



SHAKER HEIGHTS

General Fund Expenditures & Transfers
2023 Projection & 2024 Budget
November 13, 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:

- October 10th – Transformational and Major Capital projects review
- 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); adoption of Position Classification and Pay Plan for Non-Bargaining and Seasonal Part-time Employees (HR)

2023 Revenue Projection – Recap

2023 General Fund Revenue Projections

	Aug YTD	Sep-Dec Projection	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 – Recap

2023 Revenue Budget: \$56.2 million

2023 Revenue Projection: \$60.3 million (↑ \$4.1 million)

Our 2023 projection of revenues will exceed budget mainly due to income tax receipts exceeding budget by \$2.8M and investment earnings exceeding budget by \$1.6M.

2023 Expenditures Projection

2023 Expenditures Projection – utilized August YTD actuals plus projected wages and other expenses from September through December. Other expense budgets, with undetermined year end estimates, were conservatively projected to budgeted amounts.

2023 Expenditures Budget: \$45.0 million

2023 Expenditures Projected: \$44.2 million (↓ \$0.8 million)

2023 Transfers Budget: \$11.0 million

2023 Transfers Projected: \$16.0 million (↑ \$5.0 million)

Finance has confidence in the 2023 expenditures projection as we compile these estimates late in the budget year. In 2022, actuals came in 0.1% above Projection and in 2021 actuals came in 1.3% below Projection.

2023 Expenditures Projection

Refer to **Exhibit 1** – Projected 2023 General Fund Expenditures & Transfers

- The Administration proposes to transfer an additional \$5.0 million from the projected 2023 surplus to the General Capital Fund toward 2024 capital budget needs and commitments. Funds for capital projects will be discussed at the November 27th Capital Budget meeting.
- After the above additional transfer of \$5.0 million, we are projecting a 2023 surplus of \$97K and a General Fund Reserve of 45.5%.

2023 Recap After Additional Transfers

	2023 Projection	2023 Budget	2023 Proj vs Budget
Total Operating Expenditures	44,229,178	45,007,005	(777,827)
General Capital Fund	11,000,000	6,000,000	5,000,000
Debt Service Fund	900,000	900,000	0
Police Pension Fund	1,100,000	1,100,000	0
Fire Pension Fund	1,200,000	1,200,000	0
Recreation Fund	1,260,000	1,260,000	0
Self Insurance Fund	500,000	500,000	0
Transfers Out	15,960,000	10,960,000	5,000,000
Total Disbursements (Expenditures + Transfers)	60,189,178	55,967,005	
Total General Fund Revenue	60,285,697	56,224,000	4,061,697
Surplus/(Deficit)	96,519	256,995	
Personal Services	31,477,873	32,255,700	(777,827)
Other Expenses	12,751,305	12,751,305	0
Total Operating Expenditures	44,229,178	45,007,005	(777,827)
Projected Year End GF Balance	27,403,115		
Projected Year End GF Reserve %	45.5%		



SHAKER HEIGHTS

2023 Expenditures & Transfers Projection Questions/Comments

City Goals & Priorities

- **Goal 1) Superior Response & Service Delivery** – Deliver outstanding services including safety and public works, with targeted modernization of technology, facilities, and infrastructure as Shaker’s population, commercial development, and number of residential properties continue to grow.
- **Goal 2) Financial Health & Sustainability** – Responsibly manage and deploy necessary resources to fund strategic priorities and capital budget needs. Increase the tax base by maintaining and increasing high quality housing and commercial development.
- **Goal 3) Greenspace and Public Spaces** – Maintain the quality of Shaker’s beautiful greenspaces and public spaces.
- **Goal 4) Recreation** – Determine the level and type of recreation services and programming based on demand and available resources; deliver quality, accessible programming.

City Goals & Priorities

- **Goal 5) Human Capital and Talent** – Attract and retain a diverse resident population and staff who contribute to and benefit from Shaker’s welcoming and inclusive culture.
- **Goal 6) Environmental Sustainability** – Educate, advocate for, and support the environmental, economic and social sustainability of the community in partnership with our residents and businesses to meet the needs of our entire community without compromising the resources or well-being of future generations.
- **Goal 7) Quality Housing** – Invest in both new and existing housing to ensure that a diversity of high-quality and well-maintained housing types are available to residents. Encourage both reinvestment in older housing and the growth of additional attractive housing types to meet the needs and desires of current and future residents across a wide spectrum.
- **Goal 8) Economic Development** – Develop and maintain vibrant commercial districts through public/private partnerships and other innovative approaches.

Framing the 2024 Operating & Capital Budgets

- Reviewed the City-wide goals adopted by Council for 2023-2024 along with each goal's strategic priorities.
- Identified some of Council's highest strategic priorities that are completed or will be completed in 2023:
 - Doan Brook Restoration and Amenities selected for design.
 - Lower Lake Path design and construction funded.
 - Recreation Study consultant selected and ready for funding.
 - Successful new lateral entry hiring process for police officers.
 - Additional access to school gyms for basketball and pickleball.
 - Internal DEI Assessment completed and recommendations being implemented.
 - Lee Road Action Plan completed and adopted.
 - Inspectors using CitizenServe in the field for Point of Sale inspections.
 - Joint with Beachwood Bryden Road Culvert Project completed.
 - Successful Grow Not Mow sites.

Framing the 2024 Operating & Capital Budgets

- Highlighted some of Council's highest strategic priorities that will continue in 2024:
 - Expansion of Mental Health Response Program with \$400K in Federal grant funds.
 - Listening Project consultant to be hired and Community Advisory Group created.
 - DEI Committee engagement of the community.
 - Continued joint deer culling program with Beachwood.
 - Implementation of non-bargaining employee Merit Pay Plan.
 - Arcadia mixed-use development to break ground.
 - Study relocation of schools' bus depot to create Lee Road Neighborhood Center.

2024 Budget – Primary Themes

- The Work From Home impact continues to make it difficult to forecast some income tax trends long term. The expenditures operating budget needs to remain stable, not growing beyond regular increases to personal services (e.g. COLA, bargaining unit negotiated increases, employer health care cost increases, etc.).
- 2024 Personal Services (wages) budget includes a 2.25% cost of living adjustment and a 2.50% 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 Revenue Budget – Recap

2024 General Fund Operating Revenue Budget (DRAFT)

	Actual 2022	Budget 2023	Projection 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 Expenditures Budget

Overall

- A 2.25% cost of living adjustment and a 2.50% merit pay plan adjustment budgeted for Non-Bargaining employees. All five bargaining units will be in Year 3 of 3 within their agreements in 2024. Each has their own respective increases (beginning with a 2.25% COLA).
- 5.1% increase in employer and employee health care premium equivalents.
- Most department staffing levels remain at prior year budgeted levels except as noted herein. Vacancies are historically budgeted at the beginning of the year.

2024 Expenditures Budget

Police Department

- The Police Department's authorized sworn manpower limit is 68, currently at 58.
- Personal Services budget reinstates the Summer Student Bike Patrol in 2024 ↑ \$50K
- Grant funded Mental Health Response Team (MHRT) expansion with four other cities.
- Chagrin Valley Dispatch (Police & Fire) ↑ \$45K or 5.1%
- Solon Prisoner Boarding Services ↑ \$27K
- Deer Culling Contract (joint with Beachwood) ↑ \$20K
- Operating Expenses for the VAD Police HUB ↑ \$24K

Fire Department

- The Fire Department is at its full complement of 55 which includes all Firefighters / Paramedics, Lieutenants, Battalion Chiefs and the Fire Inspectors. An administrative position (Business Services Manager) was restored.
- The 2016 Aerial Ladder (five year) truck lease was completed in 2023. This results in an annual savings to Other Expenses of \$144K (debt service) beginning in 2024.

2024 Expenditures Budget

Recreation Department

- Personal Services Part Time and Seasonal ↑ \$100K as minimum wage is increasing from \$10.10 to \$10.45 (3.5% increase).
- No significant other expense budget changes from last year.

Planning Department

- No significant budget changes from last year.

Communications & Marketing Department

- No significant budget changes from last year.

2024 Expenditures Budget

Building & Housing Department

- Reduction in one administrative Full Time employee.
- Misc. Engineering, Architectural Design Service expenses ↓ \$10K. Most of this budget is plans examiner fees and can fluctuate from year to year based on commercial activity. Budget includes anticipated fees from the Arcadia Project. These Plan review fee expenses are pass through expenses and are fully reimbursed to the city through permit fee revenue, dollar for dollar.

Mayor's Office

- Per 2023 Ordinance, Mayor salary increased to \$103K in 2024.

2024 Expenditures Budget

Economic Development Department

- Neighborhood Network Coordinator position replaces outsourced services in Moreland.
- SHDC Annual Contribution (subsidy) increased from \$50K to \$75K as they continue their successful fundraising focus on The Fund to support redevelopment on Lee Road (versus fundraising to support operations). This strategy strongly supports the City's ED efforts. The SHDC budget deficit is approximately \$35,000 and the Administration is recommending an increase in our contribution back to \$75,000 for 2024.

2024 Expenditures Budget

Public Works Department

- Temporary (Seasonal) Labor ↑ \$36K as it is requiring higher wages to get and maintain temp staffing
- Materials ↑ \$41K as mulch, top soil, etc. prices are higher
- Vehicle parts and supply costs inflationary increases ↑ \$75K
- Landfill Disposal Services contract increase expected ↑ \$75K
- Organic Disposal Costs (pricing coming down) ↓ \$23K
- Fuel & Diesel charges ↓ \$20K

2024 Expenditures Budget

CAO Department (includes DEI)

- One Full Time employee for one year to assist with the implementation of the Listening Project.
- \$50K for Listening Project Consultant

Finance Department

- No significant budget changes from last year.

Law Department

- Other Expenses up mainly due to potential increased Legal Services for Union contracts expiring at the end of 2024 and continued Horseshoe Lake litigation. There are also increases in Court appointed legal counsel fees.

2024 Expenditures Budget

City Council

- Additional funds added to other expense budget for Council Chambers audio/visual assistance with hybrid meetings in 2024.

Municipal Court

- No significant budget changes from last year.

2024 Expenditures Budget

Human Resources & Civil Service Departments

- One Part Time position increased to a Full Time position to add a Recruitment function.
- \$16K Paid Internship Program moved from Other Expenses (2023) to Personal Services line (2024) for proper budget tracking.
- Additional funds (\$17K) added to Civil Service Other Expenses budget for entry level and promotional Police and Fire exams in 2024.

Information Technology Department

- No significant budget changes from last year.

2024 Expenditures Budget

Contractual Charges & Statutory Expenses (CCSE) Department

- A reallocation of \$62K in expenses (unemployment comp; employee assistance program; employee awards) from the Personal Services line to the Other Expenses line for proper budget tracking.
- ↑ \$14K for Cuyahoga County Board of Health contract.
- ↑ \$100K Support of Shaker Historical Society
- ↑ \$49K Insurance Premiums (10%)

2024 Transfers Budget

- \$8.5M – General Capital Fund (funding 2025 capital)
- \$975K – Debt Service Fund
- \$3.7M – Police and Fire Pension Funds (restore to a 100% reserve)
- \$1.0M – Recreation Fund (General Fund subsidy)
- \$400K – Self Insurance Fund

2024 Expenditures Budget

Refer to **Exhibit 2** – Budgeted 2024 General Fund Expenditures & Transfers

- In keeping with our city goal of Superior Response & Service Delivery, Police, Fire & Public Works personal services budget represents **71%** of the total City personal services budget and **51%** of the total City operating budget (personal services plus other expenses).

2024 Expenditures Budget

Overall Recap of 2024 Budget

➤ General Fund Operating Revenues Budget	\$61,882,500
➤ General Fund Operating Expenditures Budget	(\$47,321,758)
➤ General Fund Transfers Budget	<u>(\$14,555,000)</u>
➤ Budget Revenues exceed Disbursements	\$5,742
Projected General Fund Reserve end of 2024	44.3%



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2024 Expenditures & Transfers Budget Questions/Comments

Next Budget Meeting

November 27, 2023 Joint Council / Finance Committee Meeting:

- ***Presentation of 2024 Capital Budget by Department***
- ***Recap of Transformational & Major Capital Projects***
- ***Presentation of 10 Year Capital Plan (2024-2033)***

Other Final Reminders for 2024

- In 2024, the Administration and Council will begin discussing increased Street Lighting Assessments to ensure that an annual General Fund subsidy will not be needed in the future. An increase for the Tree Maintenance Assessment occurred in 2022.
- In 2024, the Administration and Council will begin discussing the need for additional sewer fee increases as May 2023 was the last rate increase from the four year fee schedule (2020 – 2023).



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Final Questions/Comments
