



CITY OF NORTH OLMSTED POPULAR ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016. 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 2016 Comprehensive Annual Financial Report (CAFR). The 2016 CAFR is comprised of 182 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 unqualified (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 seventeen 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

TABLE OF CONTENTS

Citizen Letter	1
Financial Overview	2-3
Overview of Taxes	4-5
Major Initiatives	6
Debt and Development	7
Heritage Home Program	8

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, 2016 and 2015. 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 2016 and 2015.

Overall, total governmental activities revenue increased by \$1,914,456 in 2016. Municipal income tax revenue, which comprises the City’s largest revenue source, increased by \$1,491,772 in 2016, which can be attributed to increased amounts collected from withholding collections and individual tax payer collections which is a result of the gradually improving economy.

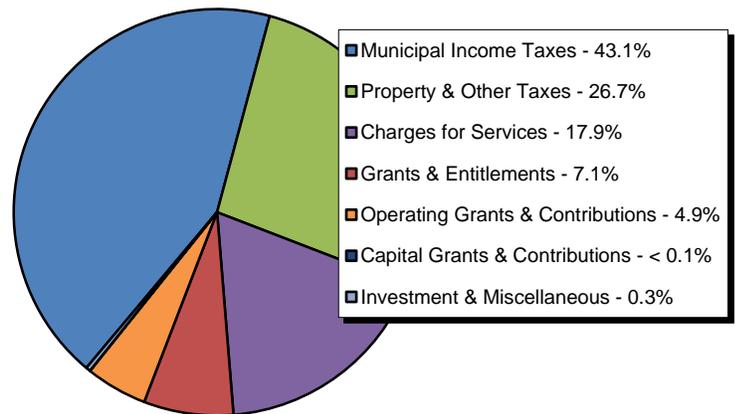
Property and other tax revenue, which is the City’s second largest revenue stream, increased slightly in 2016 due to collections increasing on the Great Northern Tax Incremental Financing (TIF). These funds will be utilized for future infrastructure improvements that will benefit the TIF business corridor.

Charges for services revenue increased by \$630,987 in 2016. This can be partly attributed to an increase in revenues from building permits. The number of building permits increased by 13.1 percent, which is primarily due to the new 6-12 Campus for North Olmsted City Schools, improvements to auto dealerships, and new hotel construction.

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	2016	2015
Municipal Income Taxes	\$15,531,341	\$14,039,569
Property and Other Taxes	9,622,781	9,558,074
Charges for Services	6,440,997	5,810,010
Grants and Entitlements	2,569,538	2,554,370
Operating Grants & Contributions	1,771,865	2,036,867
Capital Grants & Contributions	3,518	42,447
Miscellaneous	63,590	75,163
Investment Earnings	64,238	36,912
Total Revenues	\$36,067,868	\$34,153,412

2016 Revenue by Source



Municipal income tax revenue is the City’s largest revenue source, accounting for 43.1% of total revenue in 2016.

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 & Entitlements** – Significant sources include revenue received from local government funds distributed by the State.
- **Operating Grants & 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 & 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	2016	2015
General Government	\$5,299,633	\$4,516,867
Security of Persons & Property	15,959,086	14,205,425
Public Health & Welfare	631,709	551,565
Transportation	7,352,641	8,416,485
Basic Utility Services	2,063,026	1,929,636
Leisure time Activities	3,191,927	3,136,618
Economic Development	271,870	275,635
Interest & Fiscal Charges	668,492	1,049,394
Total Expenses	\$35,438,384	\$34,081,625

The chart to the left presents a two-year comparison of the City’s governmental activity expenses. Expenses increased overall by \$1,356,759 from 2015 to 2016. Major factors contributing to the overall increase in expenses was the pension expense being recorded using GASB 68 which led to increases in security of persons and property and general government expenses. These increases were offset by a decrease in transportation expenses including salt and fuel. The remaining costs of Governmental Activities remained relatively stable as a result of the city’s ability to control costs.

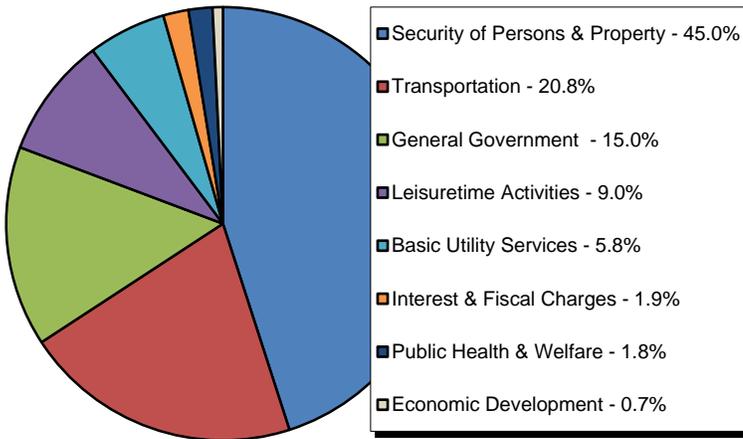
In response to the anticipated further reduction in state-leveled revenues, the City has maintained a conservative approach to budgeting. City administration and Council have been reviewing operations for opportunities to gain efficiency and contain costs, including reducing recurring expenses and monitoring employee attrition. The City has also been proactive in seeking additional revenue opportunities including pursuing grants for bullet proof vests, drug use prevention, community recycling, energy efficiency, etc.

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.

2016 Expense by Function



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 & Property** – Includes the cost of providing police, dispatch, fire and paramedic services.
- **Public Health & 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 74.7% of collections.

The bar graph below shows the City's income tax collections over the past ten years. Income tax collections declined in 2008, as a result of the recession. During 2016, municipal income tax collections increased by 10.6 percent due to increases from withholding collections and individual tax payer collections which is a result of the gradually improving economy. Income tax collections are expected to remain stable for 2017.

Principal Employers based on Payroll Withholdings

Employer (Alphabetical Order)

Bernie Moreno Companies
 Cargill, Inc.
 City of North Olmsted
 Factory Mutual Insurance Company
 Ganley Westside Imports
 Moen Incorporated
 North Olmsted School District
 Palmer Holland, Inc.
 Riser Foods Company
 Walmart Associates, Inc.

Division of Income Tax Revenue

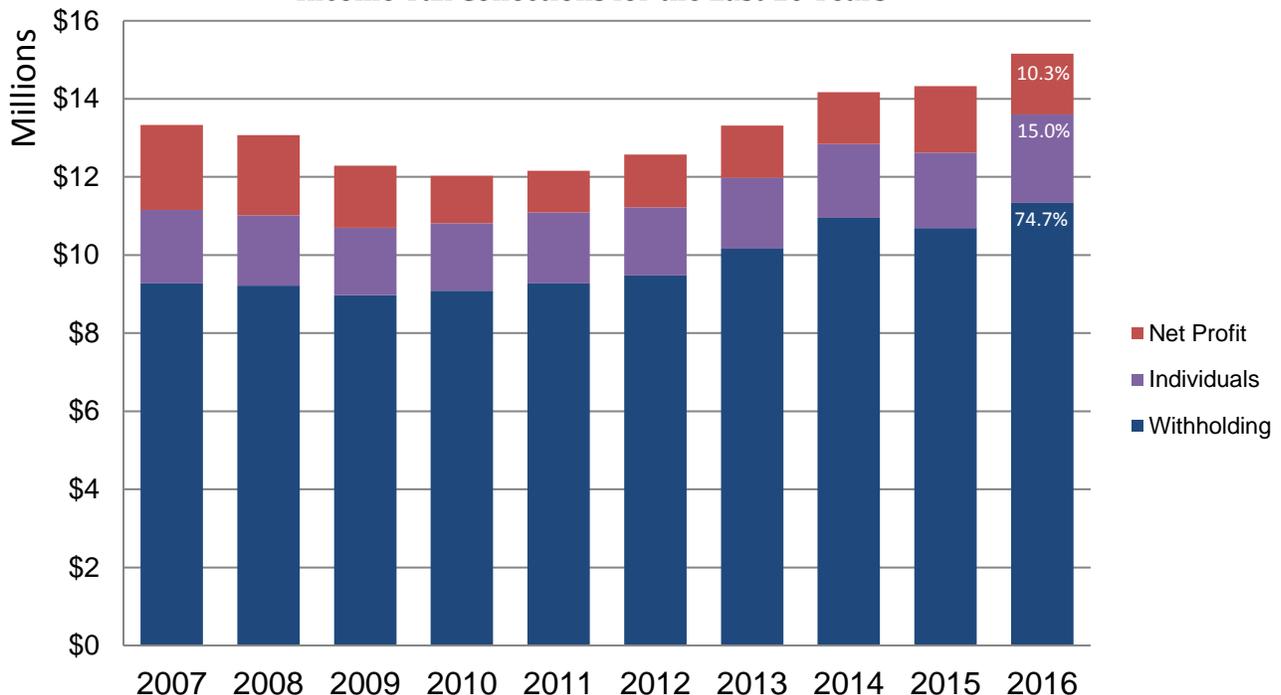
By a vote of the residents, the City's municipal income tax receipts are to be divided as follows:

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 2016. 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.

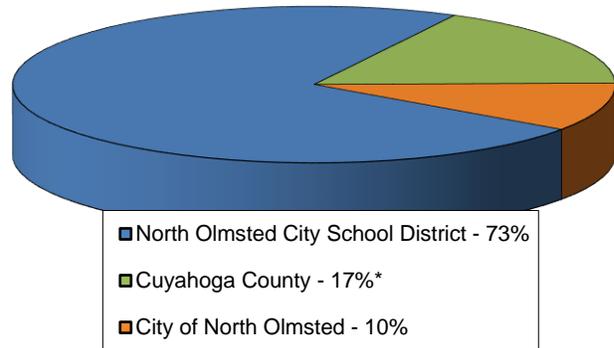
Property Taxes

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 2012. There was a triannual reappraisal in 2015.

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 2016, 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 2016, a homeowner in North Olmsted will pay 3.06% 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.

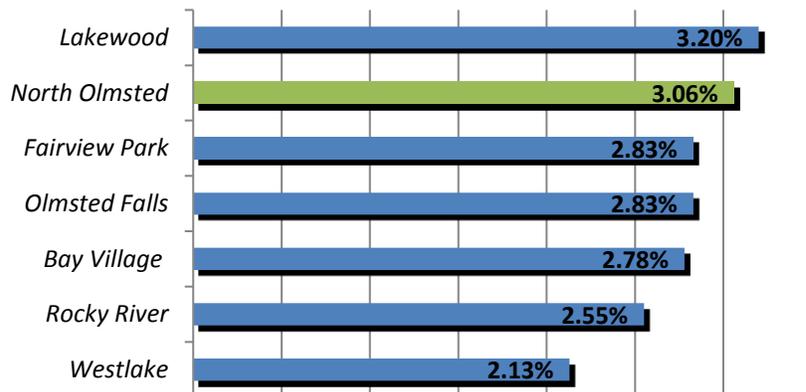
North Olmsted Property Tax as a Percentage of Market Value

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 (3.06%).

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

$$\text{\$150,000} \times 3.06\% = \text{\$4,590} \text{ annual property tax bill.}$$

Comparative Property Tax Rates for Collection in 2016 (Shown as a percentage of market value):



To view your property's tax assessment, 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. The following initiatives are some of the steps towards achieving the visions of the master plan:

- ❖ **Traffic Signals:** A \$10 million new traffic signal system project will improve the traffic flow along Lorain Road in two phases, the first of which begins in the summer of 2017. The new system will allow 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 will be managing the project that is funded mostly by federal monies. The City will contribute 20% of the construction costs and the cost of engineering both phases.
- ❖ **Country Club Boulevard:** Improvements will be made to Country Club Boulevard between Victoria Lane and Great Northern Boulevard with funding from the Great Northern TIF. The project will include new medians with attractive landscaping and brick hardscapes, new crosswalks, and improved lighting. Construction will begin in the summer of 2017 and conclude by the end of the year.
- ❖ **Storm Water Management:** Two laborers were added to the city’s storm crew to improve preventative maintenance of storm sewers and ditches. Additionally, one site identified in the area of the greatest flooding during significant storm events was obtained and the Pine Basin Drainage Project was designed in 2016 with construction in 2017. Other sites are being evaluated under the storm water management plan to utilize monies earmarked for detention basins.



Pine Basin Drainage Project and 2016 Kubota Excavator

- ❖ **Property Maintenance:** Late in 2015 the city created two new chapters of the building code entitled “Licensing of Rental Units” and “Interior Maintenance Code” to ensure maintenance of quality rental properties by permitting the city to conduct interior and exterior inspections of apartments and single and multi-family homes. Twenty two apartment building licenses were issued and the one, two or three family rental unit licenses increased to 465. To support this effort the city added two dedicated property maintenance inspectors and a permit clerk in 2016 to implement the program.

- ❖ **Safety:** A new HVAC system and roof improvements on the older section of the police station along with new ductwork and thermostatic controls have improved the energy efficiency within the police station. Additionally, the emergency response dispatch area has been renovated including new workstations that improve the ergonomics for a dispatcher by allowing them to use the workstation from either standing or seated position.



Dispatch Center

- ❖ **Recreation:** A project to re-imagine the recreation center began in 2016 with a proactive planning process that has involved community stakeholders. The project was expanded to include two parks which are most actively used. The plan builds on existing recreational assets and their age and useful life, as well as, looks at new opportunities for capital improvements supporting program enhancements. This plan will include an analysis of the operational requirements to support such enhancements.
- ❖ **Springvale Golf Course and Ballroom:** A multi-phase project to implement the Springvale Master Plan to improve the nearly 100 year old Springvale Ballroom and Golf facilities began in 2016 and will continue over the next several years. The first phase will include a new maintenance facility, ballroom kitchen renovation, a new patio for outings and events and other capital improvements.



Springvale Golf Course and Ballroom Improvement Rendering

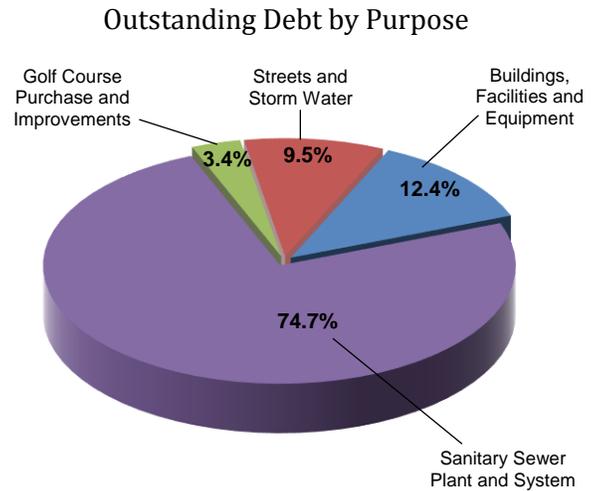
This section provides information on the City's most significant long-term obligations. It presents summarized information for both the governmental and business-type activities. Detailed information regarding all of the City's long-term obligations can be found in the City's 2016 CAFR.

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.

On April 5, 2016, the City issued \$1,605,000 in capital improvement notes, in anticipation of the issuance of bonds, for the purposes of improving designated streets. The notes matured early in 2017 when the City issued \$11,765,000 in capital improvement and refunding bonds, for the purpose of financing certain permanent improvements and to refund certain outstanding general obligation bonds and bond anticipation notes previously issued. Also early in 2017, the City issued \$3,065,000 in library improvement refunding bonds, for the purpose of providing funds to refund for debt service savings of the City's outstanding capital improvement bonds related to the 2001 library project. Refunding is done to achieve interest savings to lower the related improvement's total cost.



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 AA- and Aa2 bond ratings issued by Fitch Ratings and Moody's Investors Services, respectively. According to the most recent ratings:

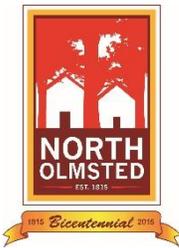
"The City's management of its financial operations is strong, evidenced by its conservative budgeting and the maintenance of healthy reserve levels...Management made significant operational adjustments during periods of revenue decline to sustain positive operations." – Moody's

Local Economy and Development



- ❖ The average annual unemployment rate in the county increased less than one half percent to 5.4 percent during 2016.*
- ❖ The number of residential home sales increased by 8.2 percent to 540, which is the highest volume since 2006. In addition, the average sales price of residential homes increased to \$127,441, though it was 13.7 percent lower than the 2007 average prices.
- ❖ The City's number and value of building permits increased, due to the new 6-12 Campus for North Olmsted City Schools and an increase in new commercial work such as the new hotel construction. There was an increase in both commercial and residential additions and improvements, which shows an interest in maintenance and repair of existing properties.
- ❖ The City approved a 10 year – 50% property tax abatement to support the \$14 million Aloft Hotel project, which will create an estimated 20 jobs with an annual payroll of \$610,000.
- ❖ The City created a job retention tax credit program as an incentive for existing businesses to renovate and expand to enable them to remain in the city rather than relocate elsewhere.

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



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



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
Daniel Rahm, 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

ECRWSS
Postal Customer
North Olmsted, Ohio 44070



The City of North Olmsted joined the Heritage Home Program in July 2016. This program is a specialized house maintenance and rehabilitation program administered by the Cleveland Restoration Society (CRS) for homes in our community that are at least 50 years old.

What Heritage Home Program Offers

For qualified properties, homeowners can receive technical assistance and may qualify for a low-interest rehabilitation loan. The loan can be used for numerous interior and exterior projects that make your home more comfortable, while preserving architectural character that adds greater value to your home. You do not need to apply for a loan to obtain technical assistance.

- ❖ **Technical Assistance:** Free, impartial advice on home improvement and maintenance projects by professionals that have an expertise in older homes.
- ❖ **Low-Interest Financing:** Subsidized-rate financing to cover project costs. Loan is based on improved home's available equity. Homeowner must meet bank's lending criteria.

Contact HHP staff at (216) 426-3116
or HHP@heritagehomeprogram.org
or visit the Program's website
www.heritagehomeprogram.org
to find out more information.



A kitchen renovation project in North Olmsted