

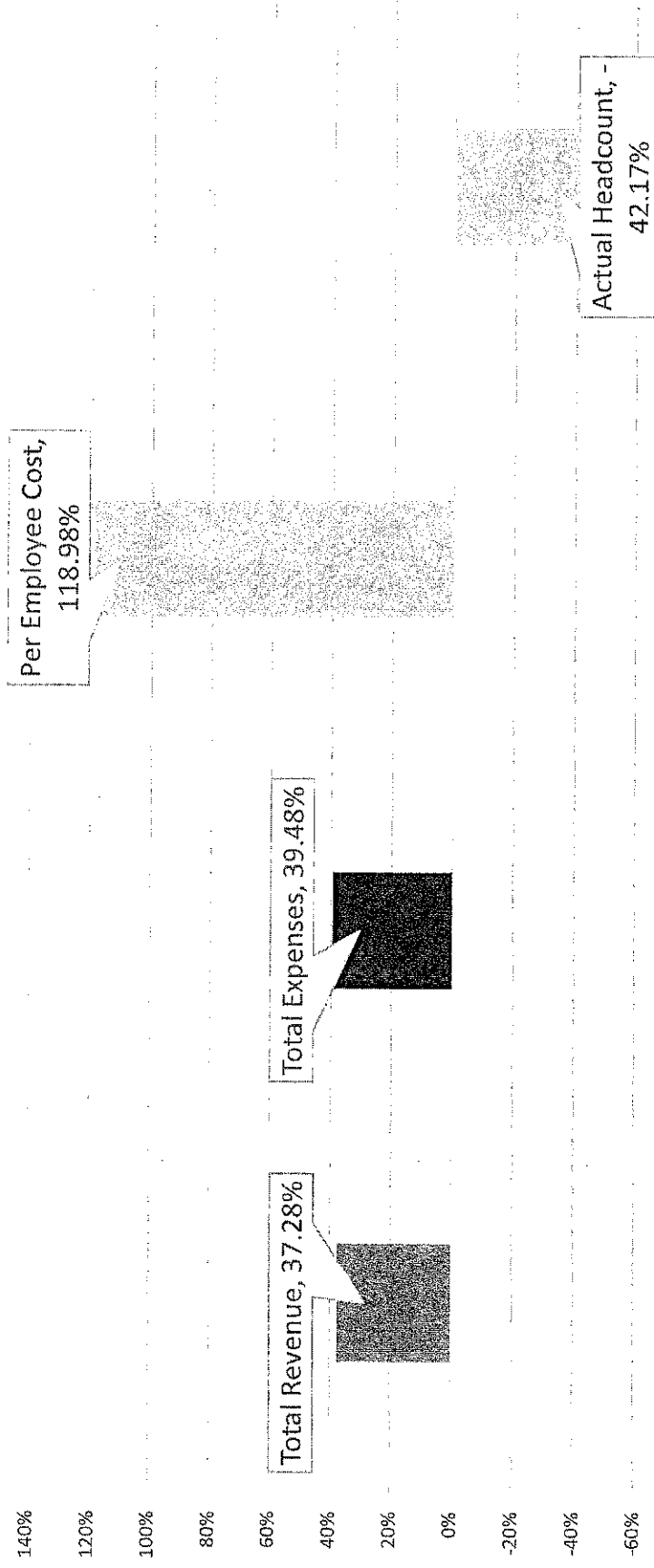
Presentation Regarding Proposed Cut of Revenues from General Fund and Transfer to Individual Council Accounts

Ahmed A. Abonamah
Department of Finance
January 23, 2023



CITY OF CLEVELAND
Mayor Justin M. Bibb

Overview of Changes 2001-2021



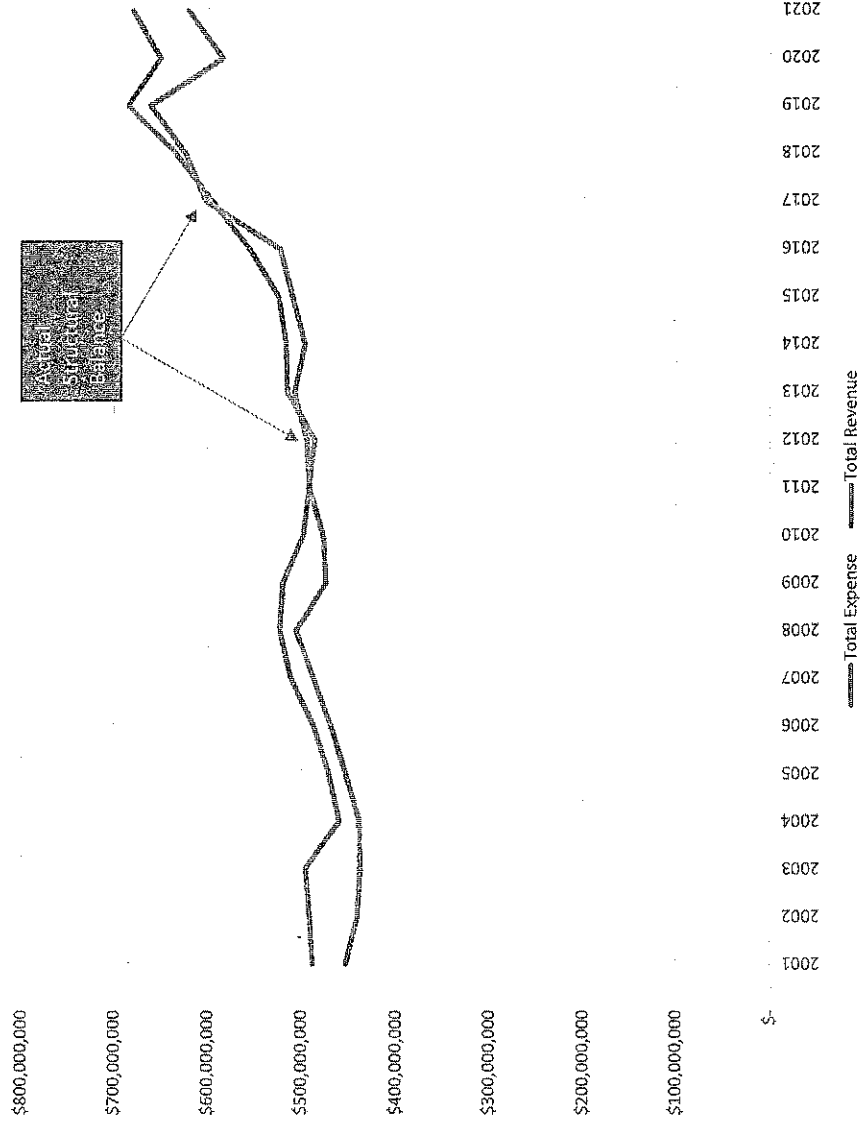
Macroeconomic and Public Policy Challenges to City's Fiscal Health

Macroeconomic

- Persistent population loss
 - 396,624 (2010) → 372,624 (2020)
- Jobs down
 - City: -25%
 - County: -16%
 - State: -0.6%
- Increases offset by inflation
- Recession risk

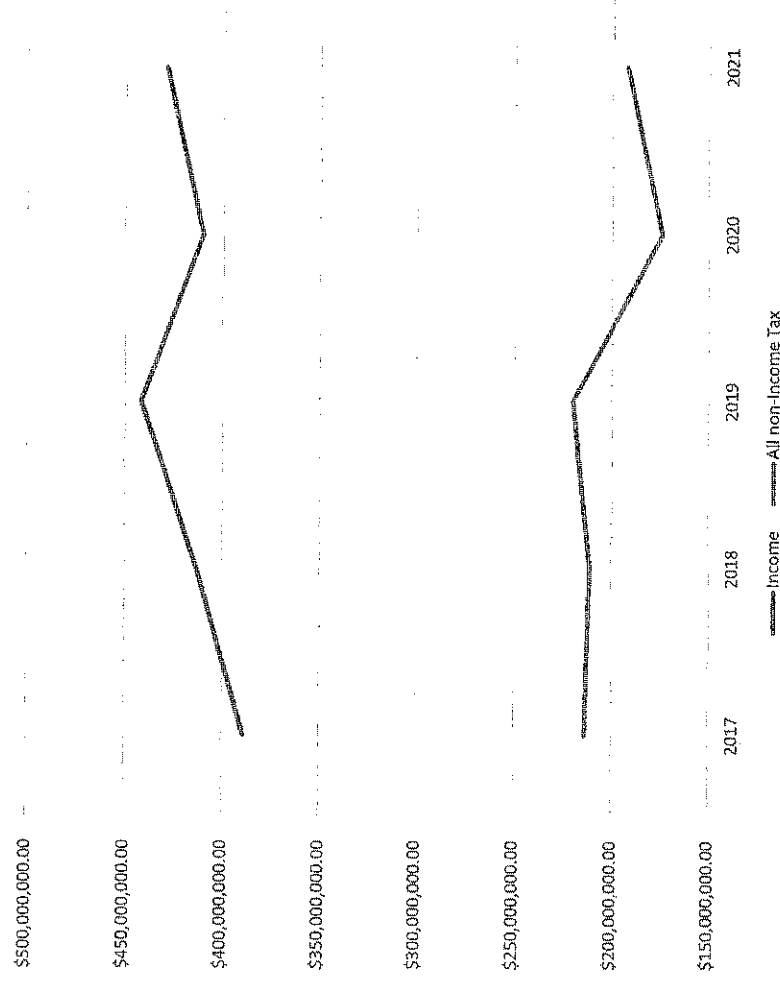
Revenues vs. Expenses 2001-2021

- Over past 20 years recurring revenues have almost always lagged recurring expenses.
- This means City has had to regularly rely on one-time sources of revenue to balance budget
 - Federal stimulus
 - Selling properties
- Only twice in this period did revenues exceed expenses
- Avg. annual gap = \$25.2m



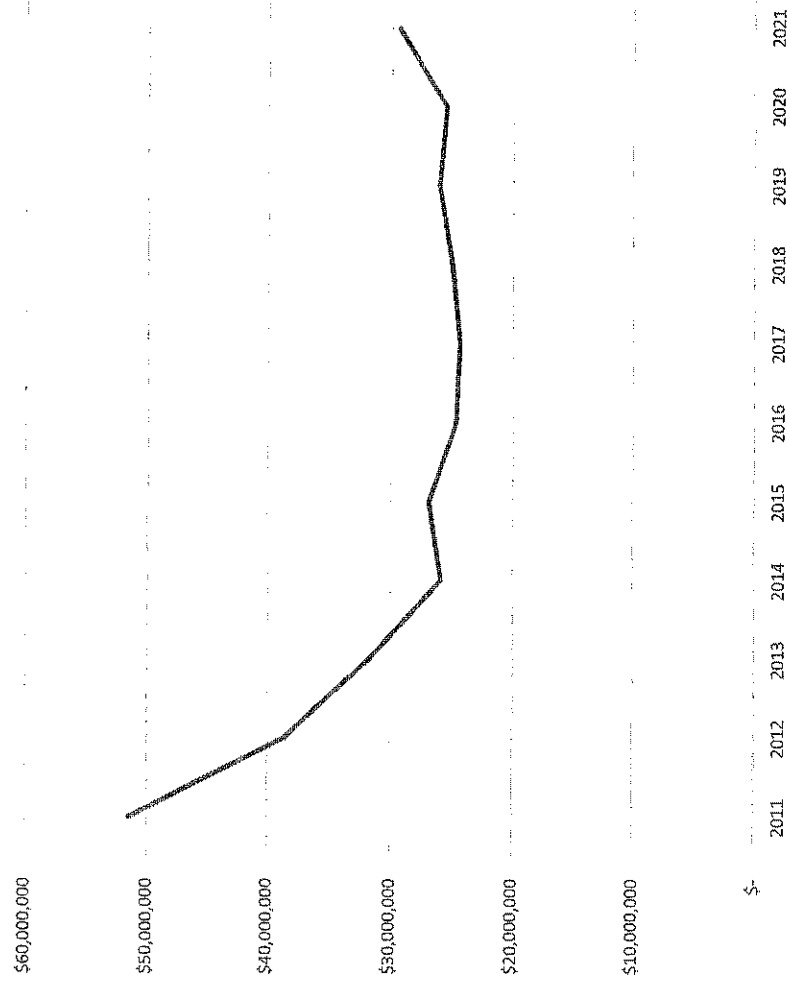
Income Tax Gains Offset by Reductions in Other Revenue

- From 2017 through 2021, income tax revenue increased \$40m
- During same period, all other revenue decreased \$21.2m
- As a result, net revenue increase was \$18.9m (3.13%) (below inflation)
- Over the same period:
 - City's healthcare-related costs increased \$19.8m (24.29%) (above inflation)
 - City's personnel costs (excluding healthcare) increased \$32.4m (7.66%) (below inflation)
 - City's other expenses increased \$32.7m (18.99%) (above inflation)



Déjà vu: State Cuts to General Fund

- Since the State reduced local government funding levels in 2011, the City has lost a total of \$258.25m (annual receipts 2012-2021 compared to 2011 receipts)
- Over the years, the State has eliminated:
 - the Commercial Activity Tax
 - the Tangible Personal Property Tax, and
 - the Estate Tax
- Local Government Funding was \$59.3m in 2001 compared to \$29.4m in 2021.
- These cuts have made casino revenue ever more important to the General Fund



General Fund Capital Needs

- 2023 Capital Budget
 - Total Request: \$1115m
 - Roads
 - Rec Centers
 - Fire houses and police stations
 - Snow plows, garbage trucks, ambulances, fire trucks
 - Cannot afford this; maintenance deferred; problems grow

Impact of Proposed General Fund Cuts

- In 2022 this proposed cut to General Fund would have amounted to \$4.63 million (actual revenue)
- Using preliminary 2023 budget figures, cut would amount to \$5.14 million
- Cut to the general fund would have to be offset with reduced expenses
- Would have to be done through staffing or programmatic cuts
- These cuts would be Council's; not the State's or the Administration's
- Cutting General Fund and adding more to individual Council accounts will inhibit City's ability to balance budget and make it more difficult to sustain service levels for residents

Combination #1	Approx. Cost
Landmarks, Budget, OEO, Purchasing, and Aging	\$ 5,026,351
Combination #2	
Air Quality, Construction Permitting, and CRB	\$ 5,133,997
Combination #3	
Animal Control and Civil Service	\$ 5,196,103
Combination #4	
Housing Court	\$ 5,359,759
Combination #5	
Mayor's Office and Economic Development	\$ 5,054,767
Combination #6	
All of City Council staff <u>except</u> Elected Officials, Building Standards, and Board of Zoning Appeals	\$ 5,128,143

Council & Casino Funds

- 39% of Council's casino revenue unspent
 - Proposal would more than triple annual allocation
 - But unclear funding is an issue
- Unspent money provides no benefit to residents
 - Inflation
 - Major needs in City
 - Precarious General Fund
- Spending governed by state law and Council-enacted rules

Councilperson	Ward	Allocation	Expended	Unspent
Joseph T. Jones	1	\$ 1,109,457.61	\$ 809,701.12	\$ 299,756.49
Kevin L. Bishop	2	\$ 1,019,281.63	\$ 570,702.56	\$ 448,579.07
Kerry McCormack	3	\$ 704,066.75	\$ 426,385.48	\$ 277,681.27
Deborah A. Gray	4	\$ 936,087.62	\$ 529,719.64	\$ 406,367.98
Richard A. Starr	5	\$ 946,773.97	\$ 533,304.86	\$ 413,469.11
Blaine A. Griffin	6	\$ 1,133,581.63	\$ 553,686.97	\$ 579,894.66
Stephanie D. Howse	7	\$ 1,154,094.17	\$ 788,658.71	\$ 365,435.46
Michael D. Polensek	8	\$ 908,896.54	\$ 499,722.96	\$ 409,173.58
Kevin Conwell	9	\$ 931,781.59	\$ 692,906.36	\$ 238,875.23
Anthony T. Hairston	10	\$ 810,352.98	\$ 658,525.60	\$ 151,827.38
Danny Kelly	11	\$ 1,267,573.31	\$ 764,639.76	\$ 502,933.55
Rebecca Maurer	12	\$ 975,281.59	\$ 369,666.37	\$ 605,615.22
Kris Harsh	13	\$ 1,165,160.83	\$ 658,936.56	\$ 506,224.27
Jasmin Santana	14	\$ 751,213.82	\$ 468,633.85	\$ 282,579.97
Jenny Spencer	15	\$ 940,281.60	\$ 634,020.89	\$ 306,260.71
Brian Kazy	16	\$ 724,252.11	\$ 377,588.21	\$ 346,663.90
Charles Slife	17	\$ 1,446,472.33	\$ 1,007,691.53	\$ 438,780.80
City Council	CW	\$ 47,916.00	\$ 47,916.00	\$ -
Total of All Funding		\$ 16,972,526.08	\$ 10,392,407.43	\$ 6,580,118.65