

CITY OF NORTH OLMSTED POPULAR ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2018

5200 Dover Center Road, North Olmsted, Ohio 44070
www.north-olmsted.com 440-777-8000

Dear Citizens of North Olmsted:

We are pleased to present to you the City of North Olmsted’s Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2018. The care of your tax dollars is of great concern to our administration and we believe this direct communication will lead to a more informed and engaged community.

This community report is intended to present an accessible overview of the City’s financial position and the City’s commitment to providing services and programs in a fiscally responsible manner. This PAFR explains where the City’s revenues come from and how the City’s dollars are spent. Information contained within this report was obtained from the more extensive 2018 Comprehensive Annual Financial Report (CAFR). The 2018 CAFR is comprised of 207 pages of detailed financial statements, notes, schedules, and statistical information. Our financial statements were prepared in conformance with Generally Accepted Accounting Principles (GAAP), and received an unmodified (or clean) audit opinion.

The highest standards of accounting principles are used by the City to ensure full financial disclosure and accountability. Recognition of this commitment is evidenced by the City attaining the Government Finance Officers’ Association’s *Certificate of Achievement for Excellence in Financial Reporting* for its CAFR for nineteen consecutive years.

While the numbers in this PAFR come from an audited source, they are presented in an un-audited format on a GAAP basis, but do not include the City’s discretely presented component unit, North Olmsted Commission on Paratransit (NOCOP). Readers desiring the more detailed financial statements and the full disclosure GAAP basis of accounting information reported in the CAFR may review the CAFR on the City’s website at www.north-olmsted.com.

Thank you for taking the time to review this year’s PAFR. We hope it serves its purpose and provides you with a better understanding of the City’s financial health and the steps taken by our administration to ensure that your tax dollars are spent responsibly. We invite you to contact us to share any suggestions, questions, or comments you may have at (440) 777-8000, or finance@north-olmsted.com.

Sincerely,

Kevin M. Kennedy
Mayor

Carrie B. Copfer, CPA
Director of Finance

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In this section, we present an overview of the monies received and spent for the City of North Olmsted for the years ended December 31, 2018 and 2017. The financial information presented in this section is for the City’s Governmental Activities, which includes all revenue and expenses except those of the “business-type” activities (the golf course and ballroom and sanitary sewer operations) and the component unit, NOCOP. Financial information on the City’s Business-Type Activities and NOCOP can be found in the CAFR.

Where the Money Comes From

The City receives the funding it needs to provide basic services to residents through a variety of sources. The table to the right presents a summary of revenues by source for 2018 and 2017.

Overall, total Governmental Activities revenue decreased by \$113,195 in 2018. Municipal income tax revenue, which comprises the City’s largest revenue source, decreased by \$953,834 in 2018. This decrease can be attributed to a change in the receivable estimate provided by the Regional Income Tax Agency.

Property and other tax revenue, which is the City’s second largest revenue stream, decreased slightly in 2018 from the prior year due to decreased delinquent collections.

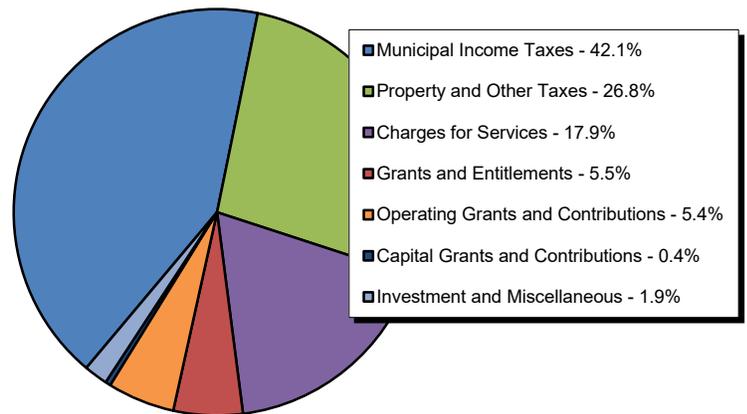
Charges for services revenue increased by \$583,896 in 2018. This can be partly attributed to increased collections for court fines and fees.

Investment Earnings increased by \$434,622 in 2018, primarily from the Federal Reserve’s continued raising of interest rates.

The pie chart at the right provides a visual as to how significant each source of revenue is to the financial health of the City.

Revenues	2018	2017
Municipal Income Taxes	\$15,357,622	\$16,311,456
Property and Other Taxes	9,781,544	9,813,776
Charges for Services	6,543,865	5,959,969
Grants and Entitlements	2,006,231	2,363,717
Operating Grants and Contributions	1,950,646	1,852,500
Capital Grants and Contributions	155,067	36,573
Miscellaneous	56,780	61,591
Investment Earnings	629,054	194,422
Total Revenues	\$36,480,809	\$36,594,004

2018 Revenue by Source



Municipal income tax revenue is the City’s largest revenue source, accounting for 42.1% of total revenue in 2018.

Revenue Source Definitions

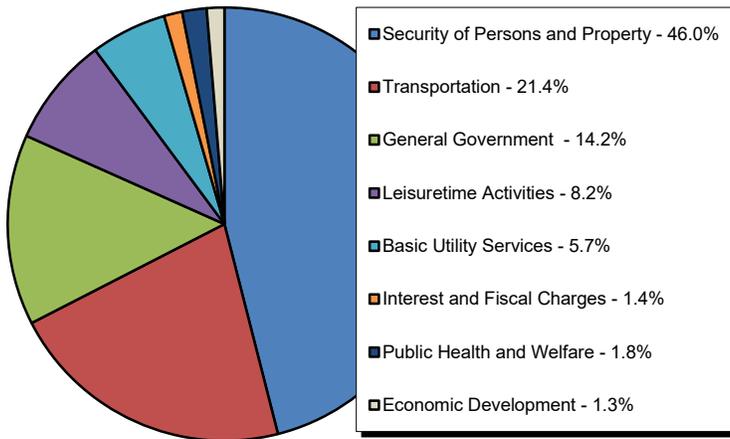
- **Income Taxes** – The City levies a 2% income tax on substantially all income earned within the City.
- **Property and Other Taxes** – Includes the City’s portion of the taxes due on real property and the 3% hotel/motel excise tax.
- **Charges for Services** – Significant sources include recreation programs, medical transport fees, building department permits, and court costs and fines.
- **Grants and Entitlements** – Significant sources include revenue received from local government funds distributed by the State.
- **Operating Grants and Contributions** - Includes revenues received from State levied shared taxes, motor vehicle license and fuel taxes, as well as operating grants secured by various departments.
- **Capital Grants and Contributions** – Includes monies and asset contributions received for capital projects.
- **Investments** – Revenue earned by investing all available City funds throughout the year.
- **Miscellaneous** – Includes refunds and reimbursements, as well as the sale of recycled materials and donations.

Where the Money Goes

Expenses By Function	2018	2017
General Government	\$5,375,605	\$5,512,075
Security of Persons and Property	17,388,852	15,348,078
Public Health and Welfare	686,988	692,738
Transportation	8,093,205	8,240,799
Basic Utility Services	2,142,175	2,192,149
Leisure time Activities	3,083,618	3,171,864
Economic Development	494,603	376,806
Interest and Fiscal Charges	514,478	669,103
Total Expenses	\$37,779,524	\$36,203,612

The chart to the left presents a two-year comparison of the City’s Governmental Activity expenses. Expenses increased overall by \$1,575,912 from 2017 to 2018. Major factors contributing to the overall increase in expenses was the expenses for pension and other postemployment benefits (OPEB) recorded because of Government Accounting Standards Board (GASB) Statements 68 and 75. The City is required to report a proportionate share of increases in the overall net pension liability of the Ohio Public Employees Retirement System and the Ohio Police and Fire Pension Fund. These standards create an accounting liability rather than a legal liability and there are no legal means to enforce the unfunded liability of the pension systems against the City. These increases were offset by a decrease in transportation expenses including the completion of the Country Club Middle Phase and Traffic Signalization Phase I projects. The remaining costs of Governmental Activities remained relatively stable as a result of the City’s ability to control costs.

2018 Expense by Function



The pie chart to the left shows the distribution of the City’s expenses by function.

Security of persons and property, which represents the cost of providing police, dispatch, fire and paramedic services, consistently ranks as the largest outlay, as safety is always a priority. Both the Police and Fire divisions require large workforces due to around-the-clock coverage to ensure the safety of the community.

Transportation is the City’s second largest program function and includes the cost of providing all public works services including street and storm channel maintenance and improvements, public property maintenance, snow removal, and equipment maintenance.

Expense by Function Definitions

- **General Government** – Includes all general administrative expenses such as Council, Mayor’s Office, Finance, Law, Human Resources, Information Technology, etc.
- **Security of Persons and Property** – Includes the cost of providing police, dispatch, fire and paramedic services.
- **Public Health and Welfare** – Includes the cost of administering youth and family programs, the food pantry, and senior center operations.
- **Transportation** – Includes the cost of providing all public works services such as street and storm channel maintenance and improvements, public property maintenance, snow removal, and equipment maintenance.
- **Basic Utility Services** – Includes the cost of rubbish collection and recycling.
- **Leisure Time Activities** – Includes the cost associated with operating the Recreation Center and recreation and senior programs.
- **Economic Development** – Includes expenses related to attracting and retaining businesses in the City.
- **Interest and Fiscal Charges** – Includes principal and interest payments on municipal debt.

Income Taxes

Income tax represents the largest source of revenue for the City. The City of North Olmsted levies a 2% income tax on income earned within the City which is applied to gross salaries, wages, personal services compensation, and net income of for-profit organizations that conduct business in North Olmsted. North Olmsted residents are required to pay this tax on income they earn outside the City, but are given a 100% credit, up to 2%, for income taxes paid to the municipality in which they work.

Income tax collections are comprised of three sources: taxes from employee withholdings, taxes from individuals, and taxes on net profits. As shown in the graph below, taxes from withholdings comprise the largest component of the City's income taxes, representing 73.2% of collections.

The bar graph also shows the City's income tax collections over the past ten years. Income tax collections bottomed out in 2010, as a result of the recession that began in 2008. The increase in income taxes during 2018 is due to increased amounts collected from net profit collections, which are a result of the gradually improving economy. Income tax collections are expected to remain stable for 2019.

Principal Employers based on Payroll Withholdings

Employer (Alphabetical Order)

- Bernie Moreno Companies
- Champlain Enterprises LLC
- City of North Olmsted
- Cleveland Clinic Foundation
- Factory Mutual Insurance Company
- Ganley Westside Imports
- Moen Incorporated
- North Olmsted School District
- Palmer Holland, Inc.
- Walmart Associates, Inc.

Division of Income Tax Revenue

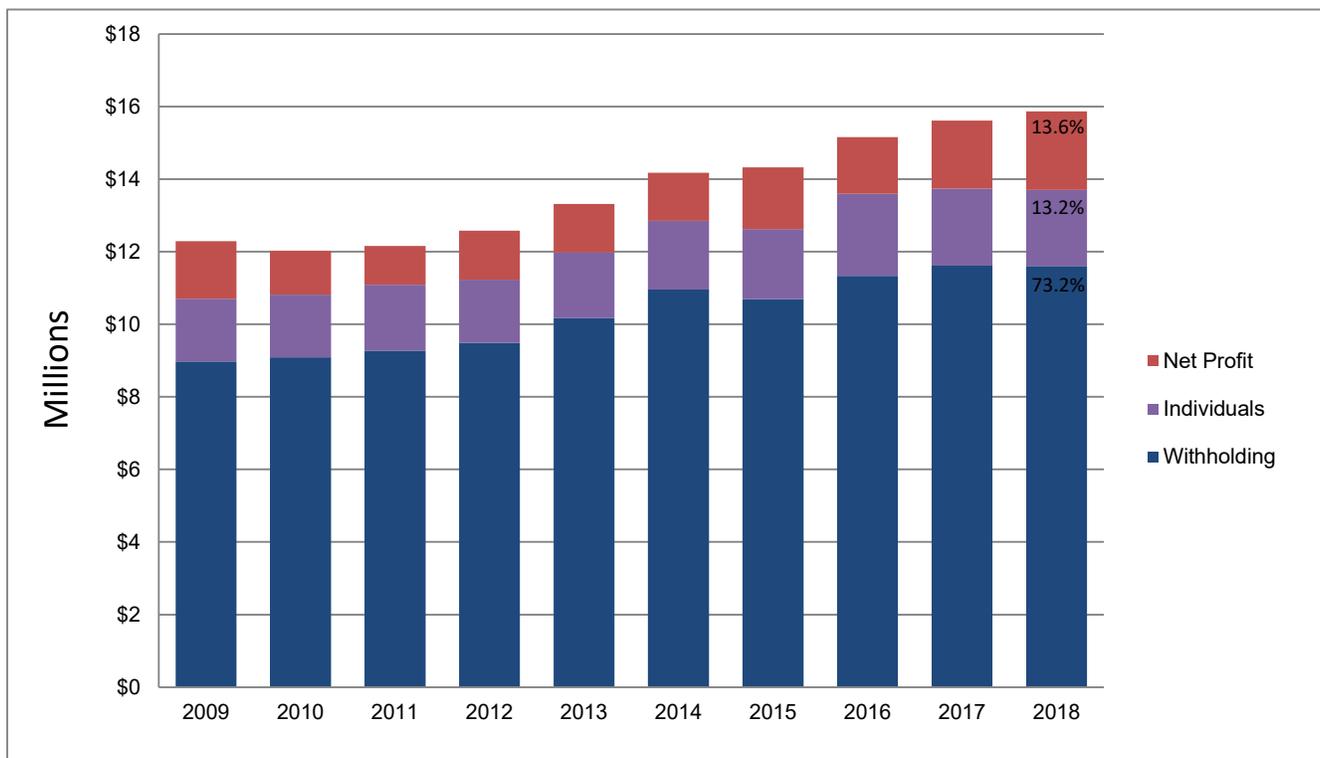
By a vote of the residents, the City's municipal income tax receipts are to be divided as follows:

15% - Permanent Improvement Fund: to pay costs of permanent improvements including street and storm water drainage systems, payment of debt charges on bonds and notes issued for those purposes, and to pay costs of maintaining street and storm water drainage systems, including related equipment.

15% - Solid Waste Fund: to pay costs of services and facilities for solid waste management, recycling, and disposal.

70% - General Fund: the remaining balance; to pay costs of general municipal functions.

Income Tax Collections for the Last 10 Years



Note: The above graph presents income tax revenue on a cash basis and depicts only the amounts actually collected in 2018. This differs from the amounts reported in our financial statements on a GAAP basis because the GAAP figures also include the amounts that were receivable at the end of the year.

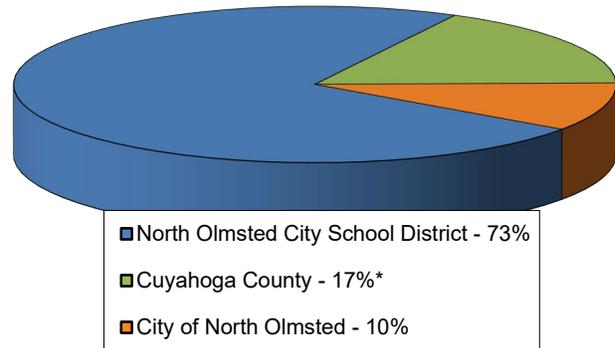
Property Taxes

Property tax in North Olmsted is administered by the Cuyahoga County Fiscal Officer and is based on the county-assigned value of all parcels of land within each taxing district. The County Fiscal Officer determines an assessed value which is 35% of the appraised market value for each parcel. This value is updated every three years based on the average price that surrounding or similar properties sold for within the previous three-year period. Every six years, the Fiscal Officer revisits all properties to reappraise the value of each piece of land based on any building additions or major improvements. The most recent comprehensive reappraisal was completed in 2018.

A key difference between the City of North Olmsted and the North Olmsted City School District is the main funding source used by each entity for operating purposes. The North Olmsted City School District, as all school districts in Ohio, is mostly funded by taxes paid on property that falls within the district. Conversely, the City has a diverse revenue stream that funds governmental operations.

As shown in the chart below, for every \$1.00 of your property taxes paid in 2018, the City received approximately \$0.10. The majority of your property tax dollars support the North Olmsted City School District and various Cuyahoga County programs and services.

Recipient of Property Taxes



* Includes Cuyahoga County (10.2%), Cleveland Metro Parks (2.0%), County Library (1.8%), Cuyahoga County Community College (2.9%) and Cleveland-Cuyahoga Port Authority (0.1%)

For tax collection year 2018, a homeowner in North Olmsted will pay 3.11% of market or appraised value of their home in property taxes. The bar graph below compares the City of North Olmsted's tax rate with the tax rate of other area cities.

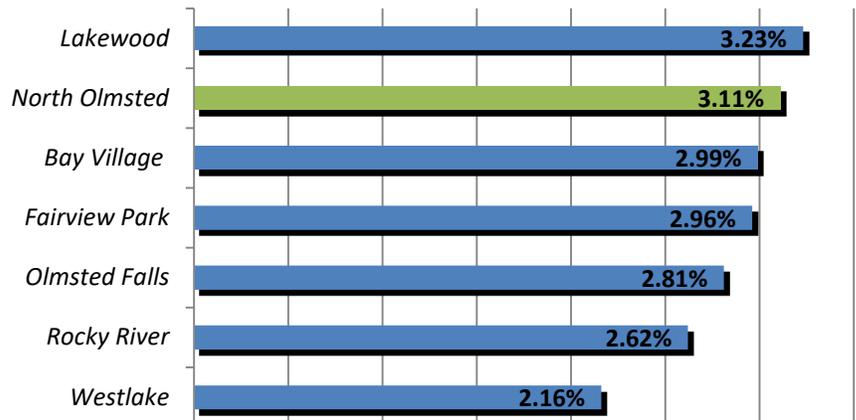
North Olmsted Property Tax as a Percentage of Market Value

A simple percentage can be used to estimate the total property taxes for a home. Multiply the market value of the home by the percent listed for the North Olmsted taxing district (3.11%).

Example: Taxes for a \$150,000 home in North Olmsted:

$$\mathbf{\$150,000 \times 3.11\% = \$4,665 \text{ annual property tax bill.}}$$

Comparative Property Tax Rates for Collection in 2018
(Shown as a percentage of market value):



*To view your property's tax bill, please visit the Cuyahoga County Fiscal Officer's website:
<http://fiscalofficer.cuyahogacounty.us>*

The City of North Olmsted is committed to a long-term goal of rebuilding and maintaining its infrastructure and facilities. The Mayor and his administration have developed a five-year capital plan and are using it to prioritize important improvements within the City. The City actively pursues grant and other funding opportunities in order to make improvements to its capital assets while maintaining fund levels for current operations.



The City Council adopted the 2015 “Go North Olmsted” master plan which is an action agenda for realizing the community’s shared vision for the next 10 years. There are 54 specific actions grouped within the goals of strengthening quality of place, advancing prosperity, improving housing choices, retrofitting infrastructure, and enhancing amenities.

- ❖ **Stormwater Management:** The City engaged Hydrosphere Engineering to conduct a study of drainage in the Roots Ditch watershed that includes over 3,000 acres. The Roots Ditch drainage basin begins south of Lorain Road near Stearns Road and travels east, through the high school campus and Springvale Golf Course until discharging into the Rocky River. The completed study outlined various options available and their anticipated impacts including, but not limited to:
 - Enlarging or constructing culverts;
 - Constructing detention basins; and
 - Lowering of the water surface elevation.

- ❖ **Safety Equipment:** The Police Department purchased a revolutionary laser scanner that allows them to capture and analyze data from crime or crash scenes in millions of data points. The data points provide an accurate 3D rendering of the scene with detail on skid marks, vehicle positioning, blood splatter, or items in the surrounding area. Having this ability allows them to speed up the collection of evidence and return the accident scene back to normal much quicker. Data then can be analyzed back at the police department and used to create 2D and 3D diagrams, animations, and walk-throughs of the scene which can ultimately be used in court as evidence.



2018 Horton Med Unit



FARO Laser Scanner

The Fire Department purchased a new 2018 Horton Med Unit. The unit incorporates the latest safety components for operational use. It is equipped with a Stryker Power Load system which allows for easier loading and unloading of patients. The unit carries Advanced Life Saving equipment, a Lucas Chest Compression unit, and Tele-Stroke capabilities. This squad operates out of Fire Station 2 and replaces a four-year-old squad, which then was relegated to the back-up/second squad as needed for an additional four years before it will be retired.

- ❖ **Annual Street Program:** The City’s annual street rating program identifies the roads needing the most repair. The City resurfaced 11 residential streets during 2018, including Mackenzie Road which was in coordination with Cuyahoga County. In total, over 420,000 square feet of road was improved. 2018 was also the first year of the City’s rejuvenation program which focuses on pavement maintenance so roads do not need to be completely resurfaced as often.

- ❖ **Springvale Golf Course and Ballroom:** A multi-phase project, to improve the nearly 100-year-old Springvale Ballroom and Golf facilities continued in 2018 with the construction of a full commercial kitchen that can serve 600 guests in the ballroom and the addition of a pavilion with improved patio areas capable of serving 200 to 400 guests. The second phase of Springvale Master Plan which will include a new roof and HVAC system was designed in 2018 with construction in 2019.



Springvale Golf Course Pavilion

- ❖ **Sidewalk Program:** 2018 was the first year of the City’s Sidewalk Program, which was established to regularly inspect, repair or reconstruct damaged sidewalks. The goal is to provide safe sidewalks for pedestrians throughout the city. In total for 2018, 324 properties were included in the program. Of those, 180 property owners had blocks replaced by the City’s contractor totaling 10,270 square feet of sidewalk. Property owners using the City’s contractor were invoiced for the amount of inspections and repairs after the work was completed. The remaining 144 property owners hired their own contractors to perform the work. The City is divided into zones and the program will continue, zone by zone, until the entire city has participated.
- ❖ **Traffic Signalization:** A \$10 million new traffic signal system project will continue to improve the traffic flow through the City in two phases, the first of which was completed in 2018. The new system allows the signal operations to be modified as needed to accommodate weekend traffic, holiday traffic as well as normal weekday rush to reduce congestion. The Ohio Department of Transportation is managing the project that is funded mostly by federal monies. The City contributes 20% of the construction costs and the cost of engineering for both phases. Phase 2 engineering is completed and bidding will take place before the end of 2019.

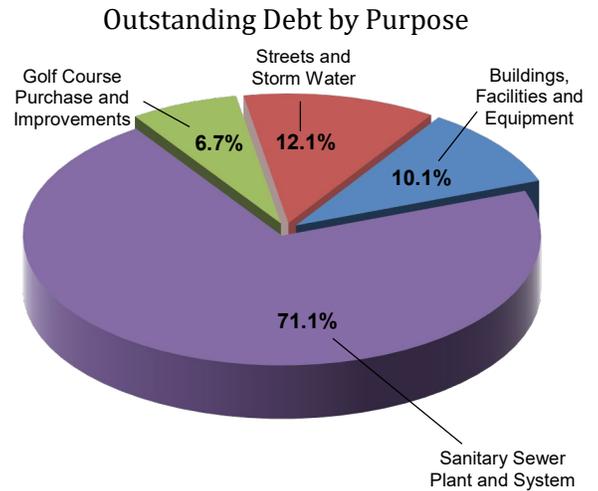
This section provides information on the City's most significant long-term obligations. It presents summarized information for both the governmental and business-type activities. Detailed information regarding all of the City's long-term obligations can be found in the City's 2018 CAFR.

Debt

The City of North Olmsted has been a responsible borrower and has issued debt when needed to address significant and necessary capital improvements within a prioritized plan. The chart to the right shows the purposes for which the City's outstanding debt has been issued.

The City takes advantage of the no-interest or low-interest loan programs offered by the Ohio Public Works Commission (OPWC) and the Ohio Water Development Authority (OWDA) for specific approved street or sanitary projects and various federal and state grants for specific projects or equipment needs. As of December 31, 2018, the City had various issues outstanding, including \$15.8 million of governmental activities bonds and \$5.6 million of business type bonds. Additionally, \$49.9 million of business type loans were outstanding for EPA mandated improvements to the waste water treatment plant and collection systems. Repayment for these loans is guaranteed by sewer user charges and will be completely paid off in 2035.

On April 10, 2018, the City issued \$1,990,000 in capital improvement and equipment notes that had an interest rate of 2.5%, in anticipation of the issuance of bonds, for the purposes of improving certain designated streets and to provide funds for acquiring and installing telecommunications system equipment. The notes matured and were retired on April 23, 2019.



The primary reason the City has incurred debt or obtained loans is to significantly improve the streets, sewer system, and public facilities throughout the City.

Bond Rating

The City of North Olmsted has maintained stable Aa2 bond ratings issued by Moody's Investors Services. According to the most recent ratings:

"The city has a robust financial position, which is relatively favorable with respect to the assigned rating of Aa2. The fund balance as a percent of operating revenues (55%) is much higher than the US median, and grew markedly from 2013 to 2017. Furthermore, North Olmsted's cash balance as a percent of operating revenues (35.2%) is roughly equivalent to other Moody's-rated cities nationwide." – Moody's

Local Economy and Development

- ❖ The average annual unemployment rate in the county decreased three quarters of a percent to 5.2 percent during 2018. *
- ❖ The number of residential home sales increased by 4.6 percent to 597, which is the highest volume since 2006. In addition, the average sales price of residential homes increased to \$143,000, though it was still 3.3 percent lower than the 2007 pre-recession average prices.



- ❖ New commercial construction permits increased in 2018, but commercial additions/alterations were down due to the completion of several large projects, such as the city schools, car dealerships and hotels. However, while the number of projects decreased, the valuation of commercial additions/alterations increased from 2017 by 6%.

- ❖ The City entered into a Community Reinvestment Area (CRA) agreement with Omni Senior Living, LLC (Omni) for the development of a senior living facility with 88 independent living apartments, 64 assisted living and memory care units, and 9 independent villas. Under the CRA agreement, Omni will make a total investment of \$33.7 million (plus or minus 10%) in construction, furniture and fixtures, and land acquisition. By the end of 2022, there will be a minimum of 50 jobs created with an annual payroll of approximately \$2.2 million. In return, Omni will receive a real estate tax abatement for 15 years in the amount of 50% of the tax on the facility.



Vitalia Senior Living Facility

* Does not account for those persons who are unemployed, but no longer looking for work.



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 www.north-olmsted.com

**CITY of
 NORTH
 OLMSTED**



Your Elected Officials

Kevin M. Kennedy, Mayor
 Carrie B. Copfer, CPA, Director of Finance
 Michael R. Gareau, Jr., Director of Law
 Nicole Dailey Jones, President of Council
 Louis J. Brossard, Ward 1
 Chris Glassburn, Ward 2
 Paul Schumann, Ward 3
 Mary Ellen Hemann, Ward 4
 Kevin G. Kearney, Council-At-Large
 Duane H. Limpert, Council-At-Large
 Angela Williamson, Council-At-Large

Appointed Directors

Marie Gallo, Human Resources
 Donald Glauner, Safety and Service
 Kimberly Lieber, Planning and Development



*Former North Olmsted Mayor
 Norm Musial donated to help
 purchase the K-9*



K-9 Officer - Match

K-9 Match, pronounced "Mahch", is a dual purpose dog trained in narcotics detection and criminal apprehension. Match, a Belgian Malinois, was born in Holland and joined NOPD in 2018. Match patrols daily with Ptl. Ryan Dimatteo protecting and serving the citizens of North Olmsted. A special thank you to former Mayor Norm Musial for donating the Funds to purchase K-9 Match.



*Match and Ptl. Dimatteo train
 weekly to keep their skills in tune*

