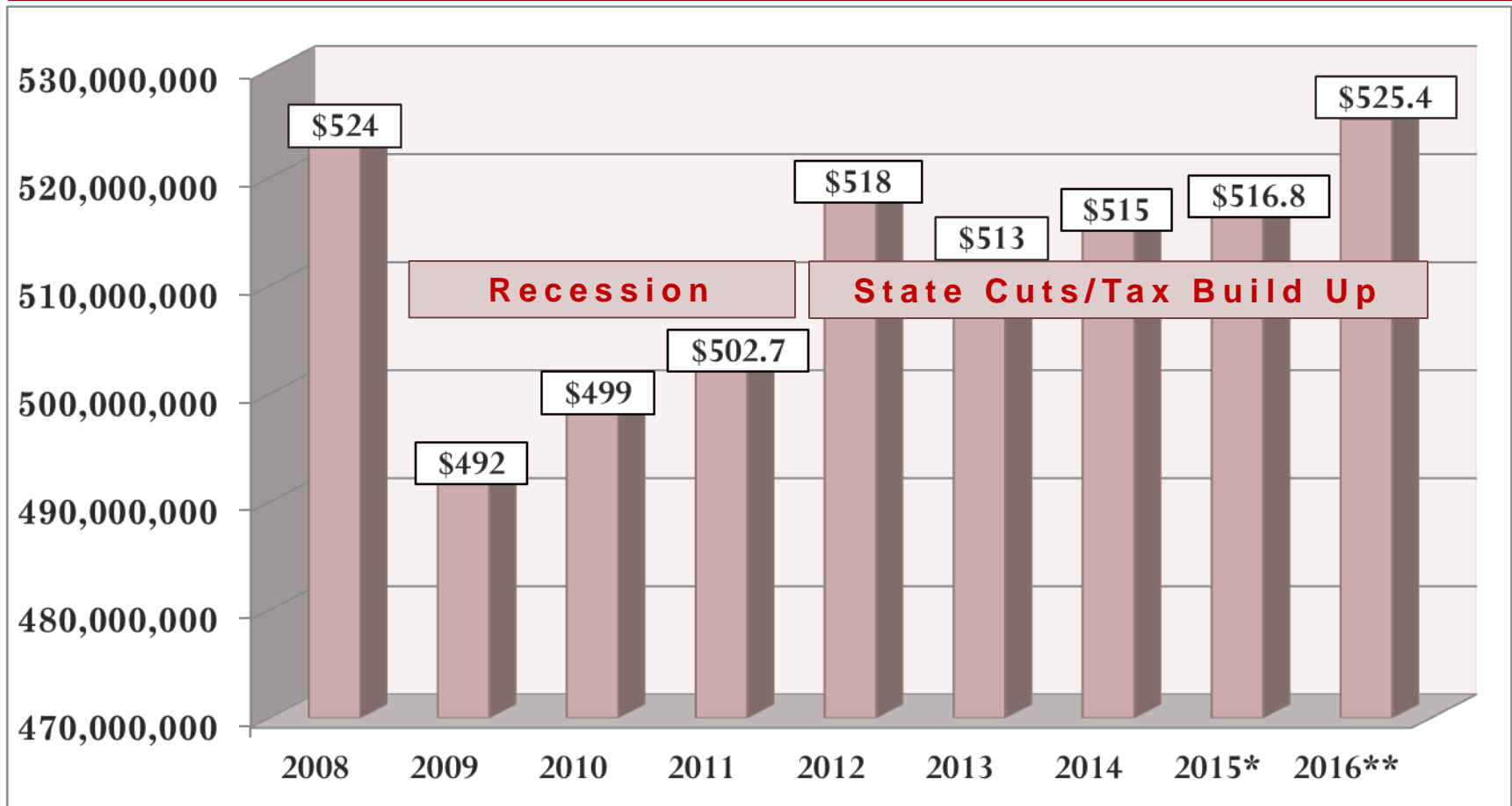
Review of City Finances (Continued)

- Contract negotiations are completed for the period 2013 thru 2015.



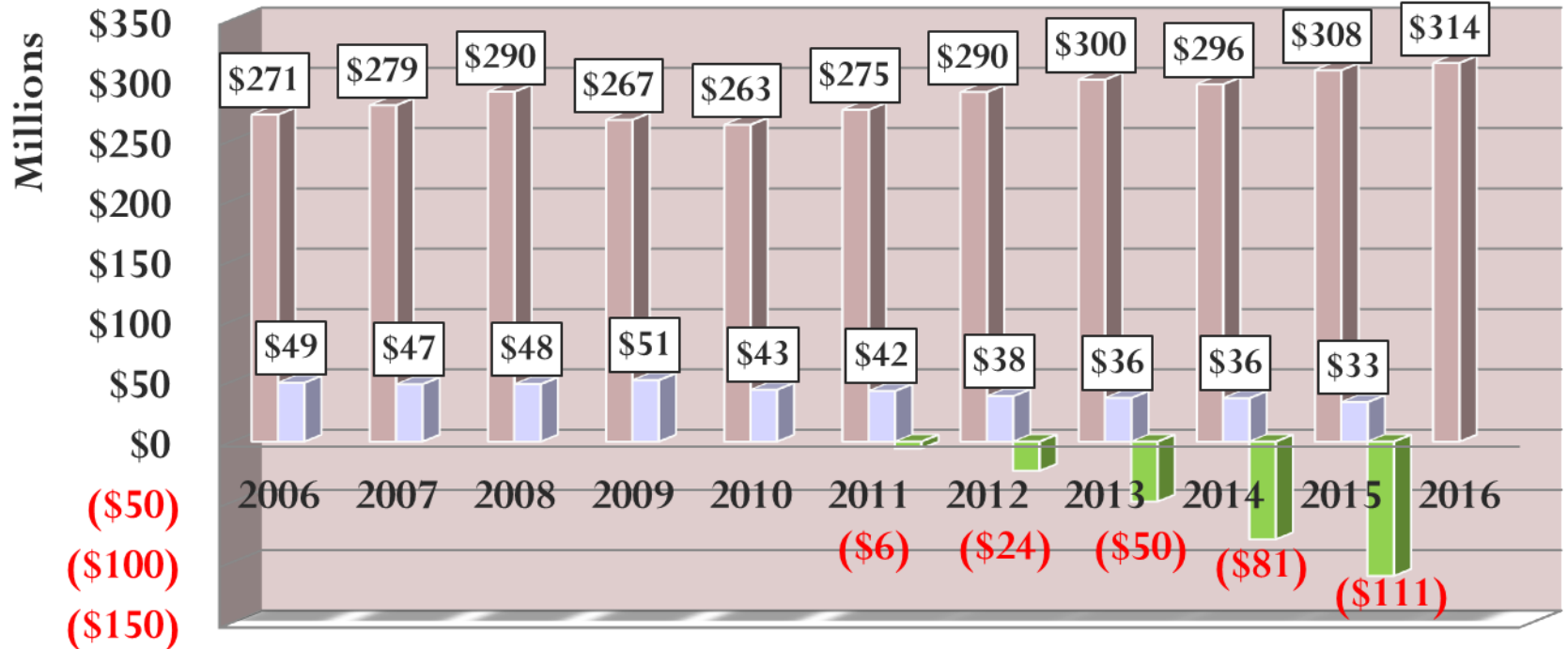
- The net increase in Salaries and Benefits from retroactive pay between 2013 and 2015 after contract negotiations was \$14.9 million or 4%.
- Going forward in 2016, the net increase from retroactive pay between 2015 and 2016 is \$27.8 million or 11%.

Revenue – General Fund



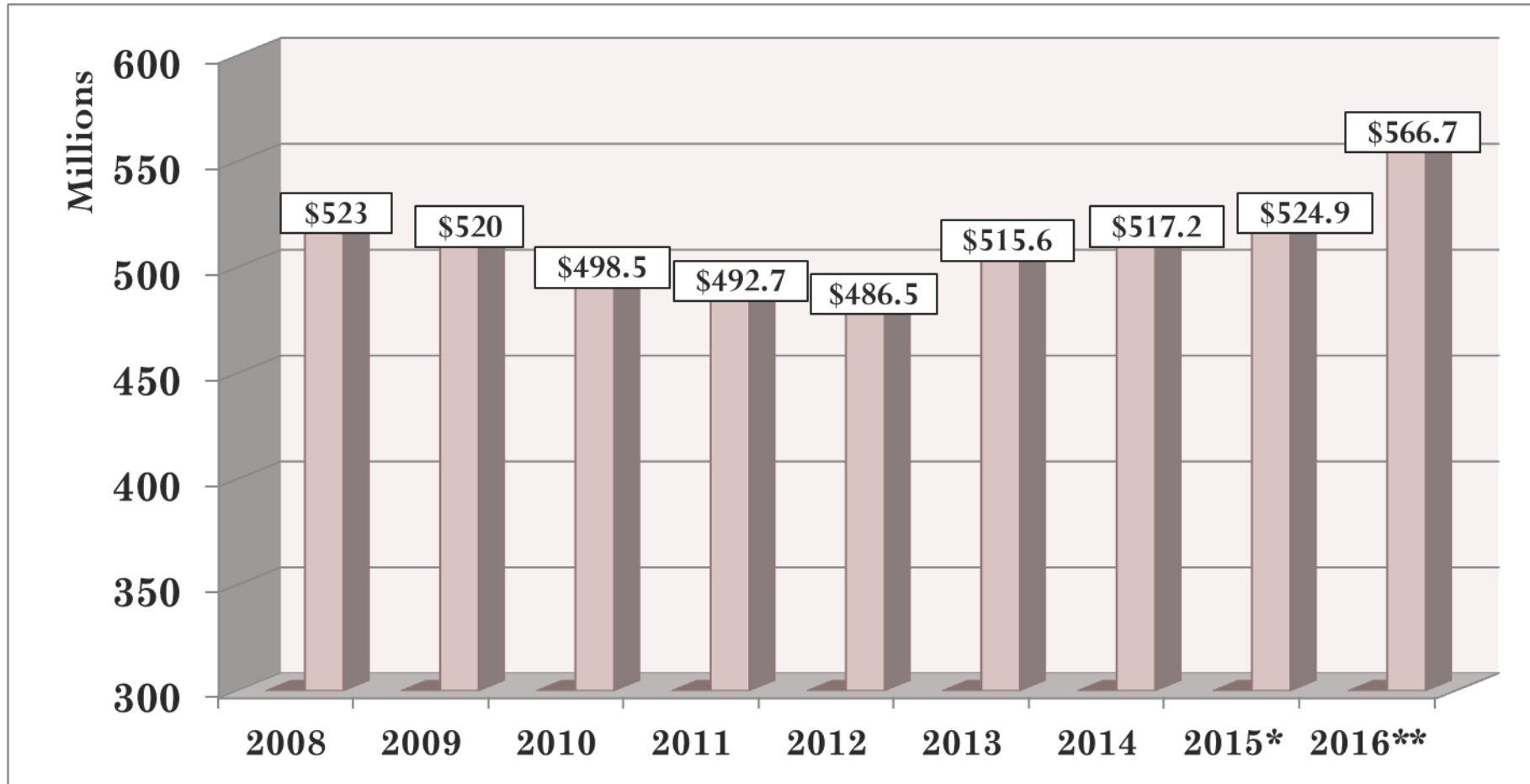
*Unaudited **Budgeted

Prosperity Recovery and Growth



■ Income Tax ■ Property Tax ■ Accumulated Annual Loss from 2010 basis revenues

Expenditures – General Fund



***Unaudited **Budgeted**

Cost increases for the 2016 budget

- Salaries & Benefits \$27.8 million
- Justice Center Maintenance \$ 6.0 million
- Health Care \$ 3.4 million
 - Projecting a 9% increase in cost due to increase in claims (older employee base)
- DOJ Consent Decree Compliance \$11.0 million
- Civil Service Testing \$700K
 - For Police and Fire entrance exams to maintain current workforce levels
- Republican National Convention
 - Anticipated prep costs and cash flow support for safety and security, some of which will be reimbursed.
- Possible legal settlements

DOJ Consent Decree Cost Estimates

Upfront Estimated Costs – 2016

– Community Police Commission	\$ 755,210
– Training Requirements	\$ 2,927,319
– Crisis Intervention Program	\$ 216,323
– Internal Review and Accountability	\$ 1,165,056
– Equipment and Personnel	\$ 1,098,500
– Recruitment Plan	\$ 537,786
– Monitor	\$ 1,100,000
– Information Technology Support	\$ 2,687,554
– <u>Departmental Operating Expenses</u>	<u>\$ 120,753</u>
– Total Upfront Est. Costs	\$10,608,501

Annual Estimated Reoccurring Costs – Beginning 2017

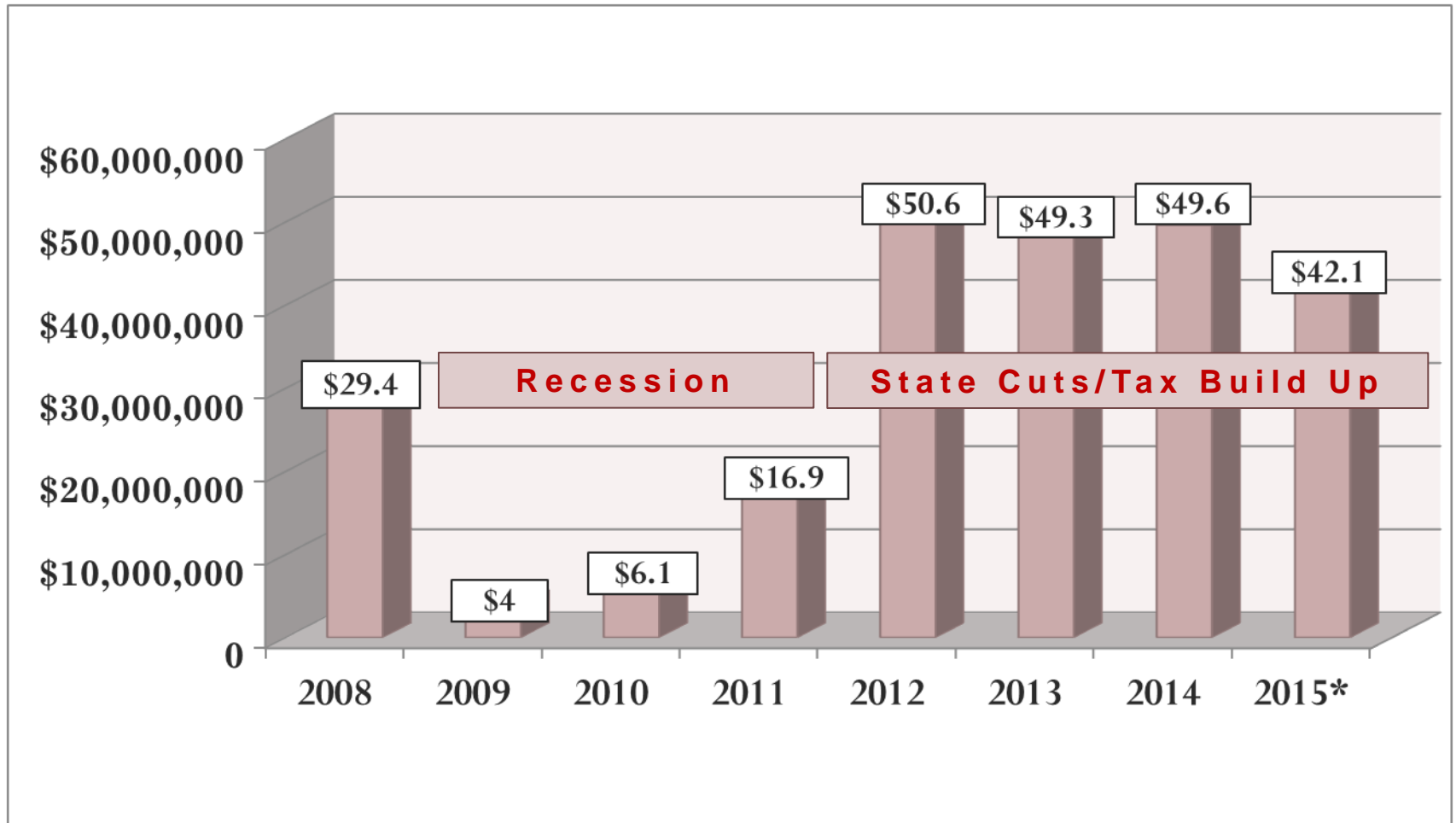
– Community Police Commission	\$ 782,117
– Training Requirements	\$ 966,015
– Crisis Intervention Program	\$ 220,649
– Internal Review and Accountability	\$1,188,357
– Equipment and Personnel	\$1,500,000
– Recruitment Plan	\$ 554,494
– Monitor	\$1,050,000
– Information Technology Support	\$ 747,500
– <u>Departmental Operating Expenses</u>	<u>\$ 126,791</u>
– Total Annual Est. (Reoccurring) Costs	\$7,135,922

Key revenue losses 2016

Source	Amount
Estate Tax	\$180,000
Fines & Forfeitures	\$1,200,000
Local Government Fund	\$1,486,000
Building Permits *	\$637,000
Property Tax	\$1,750,000
TOTAL	\$5,253,000

*** Building Permits revenues dropped from 2015 to 2016 because contractors pulled the permits in 2015 in anticipation of the RNC.**

Carry Over Balance



*Unaudited

Estimates for Fiscal Year 2016

Beginning Balance	\$42,096,566
Revenue Estimate*	\$525,371,291
Total Resources	\$567,467,857
Expense Estimate	\$566,745,503
Projected Ending Balance	\$722,354

Thank you