



SHAKER HEIGHTS

General Fund Revenues 2023 Projection & 2024 Budget October 23, 2023

City Council & Finance Committee
Joint Work Session

John Potts, Director of Finance



2024 Budget Timeline Recap

The following is a recap of the timeline for the presentation of the 2024 budget (all designated as Joint Council / Finance Committee meetings).

October 23th – 2023 General Fund (GF) projected revenues; 2024 GF revenue budget

November 13th – 2023 GF projected expenditures and transfers; 2024 GF proposed expenditure budget and transfers

November 27th – 2024 proposed capital budget by department

December 4th – 2024 proposed operating and capital budgets (review); 2024 all other fund budgets

December 18th – 2023 clean-up ordinance; adoption of 2024 budget ordinances (operating and capital)

2023 Revenue Projection

- 85% of our revenues are derived from income taxes (71%) and property taxes (14%).
- The 2023 Revenue Projection was compiled by taking year-to-date actual revenues through August and projecting out the remaining four months of the year.
- If needed, Finance consulted various departments in order to approximate revenue for the remaining months of the year (e.g. Building & Housing, Court, etc.).
- Reminder: 2022 Actuals were 1.3% above Projection and 2021 Actuals were 0.6% above Projection.

2023 Revenue Projection

2023 General Fund Revenue Projections

	Aug YTD	Sep-Dec Proj	2023 Projection	2023 Budget	Var to 2023 Budget	%
Income Tax	29,970,520	12,710,967	42,681,487	39,900,000	2,781,487	7.0%
Property Tax	7,737,475	491,421	8,228,896	8,200,000	28,896	0.4%
Charges for Services	1,989,150	900,575	2,889,725	3,000,000	(110,275)	-3.7%
Licenses & Permits	914,154	195,846	1,110,000	1,110,000	0	0.0%
Local Governmental Fund	641,084	312,859	953,943	1,000,000	(46,057)	-4.6%
Fines & Forfeitures	298,864	164,911	463,775	500,000	(36,225)	-7.2%
Investment Earnings	1,702,675	930,827	2,633,502	1,000,000	1,633,502	163.4%
Other Taxes	82,818	27,600	110,418	95,000	15,418	16.2%
Miscellaneous	1,033,941	68,321	1,102,262	1,304,000	(201,738)	-15.5%
Intergovernmental Revenue	111,689	0	111,689	115,000	(3,311)	-2.9%
General Fund Revenues	44,482,370	15,803,327	60,285,697	56,224,000	4,061,697	7.2%

2023 Revenue Projection

Significant variances to budget –

➤ **Income Tax \$2.8M ↑ 7.0%**

We anticipate a strong year in 2023, mainly from individual income tax and withholding income tax receipts. Shaker continues to be on the positive side of Work From Home withholding receipts. We are taking in more income tax receipts from residents working from home with employers located outside of the city than the reverse (i.e. Shaker businesses sending withholding to other cities where their employees are working from home).

➤ **Investment Earnings \$1.6M ↑ 163.4%**

At the time of budget preparation last year, interest rates were still rising and Finance continued to invest aggressively.



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2023 Revenue Projection Questions/Comments

2024 Revenue Budget

- Budgeted 2024 General Fund Revenue: **\$61.9 Million**
 - ✓ ***Refer to Exhibit 1***
- 2024 Revenue Budget vs. 2023 Revenue Budget: \$5.7M ↑ 10.1%

The income tax increase between budget years (\$3.9M ↑) is driven by the increase in actual income tax receipts received in 2023 over budget. Additionally, there is a significant increase to investment earnings between these budget years (\$2.0M ↑) due to rising interest rates.
- 2024 Revenue Budget vs. 2023 Revenue Projection: \$1.6M ↑ 2.6%

The majority of this increase is attributable to budgeting a 2.5% increase in income tax receipts and continued strong investment earnings above the 2023 projection to account for a full year of strong interest rates. Additionally, we are expecting a one-time lift in license & permit fee revenue from the Arcadia development in 2024.

2024 Revenue Budget

2024 General Fund Operating Revenue Budget (DRAFT)

	Actual 2022	Budget 2023	Projected 2023	Budget 2024	Budget 2024 to Projected 2023	%
Income Tax	40,601,174	39,900,000	42,681,487	43,750,000	1,068,513	2.5%
Property Tax	8,144,181	8,200,000	8,228,896	8,200,000	(28,896)	-0.4%
Charges for Services	3,027,085	3,000,000	2,889,725	2,930,000	40,275	1.4%
Licenses & Permits	1,386,696	1,110,000	1,110,000	1,257,000	147,000	13.2%
Local Governmental Fund	911,750	1,000,000	953,943	950,000	(3,943)	-0.4%
Fines & Forfeitures	495,691	500,000	463,775	450,000	(13,775)	-3.0%
Investment Earnings	867,933	1,000,000	2,633,502	3,000,000	366,498	13.9%
Other Taxes	97,329	95,000	110,418	95,500	(14,918)	-13.5%
Miscellaneous	1,280,165	1,304,000	1,102,262	1,135,000	32,738	3.0%
Intergovernmental Revenue	116,681	115,000	111,689	115,000	3,311	3.0%
General Fund Revenues	56,928,685	56,224,000	60,285,697	61,882,500	1,596,803	2.6%

2024 Revenue Budget

Overall Assumptions – Significant Line Items

- **Income Tax:** Budgeted 2.5% growth for 2024 based on 2023 Projection receipts exceeding 2023 budget and taking into account a net positive impact from Work From Home.
- **Property Tax:** Based on the 2024 Property Tax Budget submitted to the County Budget Commission and amount consistent with 2023 Projection. Ohio law requires a reappraisal every six years. There was a Triennial Update in 2021, with the next reappraisal scheduled for the year 2024 (taxes paid in 2025). No expectation of a material fluctuation in 2024
- **Charges for Services:** Utilized a budget amount consistent with the past 3 year average and taking into account the 2023 Projection.

2024 Revenue Budget

- **Licenses & Permits:** Significant line items within this revenue grouping derived from analysis and review by the Director of Building & Housing. With respect to permit fee revenue, we anticipate seeing fewer residential renovation and home addition projects due to market forces increasing renovation costs. The Arcadia Development will generate approximately \$150K in one-time revenue.
- **Local Government Fund:** Utilized estimates for 2024 from the County Budget Commission and the Ohio Department of Taxation.

2024 Revenue Budget

- **Fines & Forfeitures:** Discussed the budgeted amount with the Clerk of Courts. Utilized a budget amount consistent with the past 3 year average and taking into account the 2023 Projection.
- **Investment Earnings:** Estimated based upon known interest from currently owned investments (e.g. treasuries and CD's) plus recent averages of interest payments from other investments.
- Some of the **remaining revenue line items** will fluctuate from year to year. At the time of budgeting, some of next year's activity is unknown. In these cases, Finance utilized an estimate after taking into account annual amounts from past years.

Takeaways & Reminders

Revenues

- Council set the 2023 – 2024 Goals and Strategic Priorities and we will be using that as a guide to the Operating and Capital Budgets.
- The impact of Work From Home on income tax receipts continues to make it difficult to forecast, however, we remain on the net positive side of that equation.
- We have historically budgeted in a conservative manner with respect to our general operating revenues.

Expenditures

- 2024 is the final year of the 2022 union agreements.
- Inflationary pressure continues to be evident in our 2024 expenditure budget for contractual services, materials and supplies and capital projects.



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2024 Revenue Budget Questions/Comments
