



SHAKER HEIGHTS

General Fund Revenues 2024 Projection & 2025 Budget October 28, 2024

City Council & Finance Committee
Joint Work Session

John Potts, Director of Finance

2025 Budget Timeline Recap

The following is a recap of the timeline for the presentation of the 2025 budget (all designated as Joint Council / Finance Committee meetings).

October 28th – 2024 General Fund (GF) projected revenues; 2025 GF revenue budget

November 12th – 2024 GF projected expenditures and transfers; 2025 GF proposed expenditure budget and transfers

November 25th – 2025 proposed capital budget

December 2nd – 2025 proposed operating and capital budgets (review); 2025 all other fund budgets

December 16th – 2024 clean-up ordinance; adoption of 2025 budget ordinances (operating and capital)

2024 Revenue Projection

- 83% of our revenues are derived from income taxes (70%) and property taxes (13%).
- The 2024 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: 2023 Actuals were 0.2% above Projection and 2022 Actuals were 1.3% above Projection.

2024 Revenue Projection

2024 General Fund Revenue Projections

	<u>Aug YTD</u>	<u>Sep-Dec Projection</u>	<u>2024 Projection</u>	<u>2024 Budget</u>	<u>Var to 2024 Budget</u>	<u>%</u>
Income Tax	30,485,431	12,813,636	43,299,067	43,750,000	(450,933)	-1.0%
Property Tax	7,813,878	494,377	8,308,255	8,200,000	108,255	1.3%
Charges for Services	2,185,181	883,318	3,068,499	2,930,000	138,499	4.7%
Licenses & Permits	800,988	371,012	1,172,000	1,257,000	(85,000)	-6.8%
Local Governmental Fund	582,798	332,621	915,419	950,000	(34,581)	-3.6%
Fines & Forfeitures	292,824	152,100	444,924	450,000	(5,076)	-1.1%
Investment Earnings	2,214,408	1,240,378	3,454,786	3,000,000	454,786	15.2%
Other Taxes	74,438	31,249	105,687	95,500	10,187	10.7%
Miscellaneous	1,189,089	93,966	1,283,055	1,135,000	148,055	13.0%
Intergovernmental Revenue	142,313	0	142,313	115,000	27,313	23.8%
General Fund Revenues	<u>45,781,348</u>	<u>16,412,657</u>	<u>62,194,005</u>	<u>61,882,500</u>	<u>311,505</u>	<u>0.5%</u>

2024 Revenue Projection

➤ **Income Tax \$451K ↓ 1.0%**

We budgeted for a 2.0% increase over the 2023 projection and almost got there, however, Shaker continues to be on the positive side of Work From Home withholding receipts.

➤ **Ambulance Fees \$263K ↑ 37.5%**

Medicare & Medicaid reimbursement rates are up over last year and run volume has increased by almost 90 trips. The amount of patients with Medicare went up and those with Medicaid went down. The reimbursement rate for Medicare is higher than Medicaid.

➤ **Investment Earnings \$455K ↑ 15.2%**

We continued to try to maximize our investment earnings in the current market and consistent with our prudent investment strategy. Interest rates remained high during 2024 but we expect that they will begin to decline leading into 2025.



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2024 Revenue Projection Questions/Comments

2025 Revenue Budget

- Budgeted 2025 General Fund Revenue: **\$64.0 Million (Exhibit 1)**
- 2025 Revenue Budget vs. 2024 Revenue Budget: \$2.2M ↑ 3.5%
The increase is mainly driven by \$2.0M in additional property tax receipts we expect to receive next year as a result of the recent Sexennial Reappraisal.
- 2025 Revenue Budget vs. 2024 Revenue Projection: \$1.8M ↑ 3.0%
Next year's income tax budget is approximately \$0.9M above the current 2024 projection (2.0% increase). We are also budgeting for increased property tax receipts of \$2.0M over the current year projection. Both of these increases is offset by a decrease of almost \$1.0M in investment earnings as we anticipate interest rates to slowly decline from 2024 highs.

2025 Revenue Budget

2025 General Fund Operating Revenue Budget

	Actual 2023	Budget 2024	Projection 2024	Budget 2025	Budget 2025 to Projected 2024	%
Income Tax	41,984,370	43,750,000	43,299,067	44,166,000	866,933	2.0%
Property Tax	8,228,896	8,200,000	8,308,255	10,300,000	1,991,745	24.0%
Charges for Services	2,931,784	2,930,000	3,068,499	3,010,000	(58,499)	-1.9%
Licenses & Permits	1,298,813	1,257,000	1,172,000	1,270,000	98,000	8.4%
Local Governmental Fund	973,705	950,000	915,419	930,000	14,581	1.6%
Fines & Forfeitures	450,963	450,000	444,924	460,000	15,076	3.4%
Investment Earnings	2,685,400	3,000,000	3,454,786	2,500,000	(954,786)	-27.6%
Other Taxes	118,754	95,500	105,687	102,500	(3,187)	-3.0%
Miscellaneous	1,647,731	1,135,000	1,283,055	1,160,000	(123,055)	-9.6%
Intergovernmental Revenue	111,689	115,000	142,313	140,000	(2,313)	-1.6%
General Fund Revenues	60,432,105	61,882,500	62,194,005	64,038,500	1,844,495	3.0%

2025 Revenue Budget

Overall Assumptions – Significant Line Items

- **Income Tax:** Budgeted 2.0% growth over the 2024 Projection. This is a conservative assumption as the average increase, year over year, from 2022 has been around 3.4%. We are also anticipating a net positive impact from Work From Home income tax receipts in 2025.
- **Property Tax:** Based on the 2024 Sexennial Reappraisal we expect to receive an additional \$2.0M in property tax receipts in 2025.
- **Charges for Services:** Utilized a budget amount consistent with the past 3 year average and taking into account the 2024 Projection.

2025 Revenue Budget

- **Licenses & Permits:** Significant line items within this revenue grouping derived from analysis and review by the Director of Building & Housing. We continue to anticipate fewer residential renovation and home addition projects due to market forces increasing renovation costs. The Arcadia Development will likely generate approximately \$150K in one-time revenue.
- **Local Government Fund:** Utilized estimates for 2025 from the County Budget Commission and the Ohio Department of Taxation.

2025 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 2024 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. This budgeted amount assumes that interest rates will begin to decline from the 2024 highs.
- 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

- The Council Goals and Strategic Priorities will be used 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.
- 2024 is the final year of the 2022 union agreements. We are beginning negotiations with all bargaining units and the result and impact of those contracts will likely not be completed by the end of budget season.
- Inflationary pressures continue and will impact the budget for contractual services, materials and supplies and capital projects.



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2025 Revenue Budget Questions/Comments
