



SHAKER HEIGHTS

2024

General Fund Operating Budget  
Capital Fund Budget  
All Other Funds Budgets

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City Council & Finance Committee  
Joint Work Session

John J. Potts, CPA – Director of Finance  
December 4, 2023

# 2024 Budget Timeline – Recap

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- October 10<sup>th</sup> – Transformational and Major Capital projects review
- October 23<sup>th</sup> – 2023 General Fund (GF) projected revenues; 2024 GF revenue budget
- November 13<sup>th</sup> – 2023 GF projected expenditures and transfers; 2024 GF proposed expenditure budget and transfers
- November 27<sup>th</sup> – 2024 proposed capital budgets by department
- **December 4<sup>th</sup> – 2024 proposed operating and capital budgets (review); 2024 all other fund budgets**
- December 18<sup>th</sup> – 2023 clean-up ordinance; adoption of 2024 budget ordinances (operating and capital); adoption of Position Classification and Pay Plan for Non-Bargaining and Seasonal Part-time Employees (HR)

# 2023 Projected Financials – Recap

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## ***2023 Projected Revenues: \$60.3M***

- 2023 total revenues are projected to be up \$4.1M versus budget, mainly due to income tax receipts and investment earnings.

## ***2023 Projected Operating Expenditures: \$44.2M***

- 2023 total operating expenditures are projected to be below budget by \$0.8M.

## ***2023 Projected Transfers: \$16.0M***

- All budgeted transfers to be made along with the following additional transfers:
  - Additional \$5.0M transfer to the Capital Fund toward 2024 capital budget needs and commitments. This additional transfer is generated from the 2023 General Fund surplus.

***2023 Projected Revenues over Disbursements (operating expenditures + transfers) results in a surplus of \$97K***

## ***2023 Projected Year-End General Fund Reserve: 45.5%***

*Reserve calculated as estimated ending GF balance divided by total disbursements (expenditures + transfers).*

# 2024 Revenue Budget – Recap

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## 2024 General Fund Revenue Budget – \$61.9M

- 2024 Revenue Budget vs. 2023 Revenue Budget: ↑ 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: ↑ 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.

# 2024 Operating Expenditures Budget – Recap

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## 2024 General Fund Operating Expenditures Budget – \$47.4M

- 2024 operating expenditures budget is \$3.2M (7.1%) higher than 2023 projected expenditures.
  - Most departments remain at prior year budget levels. Vacancies are budgeted at the beginning of the year for budget efficiency. They were also budgeted at the beginning of the year in the 2023 budget.
  - 2024 Personal Services (wages) budget includes a 2.25% cost of living adjustment and a 2.00% merit pay plan adjustment budgeted for all non-bargaining employees. For all bargaining units, the increase is attributable to the Year 3 of 3 impact from the Collective Bargaining Unit negotiations.
  - Health Care Equivalent costs are budgeted to increase 5.1% (2023 increase was 11%).
  - Inflationary pressures and supply chain disruption continues to increase some materials and supply budgets in addition to a large number of capital project estimates (e.g. concrete costs).

# 2024 Transfers Budget – Recap

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## **Budgeted General Fund Transfers within the 2024 Budget:**

➤ To Capital Fund (for 2025 Capital)	\$8,500,000
➤ To Fire & Police Pension Funds	\$3,400,000
➤ To Recreation Fund	\$1,000,000
➤ To Debt Service Fund	\$975,000
➤ To Self-Insurance Fund	\$400,000
➤ To Housing Nuisance Abatement Fund	<u>\$200,000</u>
	<b>\$14,475,000</b>

# 2024 GF Operating Budget – Recap

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## 2024 Overall General Fund Operating Budget Recap

➤ Total Revenues	\$61,882,500
➤ Total Operating Expenditures	(\$47,388,158)
➤ Total General Fund Transfers	<u>(\$14,475,000)</u>
➤ Balanced Budget (surplus)	\$19,342

*2024 Year-End General Fund Reserve projected to be 44.3%*

*Refer to Exhibit 1 for a detailed breakdown of the 2024 Budget.*

# 2024 Capital Fund Budget – Recap

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## City of Shaker Heights Capital Summary

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	<u>2024</u>
Police Department - Equipment and Traffic Improvements	\$ 611,000
Fire Department - Equipment	\$ 195,000
Public Works Department - Equipment	\$ 1,150,000
Public Works Department - Streets	\$ 2,257,500
Public Works Department - Facilities	\$ 3,553,000
Recreation Department - Equipment and Facilities	\$ 607,000
Information Technology Department - Hardware & Software	\$ 285,000
Planning Department - Capital Projects Design & Construction Match	\$ 2,751,241
<b>Total Capital Summary</b>	<b><u><u>\$ 11,409,741</u></u></b>

# 2024 Capital Fund Budget – Recap

## City of Shaker Heights Capital Sources & Uses

	General Capital Fund	Sewer Maintenance Fund	Tree Assessment Fund	ARPA Funds	Total
Police Department	\$ 611,000				\$ 611,000
Fire Department	\$ 195,000				\$ 195,000
Public Works Department - Equipment	\$ 970,000	\$ 140,000 (B)	\$ 40,000 (C)		\$ 1,150,000
Public Works Department - Streets	\$ -			\$ 2,257,500 (D)	\$ 2,257,500
Public Works Department - Facilities	\$ 2,968,091			\$ 584,909 (D)	\$ 3,553,000
Recreation Department	\$ 607,000				\$ 607,000
Information Technology Department	\$ 285,000				\$ 285,000
Planning Department	\$ 2,751,241 (E)				\$ 2,751,241
	<u>\$ 8,387,332 (A)</u>	<u>\$ 140,000</u>	<u>\$ 40,000</u>	<u>\$ 2,842,409</u>	<u>\$11,409,741</u>

(A) Funded as part of the General Fund transfer of \$11.0 million in 2023.

(B) Lease payments in Sewer Maintenance Fund for Street Sweeper and Sewer Jet Vac.

(C) Chipper (additional funds) funded out of Forestry budget within this fund.

(D) Funds for these projects will come directly from the ARPA Special Revenue Fund.

(E) This amount includes the \$610K Van Aken Bikeway & \$610K RTA Public Realm projects and those funds are already held in the Capital Fund earmarked at the end of 2022.

# 2024 All Other Funds Budgets

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## ***Special Revenue, Debt Service and Internal Service Funds***

These funds support ongoing operations with funds that are restricted as to their use (e.g. debt service) or revenues charged to departments for services (e.g. central , garage, copying, etc.) or from approved levels of General Fund support.

Refer to Exhibit 2 which gives a detailed description of All Other Funds.

Refer to Exhibit 3 which details the 2024 proposed budget for All Other Funds.

# Subfunds of the General Fund

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## **Fund 103: Economic Development & Housing Fund**

**2024 Budget: \$200K**

- The main use of this fund is to provide for certain investments in commercial development and/or housing development, including targeted loans to generate new economic activity.
- These include Vision Loans, SBA Partnership Loans, or similar incentives to attract and expand businesses within the City, which are typically repaid from income taxes collected from a business or its employees.

# Subfunds of the General Fund

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## Fund 105: Recreation (programming)

**2024 Budget: \$2.3M**

- This fund is mainly programming (e.g. all revenue based programs, camps, pool, ice rink, etc.) within the Recreation Department and there is a \$96K increase from the 2023 budget as a result of increased payroll costs. Due to the inability to fill positions that had lower wages, some wages were increased to attract qualified applicants.

# Pension Funds

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## **Fund 205: Police Pension Fund – \$1.5M 2024 Budget**

- Accounts for the payment of current and accrued police pension liability to the Police Pension Fund of Ohio.
- Ohio Revised Code requires that the City levy 0.3 mills (\$263K) of property tax annually for partial payment of this liability. The remainder is funded by the General Fund via a transfer (\$1.7M).
- The current 2024 budget is mainly computed based upon a 19.5% employer contribution.
- The 5.0% increase in budgeted employer contribution toward the Police pension is entirely attributable to the year over year increase in wages (collective bargaining agreement will be in Year 3 of 3 in 2024).
- The fund reserve will increase to approximately 90% in 2024.

# Pension Funds

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## **Fund 206: Fire Pension Fund – \$1.5M 2024 Budget**

- Accounts for the payment of current and accrued police pension liability to the Fireman’s Disability and Pension Fund of Ohio.
- Ohio Revised Code requires that the City levy 0.3 mills (\$263K) of property tax annually for partial payment of this liability. The remainder is funded by the General Fund via a transfer (\$1.7M).
- The current 2024 budget is mainly computed based upon a 24.0% employer contribution.
- The 3.8% increase in budgeted employer contribution toward the Police pension is entirely attributable to the year over year increase in wages (collective bargaining agreement will be in Year 3 of 3 in 2024).
- The fund reserve will increase to approximately 90% in 2024.

# Special Revenue Funds

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## **Fund 201: Street Maintenance & Repair**

### **\$1.8M 2024 Budget**

- Funded from state gasoline tax and motor vehicle registration fees we are required to spend 92.5% of these state receipts on the maintenance and repair of our streets. This fund also provides a budget for the Police Traffic Signal Maintenance work.

## **Fund 204: Sewer Maintenance**

### **\$2.5M 2024 Budget**

- Funded from sewer fees, this budget provides for the repair and maintenance of our sewer system.

# Special Revenue Funds

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## **Fund 223: Housing Nuisance Abatement – \$300K 2024 Budget**

- This account provides funding to abate health and safety hazards and blight on privately owned property. Such abatements using this fund are performed by private contractors hired by the city and the property owner is charged the cost to perform the work including administrative expenses.
- Typical smaller scale emergency nuisance abatement work includes: removal of litter and discarded items, graffiti, and overgrown vegetation, as well as securing vacant structures and the elimination of other minor nuisance conditions. As an option of last resort, funds are used for demolition of blighting structures.
- A transfer of \$200K is proposed for 2024 from the general fund to replenish this fund mainly for demolitions.

# Special Assessment Funds

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## **Fund 281: Street Lighting Assessments**

### **\$800K 2024 Budget**

- An assessment of \$0.88 per front footage of each property parcel in the City provides approximately \$560K per year toward the cost of street lighting within the City. In 2024 the Administration plans to discuss with Council a proposed increase in the front footage assessment in order to ensure that the General Fund will not need to subsidize this fund in the future.

## **Fund 282: Tree Maintenance Assessments**

### **\$1.3M 2024 Budget**

- An assessment of \$1.66 per front footage of each property parcel in the City provides approximately \$1.0M per year toward the cost of tree maintenance within the City.

# Debt Service Funds

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## **Fund 301: General Obligation Debt Service – \$1.5M 2024 Budget**

- This amount represents the appropriation required for 2024 to pay the required debt service on general obligation debt as listed below. While all general obligation debt is paid out of this fund, debt service for sewer related debt (asterisks below) is funded from sewer fees (Fund 204), not the General Fund.
- 2024 Debt Payments:
  - \$293K: Ohio Public Works Commission (OPWC) Loans (waterlines) / \$73K: 2017 Various Purpose Improvement Bonds (VAD) / \$371K: 2017 Port Authority Non-Tax Bonds (VAD)
  - \$465K: 2022 \$8.0M Sanitary Sewerage System Improvement Bonds\* / \$150K: 2017 Various Purpose Improvement Bonds\* / \$33K: 2013 Van Aken Sewer Line Improvement Bonds\* / \$29K: Loans – Hildana Ludgate Sanitary Sewer (OPWC)\*
  - \$40K: Legal Services estimated for 2024

# Debt Service Funds

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## Fund 302: Urban Renewal Debt Service

### \$1.2M 2024 Budget

- This amount represents the appropriation required for 2024 to pay the required debt service on urban renewal debt as listed below.
- Funds for this debt come from payments in lieu of taxes (PILOTs) which are estimated to be \$1.5M in 2024 (no shortfall like in past years).
  - \$917K: 2012 Urban Renewal Bonds (Firehouse No. 1 & Sussex & Shaker Towne Center)
  - \$299K: 2016 Urban Renewal Refunding Bonds

# Other Significant Variances

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## **Fund 284: Mental Health Response Team Fund**

### **\$400K 2024 Budget**

- This amount represents the planned expenditures on the expanded Mental Health Response Team program in 2024 funded by the recent Federal Office of Community Oriented Policing Services grant. This fund was recently created at the November 27<sup>th</sup> Council meeting.

## **Fund 286: Local Fiscal Recovery Fund (ARPA)**

### **\$2.8M 2024 Budget**

- This amount represents the planned expenditures on two large Public Works capital projects in 2024 (streets and city hall parking lot). This will encumber the ARPA funds as required by December 31, 2024. It is expected that the majority of these funds will be spent before the ARPA deadline of December 31, 2026.

# Other Significant Variances

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## **Fund 771: Point of Sale Escrow**

### **\$4.5M 2024 Budget**

- This is an increase of \$1.0M to the prior year budget mainly as a result of reviewing current year activity on the Escrow account. This fund is mainly funds in and funds out with the exception of a \$15, per disbursement, charge to the escrow owner.

# Summary of 2024 All Funds Budget

<b>Fund Type</b>	<b>2023 Budget</b>	<b>2024 Budget</b>	<b>% Chg from 2023 Budget</b>
General Fund	\$45,007,005	\$47,388,158	5.3%
Economic Development Fund*	226,839	200,000	-11.8%
Recreation Fund*	2,248,022	2,343,921	4.3%
Other GF Subfunds*	278,000	150,000	-46.0%
Special Revenue Funds	10,710,205	15,072,616	40.7%
Police & Fire Pension Funds	2,807,103	2,932,156	4.5%
Special Assessment Funds	2,030,092	2,084,973	2.7%
Court Revenue Funds	446,241	481,693	7.9%
Debt Service Funds	2,678,889	2,675,620	-0.1%
Internal Service Funds	4,263,765	4,202,027	-1.4%
Self Insurance Funds	6,174,108	6,816,160	10.4%
<b>Total All Funds</b>	<b>\$76,870,269</b>	<b>\$84,347,324</b>	<b>9.7%</b>

\*Subfunds of the General Fund



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# Questions / Comments

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