



City of Solon 2018 Proposed Budget Overview

*Budget Hearing
November 13, 2017*

2017 Budget Update

2017 Operating Revenue Update

Summary of Operating Revenue by Type

Fund Type	2016 Actual	2017 Budget	2017 YTD Actual	% Collected	2017 Projection	% Chg PY
General Fund Operating	\$41,749,608	\$ 41,995,860	\$32,991,076	78.6%	\$ 42,749,340	2.4%
Other Funds *	\$19,348,857	\$ 14,721,835	\$11,859,256	80.6%	\$ 14,380,575	-25.7%
All Funds Total	\$61,098,465	\$ 56,717,695	\$44,850,332	79.1%	\$ 57,129,915	-6.5%

* Includes transfers from the General Fund

- Total 2017 General Fund operating revenue through September was \$33.0 million or 78.6% of the budget estimate
- Total 2017 YTD revenue was 4.0% higher than the 2016 comparable period
- The difference was primarily the result of the increase in the 2017 budget for income tax collections

2017 Operating Revenue Update

- General Fund portion of income tax receipts totaled \$28.0 million through October, running about 5.0% ahead of 2016 YTD at 85% of the estimate for the year
- Income tax revenue includes the annual retainer refund of \$590,570 (General Fund share).
- The 2017 projection for income tax revenue including the retainer is \$34.3 million for the General Fund
- Property tax collections through September 2017 were just over \$1.1 million for the General Fund and \$3.1 million for other funds
- Program revenue for Recreation, Senior Services, and Arts Center combined totaled \$2.3 million and was at 80.2% of the estimate for 2017

2017 Income Tax Update

2017 Income Tax Summary by Component	2017 Estimate	% Chg from PY Act.	2017 YTD Collection	2016 YTD Collection
Withholding	32,610,667	1.7%	29,643,341	29,064,779
Individuals	4,127,525	10.3%	3,751,951	3,422,162
Net Profits	7,852,022	19.5%	7,137,547	6,051,695
Utility Net Profits	3,520	41.0%	3,200	3,039
Penalty & Interest	247,899	79.4%	225,342	122,315
Refunds & Adjustements	(681,739)	16.3%	(619,706)	(540,758)
Total Regular Collections	44,159,895	5.3%	40,141,676	38,120,193

- Strong growth in both individual and net profit (business) income tax collection as compared to 2016
- The retainer refund received in 2017 was \$590,570 total of \$787,500
- Refunds and cost of collections are budgeted as an expense in the Finance Department budget

2017 Operating Expenditure Update

2017 Genera Fund Budget Summary	2015 Actual	2016 Actual	2016 YTD Actual *	2017 Budget	2017 YTD Actual *	% of Budget	% PY Chg
Total Operating Revenue	\$ 34,366,658	\$ 41,749,608	\$ 31,718,098	\$ 41,995,860	\$ 32,991,076	78.6%	4.0%
Personal Services	24,868,636	26,639,710	20,756,012	28,801,089	20,184,088	70.1%	-2.8%
Other Expenditures	7,748,220	8,876,374	6,379,131	11,512,856	6,730,437	58.5%	5.5%
Total Operating Expenditures	32,616,855	35,516,084	27,140,139	40,313,945	26,914,525	66.8%	-0.8%
<i>Transfers Out</i>	<i>6,692,000</i>	<i>7,285,000</i>	<i>7,285,000</i>	<i>2,683,000</i>	<i>2,683,000</i>	<i>100.0%</i>	
Total Expenditures	\$ 39,308,855	\$ 42,801,084	\$ 34,425,139	\$ 42,996,945	\$ 29,597,525	68.8%	-14.0%

- Total General Fund operating expenditures (excluding transfers out) through September were \$ 26.9 million or 66.8% of the approved 2017 budget.
- The operating expenditures as of September were 0.8% lower than the expenditures through the comparable period in 2016
- Expenditure comparison through October has a similar result

2017 Operating Expenditure Notes (General Fund)

- General Fund regular salary expenditures through October were \$15.8 million or 82.0% of the 2017 approved budget of \$19.3 million
- Overtime utilization for all departments combined was in line with budget expectations and was at 82.6% of the budget through October 2017
- General Fund operating expenditures excluding encumbrances totaled \$30.1 million or 74.6% of the approved budget through October
- Most departmental budgets are running at or below the approved operating budget – *few exceptions*
- Total encumbrances through October were \$2.35 million

2017 Operating Result - *Estimate*

<i>General Fund Operating Projected Result</i>	2017 Budget	2017 Projection
GF Operating Revenue	41,995,860	42,749,340
<i>% Chg</i>	<i>0.6%</i>	<i>1.8%</i>
<u>Operating Expenditures</u>		
Personal Services	28,581,735	27,299,765
Other Expenditures	11,717,210	9,983,557
Total Oper. Expenditures	40,298,945	37,283,321
Transfers Out	2,698,000	2,698,000
Total Expenditures	42,996,945	39,981,321
<i>% Chg</i>	<i>0.5%</i>	<i>-7.0%</i>
<i>Net Operating Result</i>	<i>(1,001,085)</i>	<i>2,768,019</i>
<i>Net Result %</i>	<i>-2.5%</i>	<i>7.4%</i>

- General Fund revenue is currently projected to exceed expenditures by over \$2.5 million in 2017
- **Recommendations for utilization of the current projected operating surplus include pre-funding 2018 capital needs**

2018 Budget Overview

2018 Budget Development Timeline

Budget Development Step	Date
Proposed Budget Document Completed	November 10 th
First Budget Hearing – Operating Budget	November 13 th
Second Budget Hearing – Capital	November 20 st
First Reading – Regular Council Meeting	November 20 st
Second Reading – Regular Council Meeting	December 4 th
Third Reading & Adoption – 2017 Operating & Capital	December 18 th
2017 Budget Effective	January 1 st 2018

2018 Budget Document – Format and Sections

- Budget Message and Overview
- Lots of narrative and charts
- Budget exhibits – the “guts” of the budget (2 new for 2018)
- Departmental Summaries with the following components:
 - ✓ Budget summary table
 - ✓ Department description and functions
 - ✓ Funding sources with corresponding chart
 - ✓ 2017 accomplishments
 - ✓ Budget by expenditure category chart
 - ✓ Summary budget data
 - ✓ 2018 budget highlights
 - ✓ Capital budget summary – *if applicable*
 - ✓ Organizational chart
- Budget by line-item and fund – Appendix A
- Capital plan and overview



2018 Operating Budget Summary

- Budget Development Goals
- 2018 budget factors and challenges
- Changes and improvement to budget development
- Summary of 2018 budget parameters
- 2018 operating budget summary
- Overview of General Fund revenue by major source
- Overview of General Fund operating budget
- General Fund operating results forecast
- All funds budget summary
- Individual Departmental budgets

2018 Budget Development Goals

An organization's budget reflects its vision, strategy, and priorities

- Maintain core service levels with available resources
- Allocate funding across programs using priority-based decisions
- **Target structural balance in the General Fund**

2018 Budget Development Goals

An organization's budget reflects its vision, strategy, and priorities

- Cost-effective use of **reserves in the General Fund and other major** funding and increased collaboration between departments
- Balance funding of economic development with the investment in the capital needs of the City
- Recommend funding levels with consideration of the long-term financial viability

2018 Factors | Challenges – Operating Budget

Does the 2018 budget consider these factors?

- Economic stability is the region and State level – *economy is due for a downturn*
- Inflationary pressure, increase in short-term interest rates
- Budget policy at the State and federal levels – *HB49*
- Property values – *residential and commercial values to be appraised in 2018*
- Income tax revenue trends and a reliance on a single revenue source to meet operating and capital needs

2018 Factors | Challenges – Operating Budget

Does the 2018 budget address these challenges?

- Managing personnel expenditures and increasing employee health care costs – *labor negotiations in 2018*
- Balancing the priorities of the City in the context of shared but limited resources – *across the board vs. targeted*
- Investing General Fund resources in economic development to preserve and grow the City’s tax base
- Growing need for investing in buildings and capital assets with limited resources – *continued cash funding*

Some Changes and Improvements for 2018

(2)

- Priority of achieving structural balance in the General Fund and sustaining balance – *slight surplus in 2018*
- Continuation of adopting permanent budget prior to beginning of budget year
- *Continual refinement to push the budget to more closely representing expected outcome while retaining flexibility*
- *Modified budget development basis – use of 2017 expenditure trends to set 2018 budget starting points*
- *Income tax revenue budgeted by components*
- *Improvement to budget for employee health care and new health care fund budget*

Some Changes and Improvements for 2018 (3)

- Consolidated facility management budget in General Fund
- Addition of estimated monthly departmental budgets (Exhibit E)
- Addition of 5-year forecast for General Fund and guidance for “out years” for operating budget (Exhibit F)
- Coordinated use of general capital dollars for addressing building improvements and planning
- Updates to budget document with additional summary level data and charts

2018 Budget Parameters

(5)

Parameters guide the starting points for the budget

- Revenue estimates were based on the trends used to project 2017 revenues as of September.
- The current budget estimate includes the impacts of the latest collection trends for tax revenue, charges for services and other sources of revenue.
- The budgets for salary and fringe benefits were based on approved levels of staffing for 2018 and included increases of 3% in approved bargaining unit agreements that are in effect for 2018.

2018 Budget Parameters

(5)

- A wage increase for non-bargaining staff of up to 3% was included in the salary budget - *subject to Council approval*
- All other wage components were included per existing labor agreements or established City policies for non-bargaining staff.
- Health care budget lines were based on the expected increase in claims and fixed costs of *and budgeted in departmental budgets.*

2018 Budget Parameters

(5)

- Contractual services expenditures were based on the 2017 current expenditure trends with a decrease of 5% applied to the 2017 budget amount
- Inflationary increases of 2.5% were applied to most budget lines for utilities and materials for the expected cost and utilization
- Budget for operating supplies and travel was based on current expenditure trends for 2017 with a decrease of 10% applied to most lines

2018 Operating Budget Summary

2018 Operating Budget Summary	2018 Budget	% Chg from 2017 Budget
General Fund		
Total Operating Revenue	\$43,026,144	2.5%
Operating Expenditures	\$39,039,219	-3.2%
<i>Transfers Out</i>	<i>3,811,000</i>	<i>42.0%</i>
Total General Fund Expenditures	42,850,219	-0.3%
All Operating Funds		
Total Operating Revenue*	\$65,593,892	15.6%
Total Operating Expenditures *	\$65,493,024	7.6%

** Excluding Capital and Trust & Agency Funds*

- The General Fund operating budget is \$39.04 million and totals \$42.85 million including transfers out
- The all funds operating budget is \$65.49 million including the General Fund and other operating funds

2018 General Fund Budget

2018 General Fund Revenue – Summary

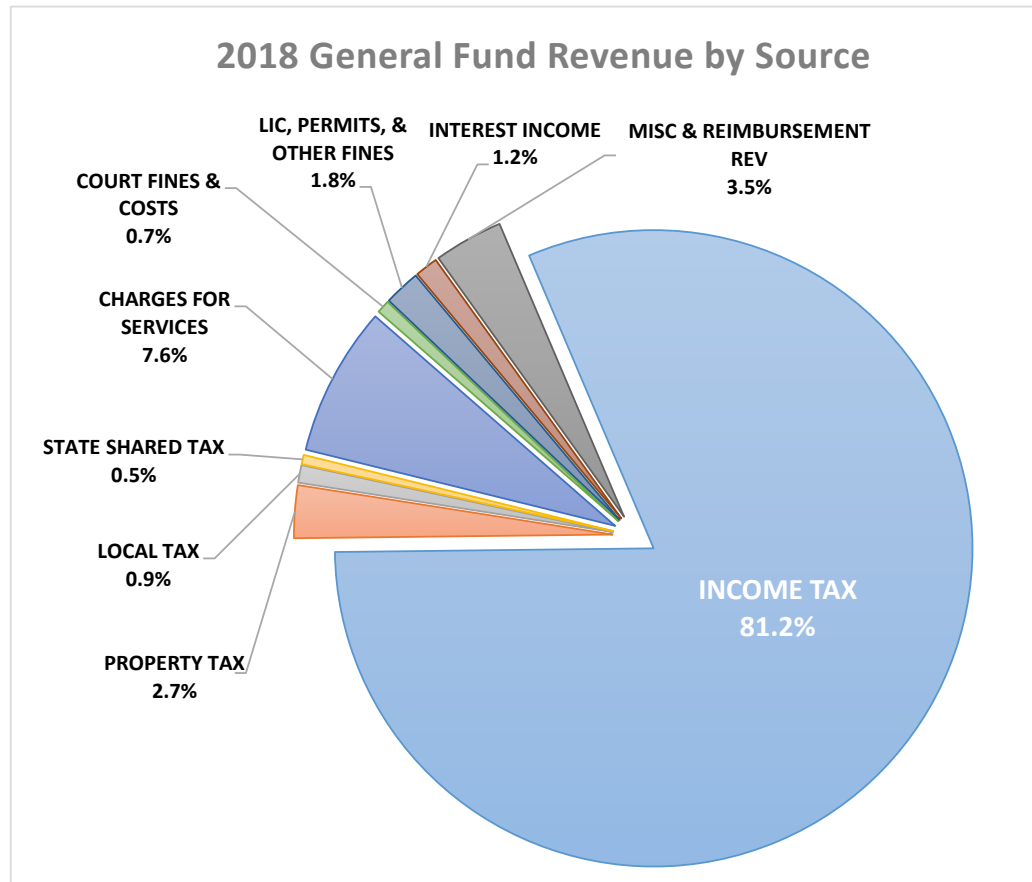
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2018 Operating Budget Summary General Fund Operating Revenue By Source

Revenue Source	2016 Actual	2017 Budget	2017 Estimate	2017 YTD Actual	2018 Estimate	% Chg 2017 Budget	% Chg 2017 Estimate
Income Tax	31,908,220	33,266,421	34,264,900	25,974,485	34,938,878	5.0%	2.0%
Property Tax	1,142,160	1,130,523	1,130,523	1,149,271	1,149,116	1.6%	1.6%
Local Tax	375,843	360,000	360,000	269,043	383,500	6.5%	6.5%
State Shared Tax	285,623	298,125	298,125	155,664	204,400	-31.4%	-31.4%
Charges For Services	3,292,067	3,250,275	3,147,694	2,675,540	3,265,150	0.5%	3.7%
Court Fines & Costs	315,725	320,000	280,000	218,406	285,700	-10.7%	2.0%
Lic, Permits, & Other Fines	725,334	594,200	731,905	622,119	790,900	33.1%	8.1%
Interest Income	-	400,000	425,000	343,153	500,000	25.0%	17.6%
Misc & Reimbursement Rev	2,387,366	2,376,316	2,111,194	1,583,396	1,508,500	-36.5%	-28.5%
Transfers In	1,317,270	-	-	-	-		
Total General Fund Revenue	\$ 41,749,608	\$ 41,995,860	\$ 42,749,340	\$ 32,991,076	\$ 43,026,144	2.5%	0.6%

- General Fund operating revenue is budgeted at \$43.03 million for 2018
- The revenue budget was based on 2017 estimates including % collection trends observed through September
- The revenue estimate for 2018 is 0.6% higher than the 2017 estimate

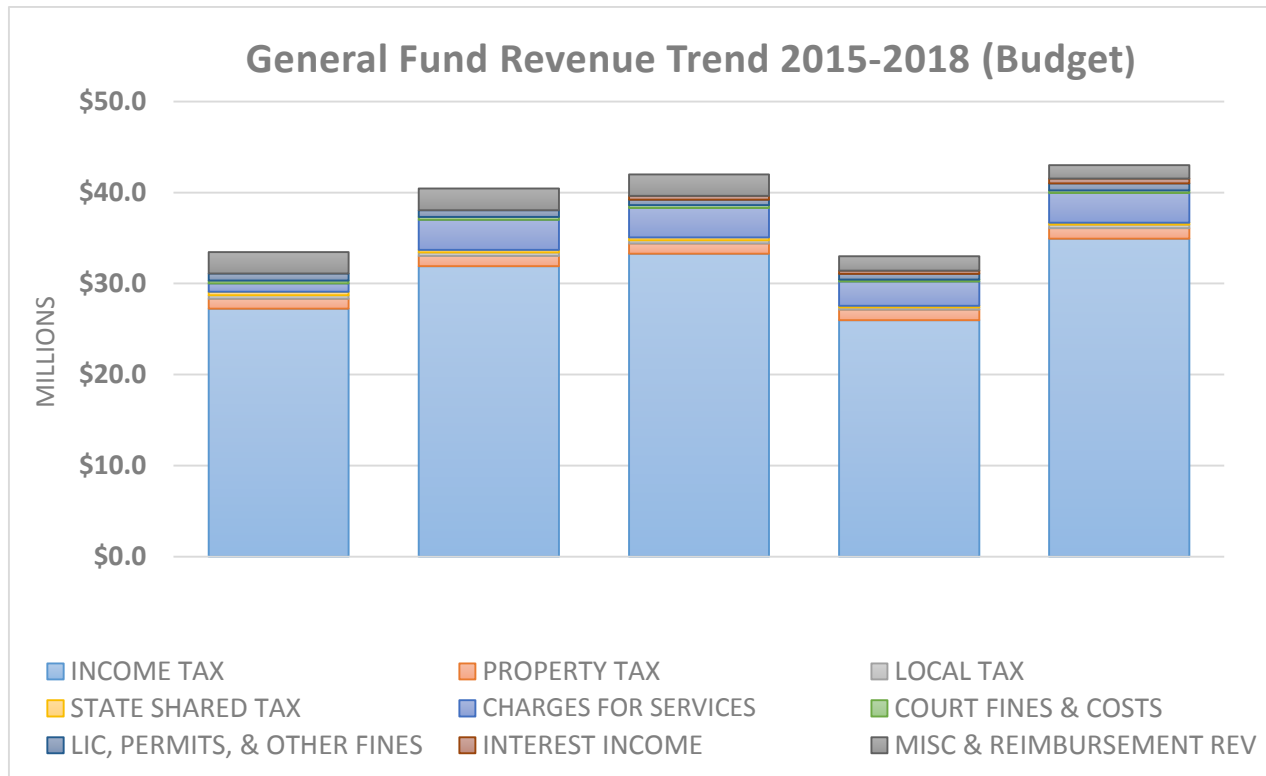
2018 General Fund Revenue – Where It Comes From (7)



- Income tax revenue accounts for almost 81.2% of General Fund operating revenue – *higher than average for a City*
- User fees and charges are second at 7.6%

General Fund Revenue Trend 2015-2018

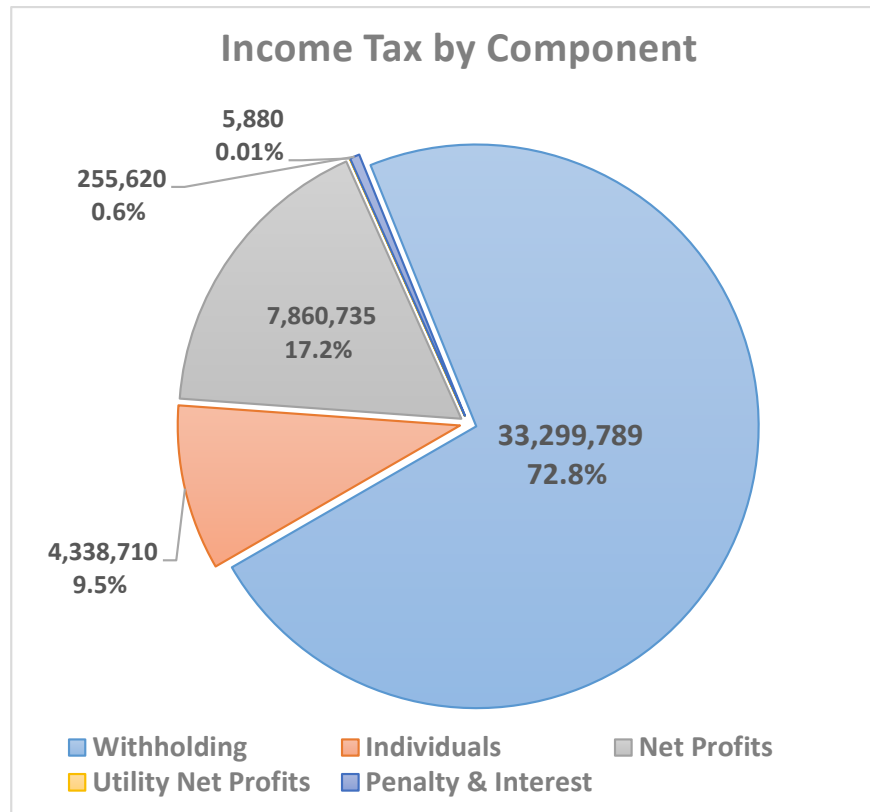
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- The slight upward trend in total revenue since 2015 and expected 2.5% increase in total revenue over the 2017 budget
- Overall 2018 revenue is flat but some budgetary changes have “disguised” the growth in individual sources like income tax

Notes on General Fund Revenue Estimates

(7)



- Income tax revenue (General Fund portion) is budgeted at \$34.9 million in 2017 based on the assumption of a 1.9% increase from the 2017 projection of \$34.2 million

Notes on General Fund Revenue Estimates

(7)

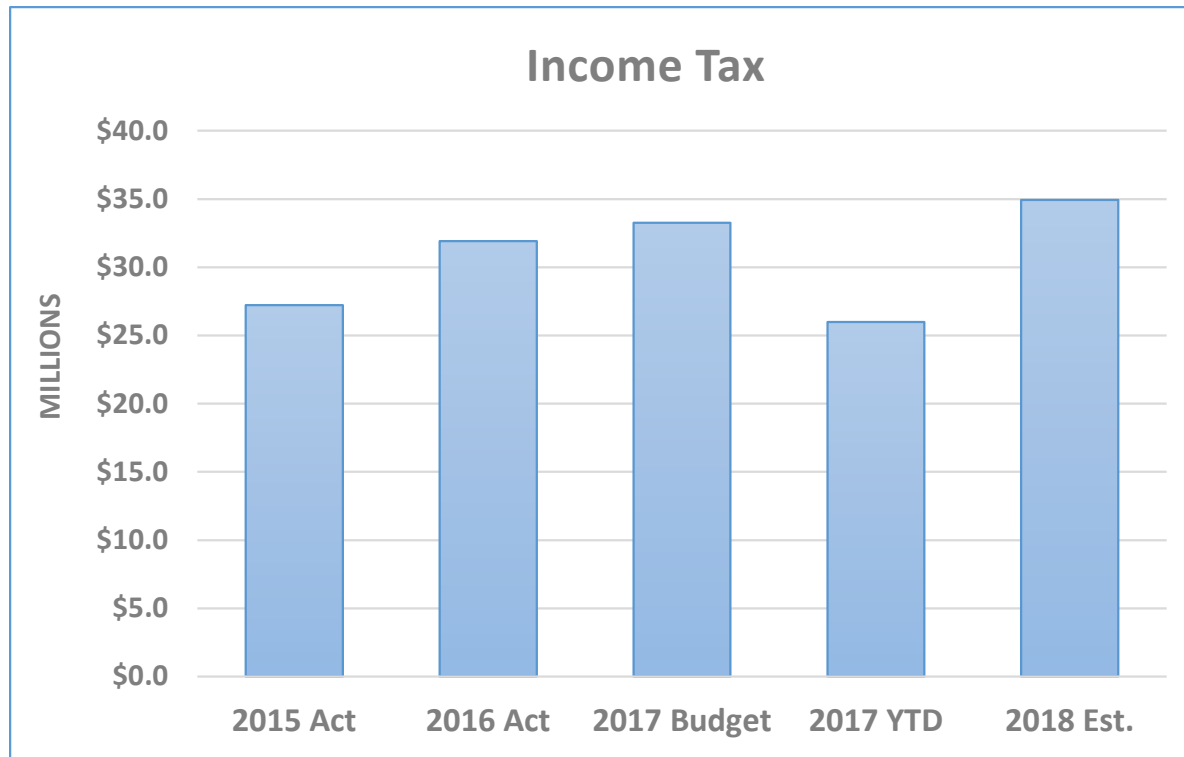
- The 2018 estimate for property tax revenue assumes a combined collection rate of approximately 98.5%. Full reappraisal will occur in 2018 for 2019 collection
- Local Government Fund (LGF) revenue is budgeted to 31.4% lower than the 2017 budget – State budget eliminated direct distribution (\$86,000)
- Revenue from licenses, permits and fines are budgeted at \$790,900 in 2018 and are expected to increase by 8.1% over the projected 2017 revenue

Notes on General Fund Revenue Estimates

(7)

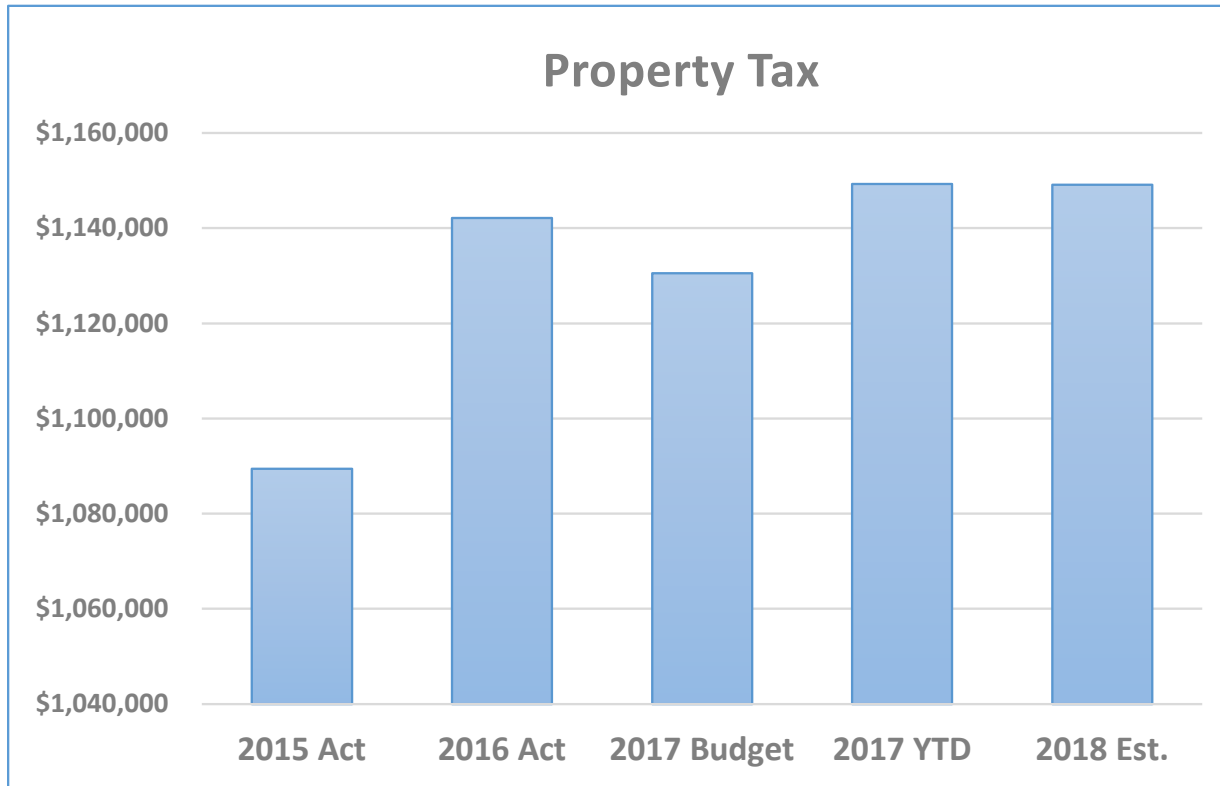
- Building permit revenue is budgeted at \$600,000, rental occupancy permits are renewed in 2018 (\$50,000)
- Jail inmate revenue is budgeted at 425,000 in 2018 and is 3.4% higher than the 2017 budget estimate
- The City's share of fines collected by the Bedford Municipal Court is budgeted at \$285,700
- Investment earnings are estimated to increase to \$500,000 in 2018 based on rising interest rates and a refined portfolio strategy

General Fund Revenue Trend – Income Tax



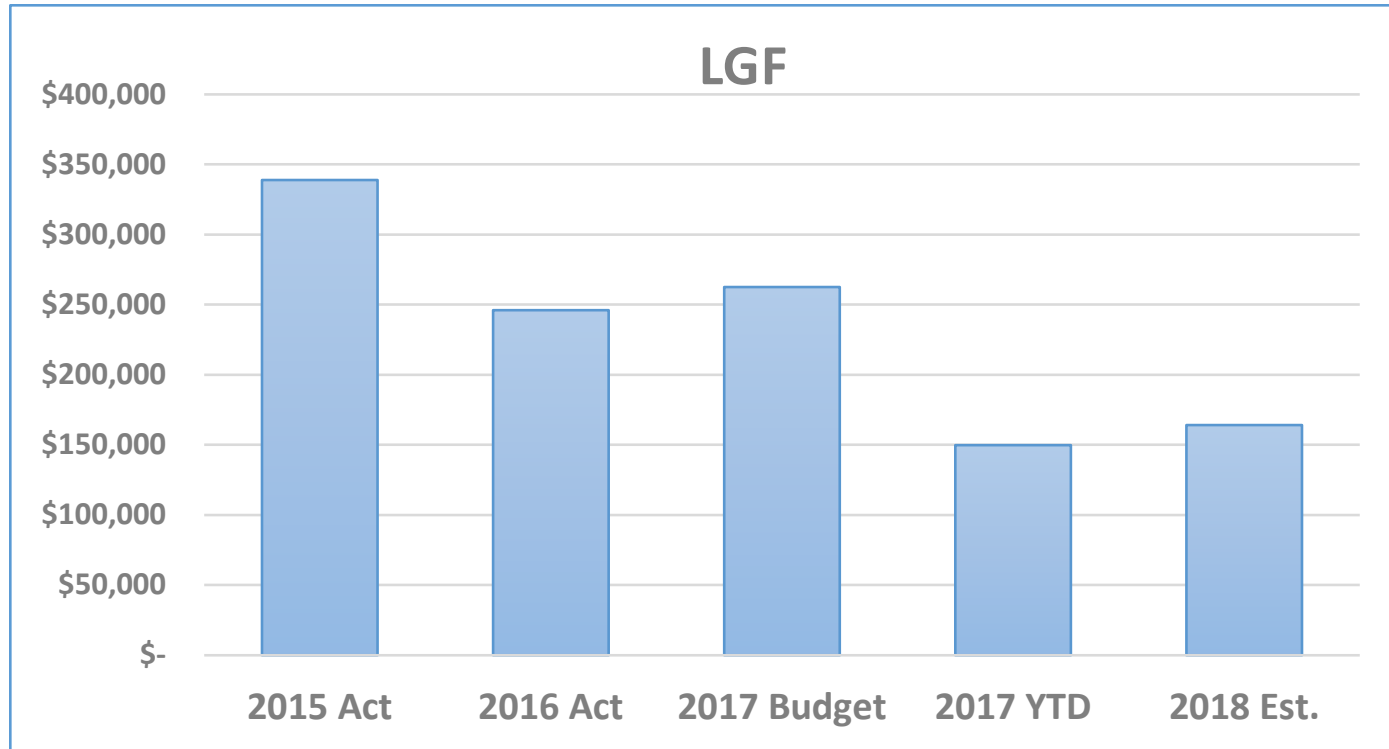
- Income tax revenue has continued to experience growth in collection over the past three years
- The growth in this source is vital as it supports over three quarters of general operations

General Fund Revenue Trend – Property Tax



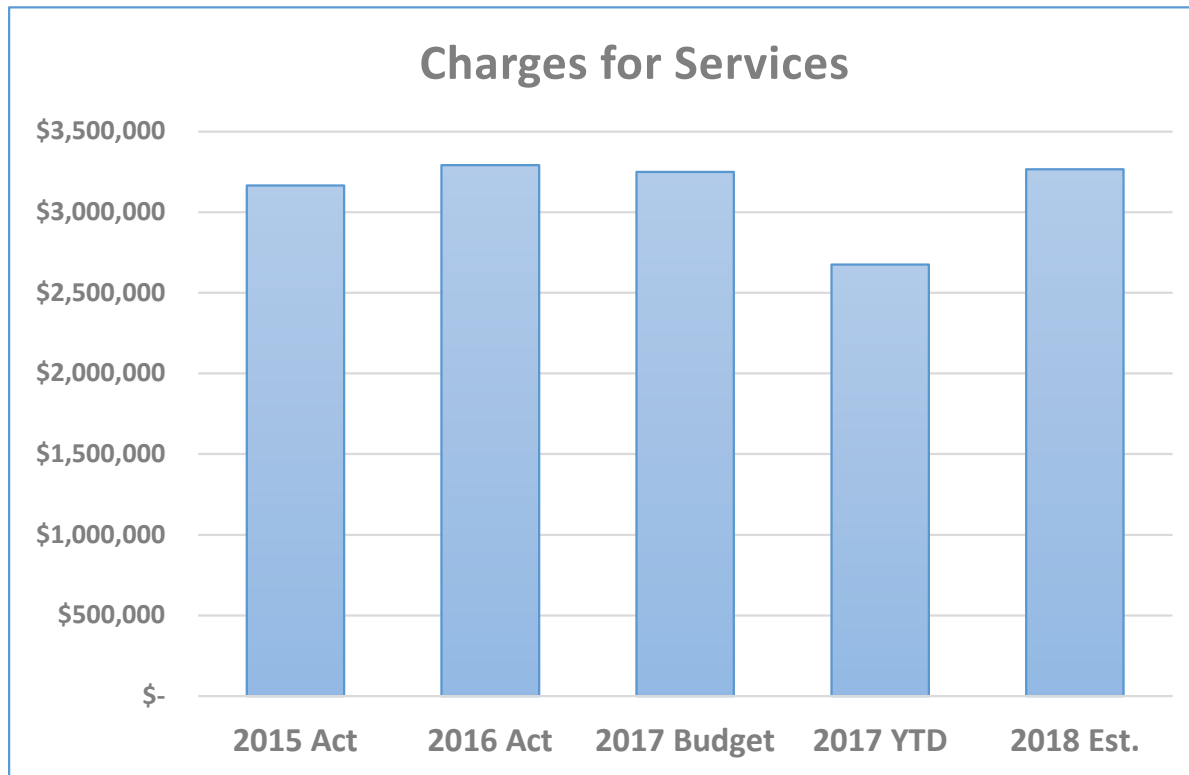
- The estimate for property tax (\$1.1 million) assumes flat assessed valuation for 2018 collections – *reappraisal could increase future revenue*
- Majority of property tax revenue (\$3.1 million) is received by other funds – Police & Fire Pension, Debt Retirement and General Capital

General Fund Revenue Trend – Local Government Fund



- Local government funding is comprised of two allocations:
 - County distribution - reduced 50% beginning in 2012
 - Municipal direct distribution – eliminated in 2017

General Fund Revenue Trend – User Fees & Charges



- Revenue from user fees and charges overall have decreased slightly since 2015 and are flat in 2018
- Program fees for Recreation, Senior Services and Arts Center comprise about 85% of user fee revenue

2018 General Fund Budget Overview

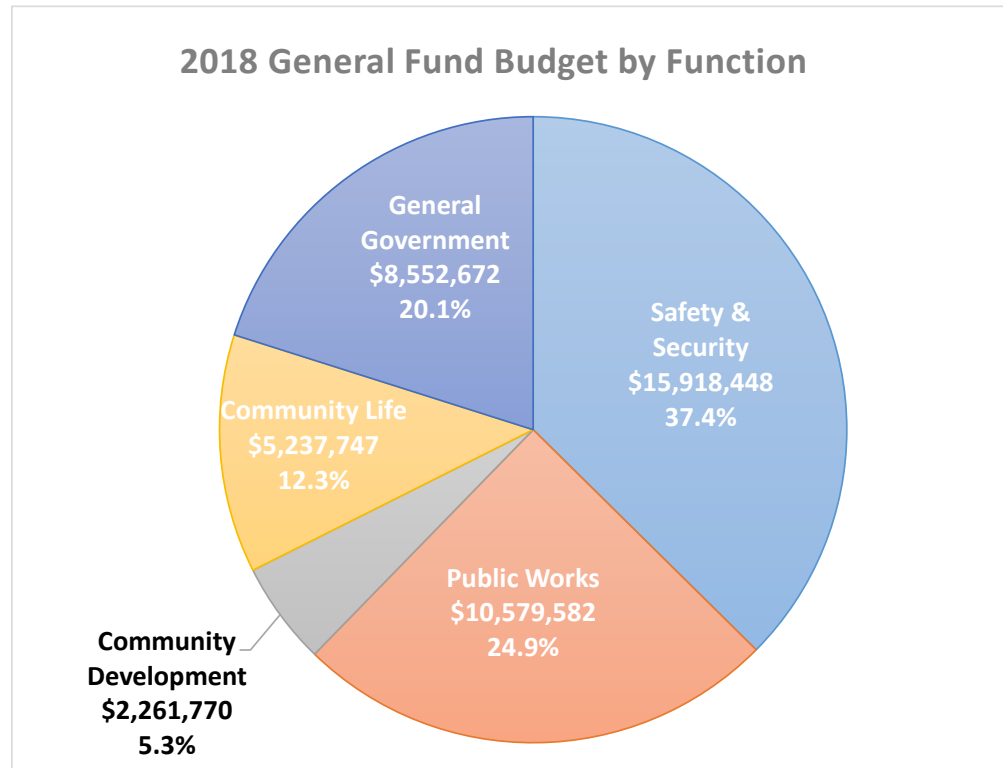
(9)

2018 General Fund Budget Summary	2017 Budget	2018 Budget	% Chg from 2017 Budget
Total Operating Revenue	\$41,995,860	\$43,026,144	2.5%
Personal Services	28,801,089	27,966,276	-2.9%
Other Expenditures	11,512,856	11,072,943	-3.8%
Total Operating Expenditures	40,313,945	39,039,219	-3.2%
<i>Transfers Out</i>	<i>2,683,000</i>	<i>3,811,000</i>	<i>42.0%</i>
Total Expenditures	\$42,996,945	\$42,850,219	-0.3%

- **The recommended 2018 budget for the General Fund totals \$42,850,219 for budgeted expenditures including transfers out**
- Budgeted operating expenditures are 3.2% lower than the 2017 approved budget

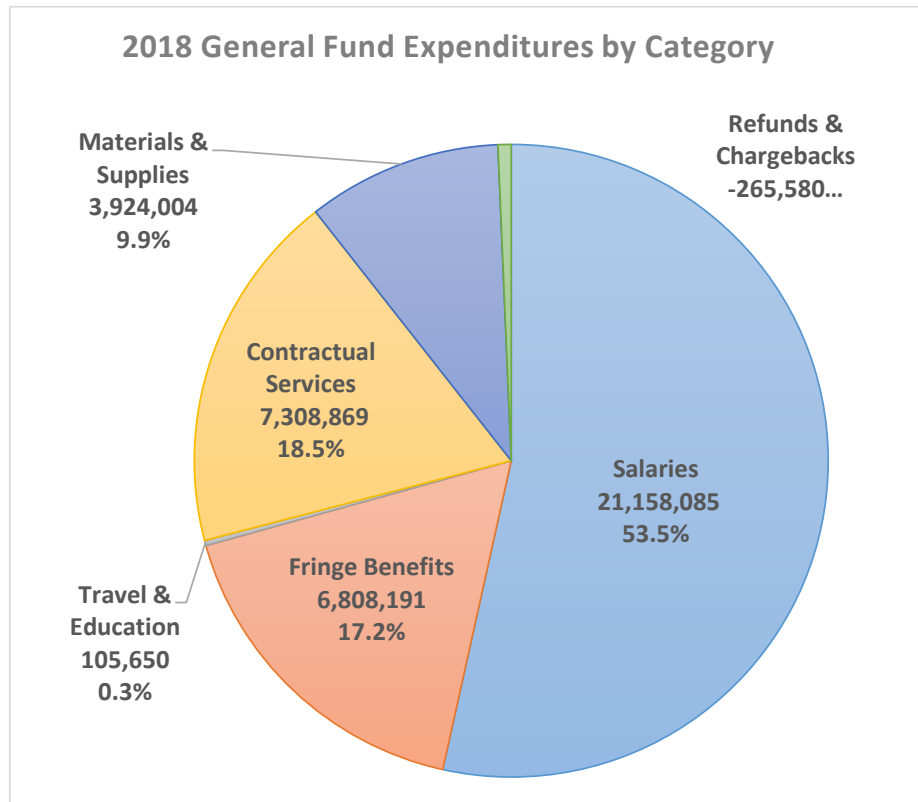
2018 General Fund Budget – Where It Goes

(14)



- The budget defines the City’s priorities and allocates resources among functional areas of the budget
- **62.3%** of the 2017 General Fund operating budget is allocated towards providing for the safety of and core services to our residents

2018 General Fund Budget by Expenditure Category (9)



- The operating budget can also be compared by expenditure category or *how we spend our dollars*
- The majority of the City's budget (70.7%) is allocated towards human capital in the expenditure category of personal services

2018 General Fund Budget by Expenditure Category (10)

2018 General Fund Summary by Expenditure Category

Expenditure by Category	2016 Actual	2017 Budget	2017 YTD Actual	2018 Budget	% Chg from 2017 Budget
Salaries	19,339,000	19,973,304	14,834,796	21,158,085	5.9%
Fringe Benefits	7,020,181	8,597,637	5,116,707	6,808,191	-20.8%
Travel & Education	69,453	117,050	57,764	105,650	-9.7%
Contractual Services	6,003,421	7,728,114	4,729,895	7,308,869	-5.4%
Materials & Supplies	3,572,776	4,255,580	2,388,856	3,924,004	-7.8%
Refunds & Chargebacks	(488,747)	(357,740)	(213,493)	(265,580)	-25.8%
Total Operating Expenditures	\$ 35,516,084	\$ 40,313,945	\$ 26,914,525	\$ 39,039,219	-3.2%

- The budget for compensation is 5.9% higher than the 2017 budget
- The decrease in the budget for fringe benefits has decreased as a direct result of the change in how health care is budgeted
- Total personal services (salary and fringes) is 6.1% higher than the 2016 actual – about 3% increase per year

2018 General Fund Budget by Expenditure Category (10)

2018 General Fund Summary by Expenditure Category

Expenditure by Category	2016 Actual	2017 Budget	2017 YTD Actual	2018 Budget	% Chg from 2017 Budget
Salaries	19,339,000	19,973,304	14,834,796	21,158,085	5.9%
Fringe Benefits	7,020,181	8,597,637	5,116,707	6,808,191	-20.8%
Travel & Education	69,453	117,050	57,764	105,650	-9.7%
Contractual Services	6,003,421	7,728,114	4,729,895	7,308,869	-5.4%
Materials & Supplies	3,572,776	4,255,580	2,388,856	3,924,004	-7.8%
Refunds & Chargebacks	(488,747)	(357,740)	(213,493)	(265,580)	-25.8%
Total Operating Expenditures	\$ 35,516,084	\$ 40,313,945	\$ 26,914,525	\$ 39,039,219	-3.2%

- The decreases in the other expenditure budgets from 2017 is attributable to the change in 2018 budget basis
- The General Fund budget includes \$1.1 million in operating costs allocated (charged) to other budgets
- *The net effect of all the changes in 2018 is an increase of 4.7% over the 2017 projected expenditures*

2018 General Fund Transfers

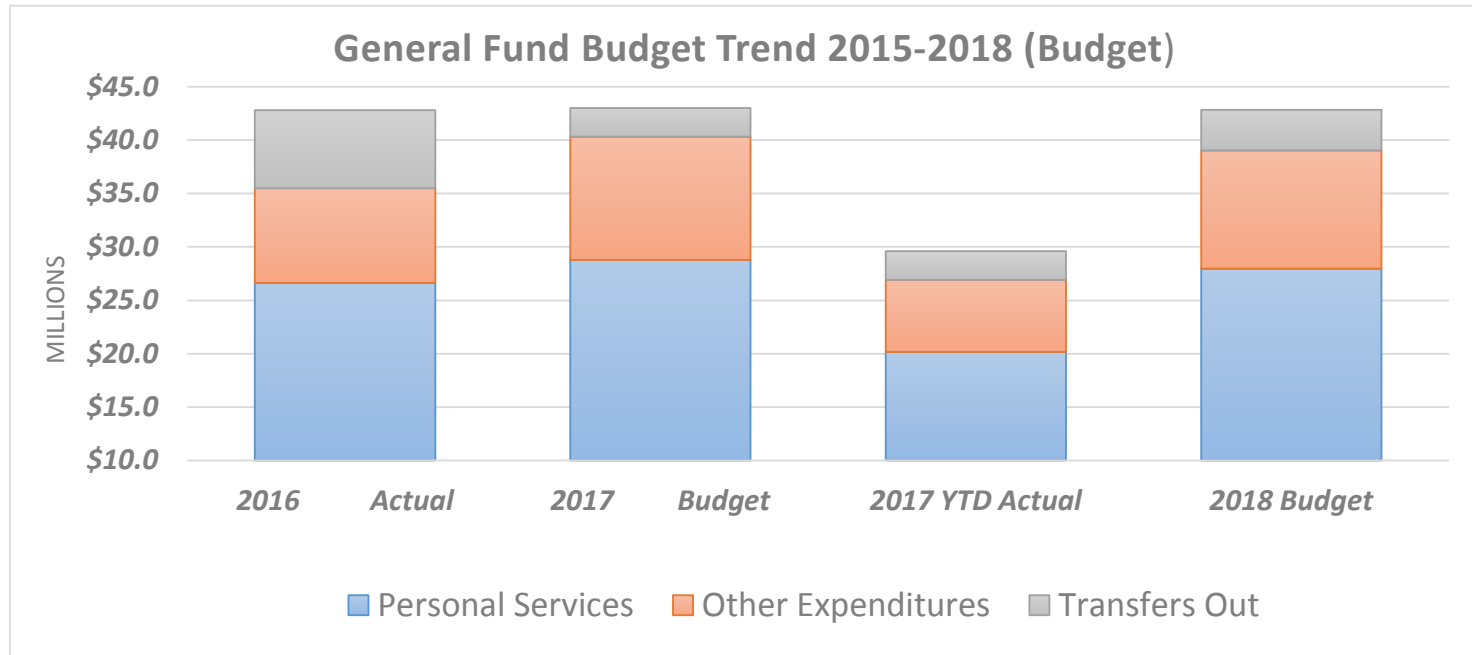
(13)

\$3.81 million in General Fund support for:

- Economic incentives (\$1,213,000)
- Funding general capital needs (2,068,000)
- Home Days (\$30,000)
- Budget Stabilization Fund (\$300,000)
- Accumulated sick leave (\$200,000)

2018 General Fund Total Expenditure Trend

(12)



- General Fund operating expenditures have increased by an average of 2.0% since 2015 and by 3.0% when transfers out are included in total expenditures

2018 General Fund Projected Operating Result (15)

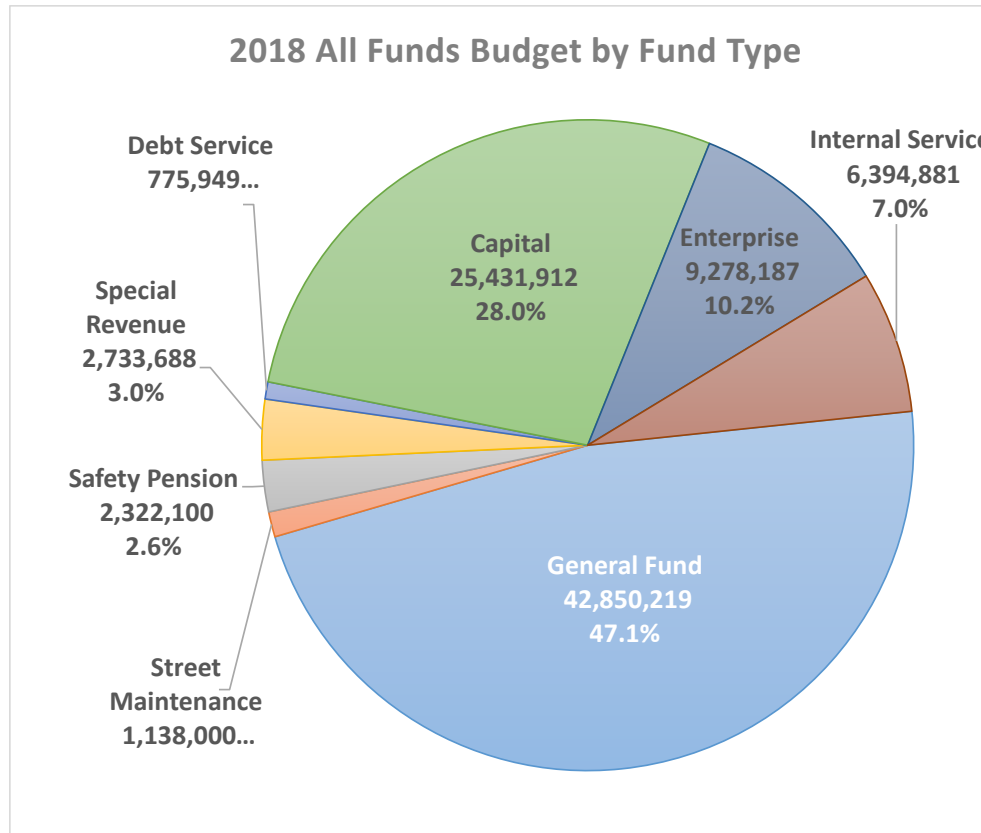
- *A goal of budget development is to achieve balance between ongoing revenue and operating expenditures*
- The 2018 General Fund budget is structurally balanced in 2018 with a \$470,000 operating surplus expected
- The projected ending balance is expected to be \$20 million and within the City's reserve policy

2018 General Fund Forecast	2017 Projection	2018 Budget
GF Operating Revenue	\$42.75	\$43.03
Operating Expenditures		
Personal Services	\$27.30	\$27.97
Other Expenditures	\$9.98	\$11.07
Total Oper. Expenditures	\$37.28	\$39.04
Transfers Out	\$2.70	\$3.81
Total Expenditures	\$39.98	\$42.85
Net Operating Result	\$2.77	\$0.48
Net Result %	6.9%	1.1%
Balance to Exp. %	49.9%	47.7%

Other Operating Funds

2018 Budget by Fund Type

(14)



- The total operating budget of \$65.5 million includes the budgets for other operating funds – *all the other stuff*
- The General Fund is over 65% of the City's 2018 operating budget and 47.1% when capital is factored in the total

2018 All Funds Operating Budget by Fund*

(15)

2018 Budget Summary Expenditures By Fund	2015	2016	2017	2017	2017	2018
	COMBINED	COMBINED	ANNUAL	Y-T-D	VS	APPROPRIATION
	EXPENDITURES	EXPENDITURES	APPROPRIATIONS	EXPENSES	2016	REQUEST
100 - GENERAL FUND	39,308,855	42,802,423	42,996,945	29,597,525	(4,827,614)	42,850,219
201 - STREETS CONST, R, & M	1,200,000	1,038,000	1,038,000	801,300	22,800	1,038,000
202 - STATE HIGHWAY FUND	104,000	124,000	128,000	70,950	(23,050)	100,000
204 - POLICE PENSION FUND	806,582	826,887	890,000	644,685	4,701	918,900
205 - FIRE PENSION FUND	1,231,847	1,265,881	1,359,000	1,011,524	37,064	1,403,200
209 - CABLE TV FUND	352,005	356,885	319,800	216,161	(51,987)	312,200
211 - TREE DEPOSIT FUND	37,539	19,787	75,000	40,752	32,823	75,000
217 - EMS/AMBULANCE FUND	491,165	375,954	709,095	614,438	323,622	466,688
240 - POLICE TRAINING CLASS FD	1,700	2,580	10,500	300	(2,280)	15,000
241 - POLICE CORR TRAINING FD	-	-	2,000	-	-	1,800
242 - D.A.R.E. PROGRAM FUND	37,296	41,619	40,000	20,733	(4,923)	40,500
263 - ECONOMIC INCENTIVE FUND	989,988	1,272,801	1,400,250	1,094,089	11,288	1,701,250
264 - POLICE FOOD DRIVE FUND	450	-	450	-	-	450
267 - HOMEDAYS FESTIVAL FUND	123,908	100,823	126,000	98,382	(2,441)	120,800
300 - BOND RETIREMENT FUND	879,131	857,921	774,835	766,296	(91,625)	775,949
511 - SEWER REVENUE FUND	5,037,401	8,901,123	4,151,100	2,631,381	(234,382)	8,284,215
550 - GRANTWOOD PARK FUND	1,016,507	980,111	1,023,653	770,570	(28,394)	993,972
601 - WORKERS COMP FUND	179,665	155,652	268,000	137,073	(9,508)	184,500
605 - MEDICAL SELF INS FUND	-	-	-	-	-	6,210,381
GRAND TOTAL OF ALL FUNDS	51,798,040	59,122,446	55,312,628	38,516,158	-4,843,905	65,493,024

*Excluding capital and trust & agency fund budgets

Major Operating Funds – Some Highlights

Fund 201 Street Maintenance – budget of \$1,038,000 in 2018 to utilize Solon's share of gasoline and vehicle registration revenue

Funds 204 & 205 Police and Fire Pensions – City's share of pension costs (\$2.32 million) for Police and Fire personnel are funded with property tax revenue

Fund 217 EMS Billing Fund – revenue from EMS charges is used to support EMS costs and equipment, budget is \$466,700 in 2018

Fund 263 Economic Incentive Fund – \$1.7 million in for job creation and retention programs funded with transfer or General Fund resources to support economic development

Major Operating Funds – Some Highlights

Fund 209 Cable TV Fund– budget of \$312,200 in 2018 used to support City technology and media needs and distribute shared revenue to the Solon School District

Fund 300 Bond Retirement– budget of \$775,950 to pay debt service on State issued loans for water and sewer lines

Fund 511 Water Reclamation Fund – enterprise fund to track the operating expenses (\$4.0 million) for Water Reclamation operations plus a transfer of \$4.3 million for plant improvements

Fund 550 Grantwood Park – the 2018 operating budget of \$993,970 is funded with user fee revenue and fund balance will need to be monitored in 2018

New Operating Fund – Employee Healthcare Fund

2018 Employee Medical Self Insurance Fund (605)

Fund Revenue

Employee Contribution	161,628
Employer Contribution	4,995,110
Reimbursement Revenue	2,500
Transfer from GF (2017)	1,067,684
Fund Sources	6,226,922

Program Costs

Medical Self Insurance	5,205,027
Dental Self Insurance	252,543
Employee Insurance Costs	17,265
Administrative Costs	700,546
Self Insurance Consulting Services	30,000
Misc Reimbursements & Costs	5,000

Total Fund Budget	6,210,381
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Fund 605 Employee Medical Self-Insurance – this newly created fund will “house” the budget for employee self-insurance health care costs including claims for medical, dental, vision and related administrative costs

Employee Healthcare Budget - Before

- Entire budget for employee healthcare was combined in one budget line in the General Administrative budget
- Various components of program budget and allocation of annual costs were not transparent
- Placing the budget in one line did not portray an accurate picture of budget performance or expected results
- No budget for employee health care costs included in the departmental budgets
- Previous method for budgeting health care did not adhere completely to Revised Code 9.833 – Self Insurance Programs

Employee Healthcare Budget - After

- Budget for employee healthcare will be appropriated in new fund (No. 605) by line-item based on maximum claims
- Revenue to fund comes from employer share, employee payroll deductions, and transfers of resources from the General Fund as needed
- Expenditures for claims, administrative costs and fixed costs will be paid directly out of the new fund
- Required to maintain a reserve balance in the fund to cover all expected claims costs and fixed costs
- Budget for *expected* costs is allocated in departmental budgets based on anticipated enrollment
- *No net increase to General Fund budget other than expected annual health care cost growth*
- Required to maintain a reserve balance in the fund to cover all expected claims costs and fixed costs

Employee Healthcare Budget - After

- Healthcare budgets allocated using fully insured equivalent rates (COBRA)
- The addition of medical insurance costs increases departmental budgets BUT
- Cost of employee health care will be reflected in each budget
- The original budget line from “before” method was zeroed out
- Revenue for employee share from payroll deductions will be directed to new fund
- Request to create new fund will appear on the November 15th Finance Committee agenda

<u>Dept Budget</u>	<u>2018 Budget</u>
Police	1,271,420
Fire	1,188,160
Recreation	202,915
Senior Services	122,980
Arts Center	63,260
Planning	103,690
Building	22,840
Engineering	190,950
Service	1,230,760
Clerk of Council	31,630
Mayor's Office	45,680
Finance	108,320
HR	31,630
IT	40,430
Facility Mgt	54,475
General Admin.	22,840
	4,731,980
<u>Other Funds</u>	
Water Reclamation	297,810
Grantwood	60,640
	358,450
Dept Budget	5,090,430

2018 Departmental Budget Summaries

Departmental Summary – Police

(36)

POLICE DEPARTMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	6,924,189	7,181,584	7,504,573	5,601,249	8,891,839	18.5%
Police Pension Fund	806,582	826,887	890,000	644,685	918,900	3.2%
Police Training	1,700	2,580	10,500	300	15,000	42.9%
Police Correctional Training	-	-	2,000	-	1,800	-10.0%
DARE Program Fund	37,296	41,619	40,000	20,733	40,500	1.3%
AllFunds	7,769,767	8,052,670	8,447,073	6,266,967	9,868,039	16.8%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Budget includes contractual cost of regional dispatch. Final capital contribution was made in 2017
- Funding to hire one police officer in 2018
- Additional funding or training and related personnel costs

Departmental Summary – Fire

(41)

FIRE DEPARTMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	5,356,144	5,516,166	5,666,194	4,360,156	7,026,609	24.0%
Fire Pension Fund	1,231,847	1,265,881	1,359,000	1,011,524	1,403,200	3.3%
EMS Billing Fund	491,165	375,954	709,095	614,438	466,688	-34.2%
AllFunds	7,079,156	7,158,000	7,734,289	5,986,118	8,896,497	15.0%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Funding to hire two replacement firefighters
- Budget increase for training related costs for new staffing
- Decrease to EMS Fund attributable to 2017 ambulance purchase
- Replacing the 2nd phase of 15 sets of turnout gear
- Funding for upgrades to Engines 61 and 63 included in budget

Departmental Summary – Recreation

(45)

RECREATION DEPARTMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	1,848	3,084,711	3,396,942	2,551,468	3,500,086	3.0%
Home Days Fund	123,908	100,823	126,000	98,382	120,800	
AllFunds	125,756	3,185,535	3,522,942	2,649,851	3,620,886	2.8%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Part-time and season staff funded at same levels as 2018
- Reduction to Community Center building maintenance costs
- Continued support of Home Days Festival

Departmental Summary – Senior Services

(49)

DEPARTMENT OF SENIOR SERVICES

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	521,656	562,999	655,390	459,647	790,710	20.6%
AllFunds	521,656	562,999	655,390	459,647	790,710	20.6%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Funding to hire a part-time health and wellness coordinator
- Budget provides for expanded newsletter
- Increases to Senior Fitness and Senior Trips as additional programming has been added for 2018

Departmental Summary – Center for the Arts

(53)

SOLON CENTER FOR THE ARTS

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	751,838	772,707	865,688	589,225	916,951	5.9%
AllFunds	751,838	772,707	865,688	589,225	916,951	5.9%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Budget includes annual support for new registration system
- Increased program revenue anticipated with additional class offerings
- Funding for annual holiday lighting program

Departmental Summary – Planning & Community Development (57)

PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund Planning	532,568	531,854	618,315	463,796	741,806	20.0%
General Fund Building	286,215	295,393	302,970	164,716	306,964	1.3%
Total General Fund	818,783	827,247	921,285	628,511	1,048,770	13.8%
Economic Incentive Fund	989,988	1,272,801	1,400,250	1,094,089	1,701,250	21.5%
AllFunds	2,627,555	2,927,295	3,242,820	2,351,112	3,798,790	17.1%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Continuation of the Inspection Program and the related costs associated with outside inspection company
- Increase in Economic Development related to three additional grants in 2018
- Increase to Economic Development Other Expenses as Nestle's fee abatement is expected to increase with Cuyahoga County

Departmental Summary – Engineering & Construction (62)

ENGINEERING AND CONSTRUCTION DEPARTMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	987,329	1,068,469	1,235,885	784,970	1,430,061	15.7%
Infrastructure Fund	9,180,759	10,280,487	17,324,753	3,872,158	17,091,586	-1.3%
AllFunds	10,168,088	11,348,956	18,560,638	4,657,128	18,521,647	-0.2%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Funding to hire a part-time engineer and two interns
- Moved Traffic Signal Equipment Maintenance from operating account to the Infrastructure Fund
- Management of \$17.1 million infrastructure fund budget

Departmental Summary – Service

(66)

CITY SERVICES DEPARTMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	5,015,754	4,671,401	5,487,162	3,398,552	7,081,521	29.1%
Street Maintenance Fund	1,200,000	1,038,000	1,038,000	801,300	1,038,000	0.0%
State Highway Maintenance	104,000	124,000	128,000	70,950	100,000	-21.9%
Tree Deposit Fund	37,539	19,787	75,000	40,752	75,000	0.0%
All Funds	1,341,539	1,181,787	1,241,000	913,002	1,213,000	-2.3%

* 2018 budget for personal services includes allocated share of expected employee health care costs

- Funding provided to accommodate approved staffing in mission critical areas including the hire of four new service workers
- Staffing budget includes funding for call out pay and adequate overtime for snow season
- Salt purchase for the spring and winter fills budgeted at new ODOT contract rate
- Increase in fees for landfill utilization.
- City-wide fuel budget estimated from anticipated rate and usage.

Departmental Summary – Clerk of Council

(71)

CLERK OF COUNCIL

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	275,904	281,914	300,587	208,936	337,268	12.2%
All Funds	275,904	281,914	300,587	208,936	337,268	12.2%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Book binding for Council, Planning Commission, and Committee Minutes and Ordinances will be performed
- Continue with annual codification updates and online updates to City Code

Departmental Summary – Mayor’s Office

(74)

MAYOR’S OFFICE

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	233,652	241,332	250,762	190,134	289,742	15.5%
AllFunds	233,652	241,332	250,762	190,134	289,742	15.5%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Mayor’s Office Meeting Expenses are appropriated to the maximum amount as set by ordinance, all other budget lines were based on the 2017 budget
- Budget for Deer Management program is funded in the General Administration Budget

Departmental Summary – Finance Department (77)

FINANCE DEPARTMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	1,773,621	1,488,063	2,243,521	1,534,954	2,385,669	6.3%
AllFunds	1,773,621	1,488,063	2,243,521	1,534,954	2,385,669	6.3%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Decrease in Income Tax Refunds based on trend from 2017
- Budget includes funding to hire an Assistant Director
- Half of sewer billing clerk personnel costs are allocated to budget beginning in 2018
- Funding for online reporting solution, financial statement preparation and lease counsel

Departmental Summary – Law Department

(77)

LAW DEPARTMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	407,930	487,157	508,029	218,115	509,929	0.4%
AllFunds	407,930	487,157	508,029	218,115	509,929	0.4%

- Law Director and Prosecutor pay are set by ordinance for 2018
- Consolidated legal counsel costs into the Law Department budget
- Funding provided for outside legal services to accommodate the need for counsel to represent the City in ongoing matters and labor negotiations

Departmental Summary – Human Resources

(84)

HUMAN RESOURCES DEPARTMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget	% Chg 2017
General Fund	244,645	249,219	307,930	157,361	257,494	-16.4%
AllFunds	244,645	249,219	307,930	157,361	257,494	-16.4%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Funding for hire of administrative clerk in 2018
- Legal counsel budget for labor negotiation was moved to law department budget
- The City's Tuition Reimbursement Program is appropriated at 2017 utilization levels.
- Moved contract with City's Health Care Consultant and Wellness program to the newly created Employee Medical Self Insurance Fund
- Civil Service Commission budget is appropriated separately from Human Resources.

Departmental Summary – Information Technology

(88)

INFORMATION TECHNOLOGY DEPARTMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	327,324	318,446	376,159	234,924	390,125	3.7%
Cable TV Franchise Fund	352,005	356,885	319,800	216,161	312,200	-2.4%
AllFunds	679,329	675,330	695,959	451,084	702,325	0.9%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Funding to hire new IT network analyst
- Budget includes various maintenance and support services
- Management of contract for City government channel and live meeting broadcast

Departmental Summary – General Administration (92)

GENERAL ADMINISTRATION & FACILITY MANAGMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
General Fund	1,773,621	1,488,063	2,243,521	1,534,954	2,385,669	6.3%
AllFunds	1,773,621	1,488,063	2,243,521	1,534,954	2,385,669	6.3%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Costs of employee health insurance were moved to the new Medical Self Insurance Fund
- Budget includes funding for City memberships and other professional services
- Includes allocations for City utilities
- City property and liability insurance budgeted for 2018
- Facility Management includes consolidated funding for maintenance of City buildings and cleaning staff

Departmental Summary – Water Reclamation (94)

WATER RECLAMATION DEPARTMENT

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
Water Reclamation Fund **	5,037,401	8,901,123	4,151,100	2,631,381	8,284,215	99.6%
Water Reclamation Plant R&I	610,042	651,323	5,548,000	98,070	4,769,600	-14.0%
AllFunds	5,647,443	9,552,445	9,699,100	2,729,450	13,053,815	34.6%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Funding for certification and training of plant management staff
- Budget includes allocation for renewable energy consultant
- Increases for various water treatment chemicals expected for 2018.
- Funding in operating budget for pump and mixer rebuilds
- Plant improvement design and construction costs are budgeted in Fund 512 in 2018 via a transfer of resources (\$4.3 million)

Departmental Summary – Grantwood

(99)

GRANTWOOD GOLF COURSE

	2015 Actual	2016 Actual	2017 Budget	2017 YTD	2018 Budget *	% Chg 2017
Grantwood Golf Course Func	1,016,507	980,111	1,023,653	770,570	993,972	-2.9%
AllFunds	1,016,507	980,111	1,023,653	770,570	993,972	-2.9%

**2018 budget for personal services includes allocated share of expected employee health care costs*

- Pro Shop inventory was decreased for 2018 based on historical expenses
- Reduced other operating lines to bring expenditures more in line with expected revenue for 2018
- After completion of the Grantwood Roof Replacement project, there is a decrease in Club House Building Repair and Maintenance, as the ongoing need for roof repairs has lessened

General Fund Operating Capacity

- What variables can be “adjusted” to free up additional operating capacity?
- Decrease budget allocations for operating budget and while maintaining the desired level of services for residents
- Fine-tune the mix of cash and new debt to fund projects
- Reduce subsidies from the General Fund to other operating funds
- Utilize reserves to cover projected shortfalls – *temporary*
- *All while targeting structural balance in the General Fund*

General Fund Forecast

<i>General Fund Forecast 2018-2022 (\$ millions)</i>	2017 Projection	2018 Budget	% Chg	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
GF Operating Revenue	\$42.75	\$43.03	0.6%	\$43.97	\$44.66	\$45.36	\$46.07
Operating Expenditures							
Personal Services	\$27.30	\$27.97	2.4%	\$28.88	\$29.81	\$30.78	\$31.78
Other Expenditures	\$9.98	\$11.07	10.9%	\$11.27	\$11.46	\$11.66	\$11.87
Total Oper. Expenditures	\$37.28	\$39.04	4.7%	\$40.14	\$41.28	\$42.45	\$43.65
Transfers Out	\$2.70	\$3.81	41.3%	\$3.88	\$3.83	\$3.83	\$3.83
Total Expenditures	\$39.98	\$42.85	7.2%	\$44.02	\$45.11	\$46.28	\$47.48
Net Operating Result	\$2.77	\$0.48		-\$0.05	-\$0.45	-\$0.92	-\$1.41
Net Result %	6.9%	1.1%		-0.1%	-1.0%	-2.0%	-3.0%
Balance to Exp. %	49.9%	47.7%	0.0%	46.3%	44.2%	41.1%	37.1%

- The five-year forecast for the General Fund shows increased pressure on the ability to balance ongoing revenue with projected expenditures
- The fund balance will begin to decline in 2019 based on current assumptions for operations

Considerations for 2018 and Beyond

- ✓ Addressing budgetary pressures including increasing employee health care costs and the prospects modest or lower revenue growth
- ✓ Trends for income tax collections and results of 2018 property reappraisal
- ✓ Impact of labor negotiations that will directly impact almost half of City workforce
- ✓ Continual refinement of budgeting approach based on expected results
- ✓ Ability of General Fund reserve to support capital needs and deferring debt financing into the future
- ✓ Management of other critical fund reserves for health care, infrastructure, general capital, water reclamation, and Grantwood – *General Fund backstops all of these funds*
- ✓ Review of the current 75%/25% allocation of income tax revenue between operations and infrastructure

2018 Appropriation Ordinances

- Appropriation of operating and capital will be submitted for approval as two separate pieces of legislation
- The operating appropriation ordinance includes the budgets for operating, enterprise and trust & agency funds for 2018 (\$71.4 million)
- Capital Funds will be appropriated in a separate ordinance and budgets will be authorized past 2018 to accommodate multi-year project expenditures (\$20.7 million)
- Permanent appropriations will be effective January 1, 2018 if approved by Council on December 18th meeting

Up Next - 2018 Capital Plan Overview

- An overview of the 2018 capital budget and five-year capital plan will be presented at the November 20st budget hearing

- Questions?