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February 23, 2015

Raymond C. Somich, President of City Council
City of Willoughby Hills, Ohio
35405 Chardon Road
Willoughby Hills, Ohio 44094

Re: 2015 Proposed Operating Budget

Dear Council President Somich:

Submitted herewith for Council's review and consideration is the City's proposed 2015 Annual Operating Budget. We would request that an ordinance adopting this budget be introduced on first reading at the February 26th, 2015 Council meeting with the second and third readings of the proposed ordinance occurring at the regular Council meetings scheduled for March 12th and March 26th, 2015. State law requires that the City adopt an operating budget by no later than March 31st of any year.

The 2015 General Fund proposed operating budget is summarized as follows:

\$6,106,000 – Estimated Revenue
\$6,666,800 – Estimated Expenditures
(\$ 560,800) – Estimated Excess of Expenditures over Revenues
\$1,178,616 – Unobligated Fund Balance January 1, 2015
\$ 617,816 – Projected General Fund Balance December 31, 2015

As in past years, every effort was made to eliminate the projected 2015 operating deficit while trying to maintain current operations at a high level. Unfortunately, primarily due to the State of Ohio's decision to reduce the amount of funding it provides to local governments, it was not possible to prepare a budget where revenues equal expenditures. In 2015, it is projected that the City will receive approximately \$805,000 less in State funding than it received in 2007.

The proposed 2015 Revenue Budget was impacted by the following items:

- Virtually no growth in property tax revenue and the related property tax credits and rollbacks received from the State of Ohio. 2015 is the third year in the current six year property tax cycle. Additional revenue may be realized in 2016 after the County Auditor completes his reassessment of current property values.
- A projected overall increase in income tax revenue of approximately \$170,000 (\$12,500 General Fund, \$157,500 Safety Forces Special Revenue Fund) over the amount budgeted in 2014. The

amount estimated for 2015 is \$93,900 over the amount of income tax revenue received by the City in 2014 (\$75,500 General Fund, \$18,400 Safety Forces Special Revenue Fund).

- With the closing of the movie theatre, a reduction in estimated revenue from Admission Tax of approximately \$35,000 over the amount budgeted in 2014 and approximately \$10,300 less than the amount actually received in 2014.
- A reduction in revenue from the Mayor's Court of approximately \$93,200 over the amount budgeted for 2014. The anticipated 2015 revenue exceeds the amount of revenue actually received by the Mayor's Court in 2014 by approximately \$40,000.

The 2015 Expenditure Budget was impacted by the following items:

- Negotiated wage increases: The budget reflects wage adjustments for all union employees (Police and Service – 1%, Firefighters 0.5%) that were approved by City Council in 2013 and 2014. The budget also includes an allowance for increased time to be worked by the City's part-time firefighters necessary to cover the shifts that will no longer be worked annually by the full-time firefighters due to the conversion to the 48 hour average work week.
- The budget includes a 1% adjustment for City Council and all other employees not covered by collective bargaining agreements. The Department of Labor had not yet released the January 2015 CPI. Once this figure is released, the actual wage adjustment for the City's elected officials will be computed and the budget adjusted accordingly.
- Health Care: The budget projects a 20% increase in the cost of health insurance, effective July 1. In addition, the first six months of 2015 reflect the rate increases which went into effect on July 1, 2014.
- Affordable Care Impact: The budget does not reflect providing health insurance to part-time employees as required by the Affordable Care Act. At this point in time, it is not clear whether or not the provisions of the Health Care Law will impact the City in 2015 and 2016. We will be meeting with the City's insurance broker in the near future to determine a course of action which unfortunately will negatively impact either the 2015 or 2016 operating budget.
- City Debt:
 - \$260,000 will be borrowed to finance the cost of a Fire Department ambulance (\$110,000) and a Service Department snow plow (\$150,000)
 - \$1,119,415 will be paid by the City against its existing debt total of \$13,909,149
 - \$859,415 – net 2015 reduction in City long-term debt.
- Other Items: The 2015 budget provides for the following significant operating and capital expenditures:
 - \$38,000 for the City's bi-annual audit by the State Auditor of the City's financial records for years ended December 31, 2013 and 2014.
 - The paving of Eddy (\$264,100) and Pleasant Valley (\$217,200) Roads.
 - \$90,000 for engineering services for the design of the Route 91 Paving Project (construction anticipated to occur in 2016 and be 80% financed by a grant)
 - An additional \$124,000 for the purchase of road salt over the amount actually expended in 2014. In 2014, the City paid an average of \$39 per ton for rock salt; the price for 2015 increased to approximately \$80.00 per ton.
 - \$85,000 for major maintenance work on the Pleasant Valley Bridge.
 - \$107,000 for the purchase and equipping of three new Police vehicles.
 - \$150,000 for the replacement by the Service Department of a 5.0 ton truck (including a salt body and plow package) primarily used for snow removal.
 - \$68,300 for the restriping of City streets.
 - \$35,000 for a digitized records management system to be first implemented in the Mayor's Court and Finance Departments
 - \$732,700 for eight storm water management projects at various locations throughout the City. All of these projects will be fully funded by grants from the Lake County Stormwater Management Department (LCSMD) from the county-wide special assessment levied by the LCSMD against all properties in the district (the majority of Lake County).

To: Raymond C. Somich, City Council President
RE: 2015 Proposed Operating Budget
February 23, 2015

Potential Capital Requirements- 2016 Through 2018

The list that follows represents the Administration's current estimate of the City's capital needs for the years 2016 through 2018. These items will need to be incorporated into the operating budgets for each of these years along with funding for each of these items. In past years, the City had dedicated revenue that it received from the State of Ohio from the Estate Tax to finance its capital program. Since the State of Ohio eliminated the Estate Tax in 2013 and did not make provisions to replace this source of City capital funding revenue, the General Fund will most likely have to finance the bulk of the items listed.

2016 Potential Capital Needs

- \$75,000 – Police Department – Replacement of two cars
- \$1,190,000 – Streets – Resurfacing of Route 91 (80% funded by a PTAM Grant)
- \$15,000 – Building Department – Vehicle replacement
- \$15,000 – Information Technology – Equipment replacement Citywide
- \$100,000 – Dispatch – 911 system replacement
- \$25,000 – Service Department – Pickup truck replacement

2017 Potential Capital Needs

- \$75,000 – Police Department – Replacement of two cars
- \$150,000 – Police Department – Replacement of radios
- \$300,000 – Service Department – Replacement of two snow plows
- \$50,000 – Service Department – Replacement of two pickup trucks
- \$15,000 – Information Technology – Equipment replacement Citywide

2018 Potential Capital Needs

- \$75,000 – Police Department – Replacement of two cars
- \$125,000 – Fire Department – Ambulance Refurbishment
- \$15,000 – Information Technology – Equipment replacement Citywide

As previously noted, like the 2014 budget, the 2015 budget is very lean, to the point of being painful. The City's current funding sources require it to defer various capital projects and equipment replacement that it would otherwise like to perform. The Administration will continue to manage the City's operation very carefully as it did in 2014 which resulted in a General Fund operating surplus of approximately \$516,000. In an environment of reduced support from the State of Ohio and stagnant property values, the Administration and City will need to consider what service and funding levels are acceptable in 2015 and beyond. As the past as shown, we cannot continually balance budgets by deferring the replacement of equipment needed by the staff to operate or maintaining streets and infrastructure without paying a significant price in the future.

Sincerely,



Robert M. Weger
Mayor



Frank J. Brichacek
Director of Finance

Enclosures (1)

C: City Council

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