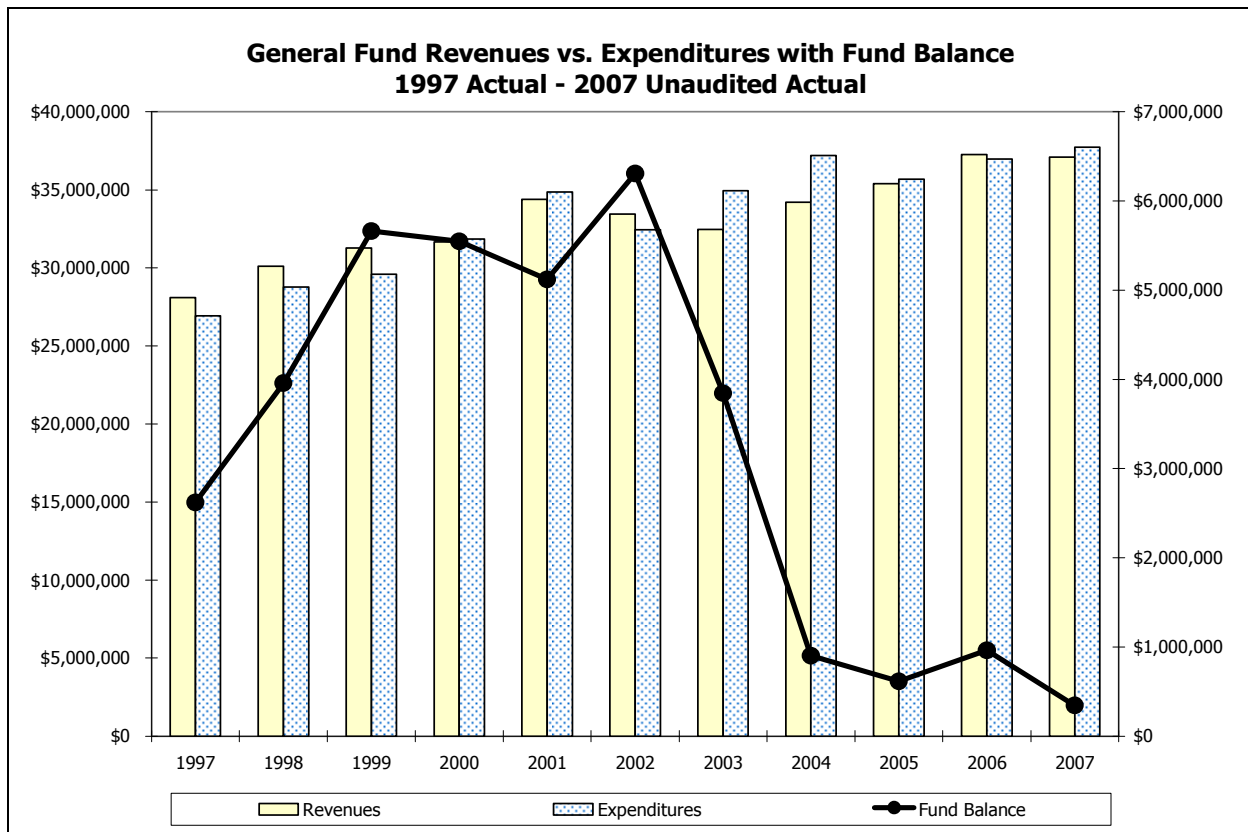




City of Lakewood Fiscal Strategy for 2008 and Beyond

Background

Expenditure growth has outpaced revenue growth resulting in structural imbalance of the General Fund since 2000 for the City of Lakewood.



The General Fund is the primary operating fund for the City that supports services such as police, fire, refuse collection, and parks. General Fund revenues are generated primarily through income tax, licenses, fees, and property tax collections.

To balance the annual General Fund Balance, year-end fund balances were used resulting in the depletion of this safety net from over \$5.6 million at the end of 1999 to a year-end fund balance of under \$350,000 in 2007.

Faced with a projected year-end deficit for 2008, the City of Lakewood Administration and Council in 2007 resolved to address the fiscal crisis by examining how the City provides services through:

- **Convening the Structural Balance Task Force**

A citizen group of financial professionals charged with reviewing and analyzing General Fund expenditures and operations in order to identify possible cost reductions.

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- **Developing a Fiscal Strength Strategy**

A document that details financial goals and strategies, and reports on their progress on a monthly basis.

- **Conducting a Core Services Survey**

A process where participants were asked to rate 470 separate City functions and programs to determine where resources should be dedicated to increase the tax base and to attract and retain residents.

- **Creating a Municipal Peer Staffing Comparison**

A comparison of the City of Lakewood's staffing levels to that of five regional peers with populations of approximately 50,000.

Present Condition

In November 2007, the City of Lakewood Finance Department projected over a \$4.5 million 2008 General Fund operating deficit. The projection assumed that the City would continue to provide services at the same level it had over the past several years without any growth in programs or staffing levels.

The new Administration felt it was imperative that an outside, independent entity examine these projections, and the City elected to engage the services of the State of Ohio Office of the Auditor Performance Audit Section to test the reasonableness of these projections.

On January 31, 2008, the State Auditor's Office verified within 1.9% the reasonableness of the November estimated operating deficit of \$4.5 million.

Expenditure Reductions Made to Date

The 2008 Budget Process to date has identified over \$2.5 million in cost reductions that do not impact collective bargaining agreements through staffing level attrition and operating expenditure cuts. The City of Lakewood has seven bargaining units or unions.

- Non-filling of currently vacant positions = \$1.7 million
- Operating expenditure cuts = \$388,000
- Reduction in transfers from General Fund = \$283,000
- No cost of living increases for non-bargaining unit employees = \$75,000
- Exploration of changes in health insurance programs for non-bargaining unit employees = \$50,000
- No perfect attendance bonuses for non-bargaining unit employees = \$40,000
- Engage in a Healthcare Claims Audit for healthcare cost recovery = \$60,000

Despite these cuts, the current budget gap is estimated to be \$2.1 million.

Essential City Initiatives

The City of Lakewood acknowledges that it must make critical investments in crime prevention and safety, economic development and technology to ensure fiscal strength and

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community viability for 2008 and beyond. The projected cost for these initiatives total \$1.1 million.

The addition of these initiatives to the budget would create a projected 2008 General Fund deficit of \$3.2 million.

Solutions for Long-Term Growth

- **Cooperation between City Administration and City Council**
- **Exploration of Shared Services such as the Cuyahoga County Board of Health, and Healthcare Insurance Consortiums**
- **Inclusion of Collective Bargaining Units/Unions in Decision-making and Renegotiation of Agreements**
- **Personnel Cuts in Areas Not Identified as Core Services**
- **Unilateral Operating Cuts and Service Consolidation**
- **Community Working Groups in the Areas of Law Enforcement and Technology**
- **Technology Audit**
- **Performance Audit Conducted by the State Auditor's Office**
- **Demanding Efficiency and Merit through Programs such as the Current CitiStat Program**
- **Cooperation with Community Partners such as Lakewood City Schools, Lakewood Hospital, Religious Institutions, Block Groups, etc.**
- **Exploration of Outsourcing such as Parks Landscaping, Custodial/Maintenance, and Technology**
- **Exploration of Non-profit Delivery of Current Services**

Our Vision for the Future of Lakewood

After what will admittedly be a difficult process, we believe within the next two years, the City of Lakewood will achieve:

- 1. Fiscal Strength and Flexibility**
- 2. National Model in Public Safety**
- 3. Aggressive Foreclosure and Housing Posture**
- 4. Efficient, Customer Service Focused City Services**