



CITY OF NORTH OLMSTED POPULAR ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

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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, 2019. 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 2019 Comprehensive Annual Financial Report (CAFR). The 2019 CAFR is comprised of 211 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. 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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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
 Patrick Kelly, 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

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, 2019 and 2018. 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). Financial information on the City’s Business-Type Activities 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 2019 and 2018.

Overall, total Governmental Activities revenue increased by \$3,799,166 in 2019. Municipal income tax revenue, which comprises the City’s largest revenue source, increased by \$1,186,665 in 2019. This increase can be attributed to a change in the receivable estimate provided by the Regional Income Tax Agency and increased collections from business net profits.

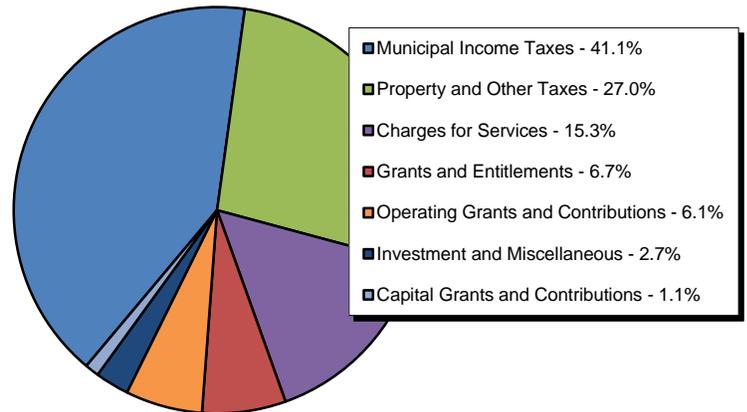
Property and other tax revenue, which is the City’s second largest revenue stream, increased by \$1,092,169 in 2019 from the prior year due to increased delinquent collections and an increase in the valuation of property due to the 2018 reappraisal.

Investment Earnings increased by \$328,846 in 2019, due to the City’s investments receiving the benefit from the Federal Reserve’s higher interest rates for the entire year.

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	2019	2018
Municipal Income Taxes	\$16,544,287	\$15,357,622
Property and Other Taxes	10,873,713	9,781,544
Charges for Services	6,184,379	6,543,865
Grants and Entitlements	2,679,464	2,006,231
Operating Grants and Contributions	2,466,651	1,950,646
Capital Grants and Contributions	450,747	155,067
Investment Earnings	957,900	629,054
Miscellaneous	122,834	56,780
Total Revenues	\$40,279,975	\$36,480,809

2019 Revenue by Source



Municipal income tax revenue is the City’s largest revenue source, accounting for 41.1% of total revenue in 2019.

Revenue Source Definitions

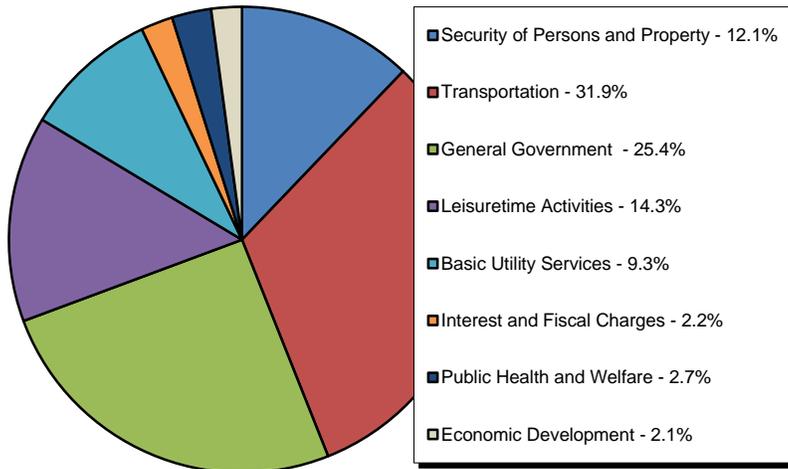
- **Income Taxes** – The City levies a 2% income tax on substantially all income earned within the City.
- **Property and Other Taxes** – Includes the City’s portion of the taxes due on real property and the 3% hotel/motel excise tax.
- **Charges for Services** – Significant sources include recreation programs, medical transport fees, building 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	2019	2018
General Government	\$6,179,418	\$5,375,605
Security of Persons and Property	2,958,665	17,388,852
Public Health and Welfare	664,427	686,988
Transportation	7,761,803	8,093,205
Basic Utility Services	2,271,866	2,142,175
Leisure time Activities	3,481,815	3,083,618
Economic Development	517,720	494,603
Interest and Fiscal Charges	540,558	514,478
Total Expenses	\$24,376,272	\$37,779,524

The chart to the left presents a two-year comparison of the City's Governmental Activity expenses. Expenses decreased overall by \$13,403,252 from 2018 to 2019. The major factor contributing to the overall decrease in expenses was for changes in benefit terms related to Ohio Police and Fire Pension Fund under Government Accounting Standards Board (GASB) Statement 75. The City is required to report a proportionate share of changes 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 decreases were partially offset by an increase in general government expenses which are used by the entire City such as council, mayor, administration, finance, law, human resources, information technologies, building, engineering, etc.

2019 Expense by Function



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

Due to the effects of GASB Statement 75, as mentioned above, transportation is presented as the City's 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.

Security of persons and property, which represents the cost of providing police, dispatch, fire and paramedic services, consistently ranks as the largest outlay (44.5% average of total expenses over the previous three years), as safety is always a priority. However, due to the effects of GASB Statement 75, as mentioned above, the presentation of security of persons and property in the CAFR is shown as a much smaller percentage of the City's expenses. Both the Police and Fire divisions require large workforces due to around-the-clock coverage to ensure the safety of the community.

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.

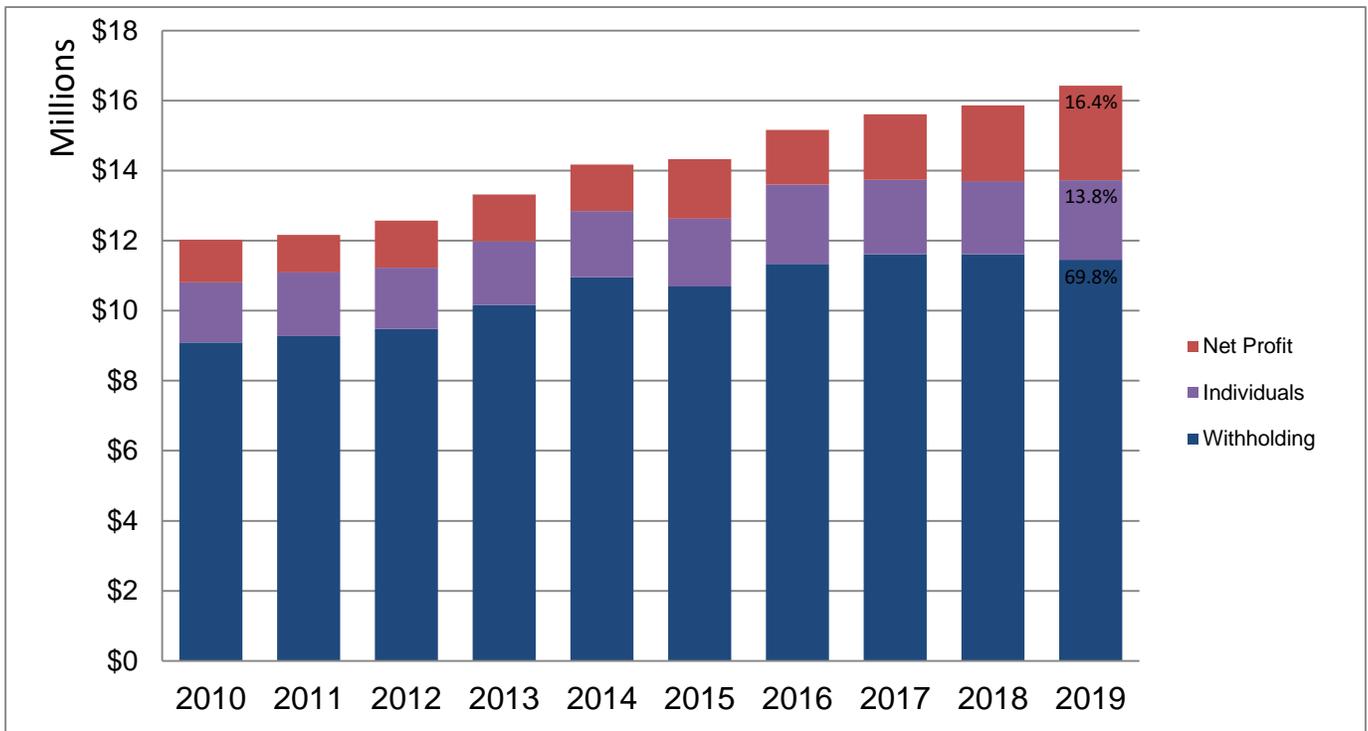
Income tax collections are comprised of three sources: taxes from employee withholdings, taxes from individuals, and taxes on net profits. As shown in the graph below, taxes from withholdings comprise the largest component of the City's income taxes, representing 69.8% of collections.

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 2019 is due to increased amounts collected from quarterly estimated net profit payments, which are a result of the gradually improving economy.

Principal Employers based on Payroll Withholdings	
Employer (Alphabetical Order)	
Champlain Enterprises LLC	
City of North Olmsted	
Factory Mutual Insurance Company	
FB Global Plumbing Group LLC	
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 2019. 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.

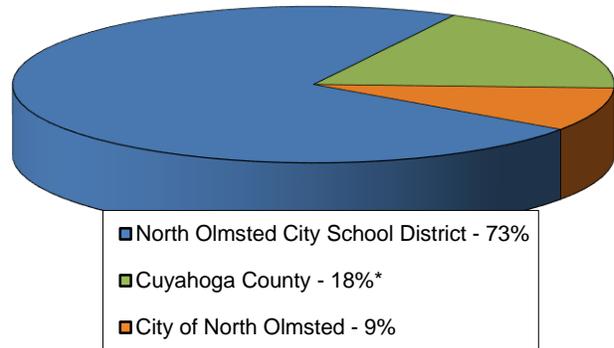
Property Taxes

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, with the first collection of the higher property values in 2019.

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 2019, the City received approximately \$0.09. 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 (10.3%), Cleveland Metro Parks (2.0%), County Library (1.8%), Cuyahoga County Community College (3.6%) and Cleveland-Cuyahoga Port Authority (0.1%)

For tax collection year 2019, a homeowner in North Olmsted will pay 2.87% 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.

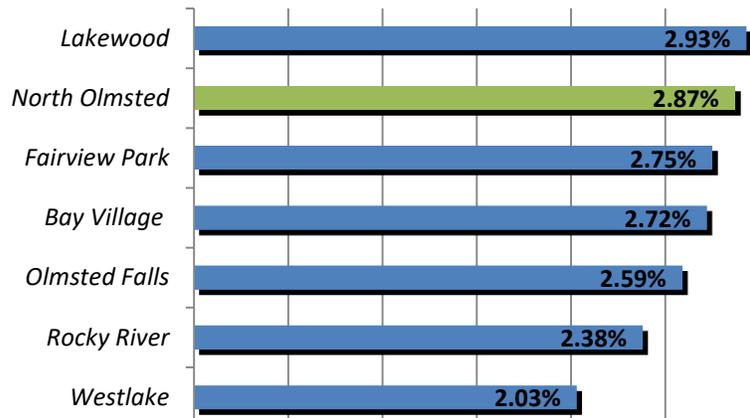
North Olmsted Property Tax as a Percentage of Market Value

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 (2.87%).

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

$$\mathbf{\$150,000 \times 2.87\% = \$4,305 \text{ annual property tax bill.}}$$

Comparative Property Tax Rates for Collection in 2019 (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 entered into a Cooperation Agreement with the Cuyahoga County Department of Public Works for the replacement of a culvert on Bradley Road where it crosses over French Creek because it had reached the end of its useful life. Under the agreement, the County paid 80% of construction and 60% of engineering expenses. The City covered the remaining 20% and 40% of construction and engineering, respectively. The expected life span of the new culvert is 25 to 30 years.
- ❖ **Sanitary Sewer Equipment:** The Waste Water Treatment Plant purchased a GapVax large body vacuum truck used to pull debris and solid material out of the sanitary sewer system, thereby preventing or correcting a backup in the sewer system. The GapVax comes equipped with an 8 cubic yard debris tank, 2,000 gallons of water storage for flushing sewer lines, a 3,500-5,900 CFM Blower, a max reach of 26 feet from the center (horizontal), and a can reach depths of 50 feet (vertical). The GapVax was also purchased with a state of the art Hydro Excavation package, which allows crews to excavate with the GapVax jet instead of digging with a backhoe. This feature is critical when excavating around hazardous areas like gas lines, power lines, or communication cables making it a much safer means to explore underground. The GapVax is also equipped with a 2,500 PSI water pump which when used in conjunction with cleaning heads, can remove grease deposits, sediments, and scale from the inside of sanitary sewer pipes.
- ❖ **Springvale Golf Course and Ballroom:** A multi-phase project, which began in 2016, to implement the Springvale Master Plan improving the nearly 100-year-old Springvale Ballroom and Golf facilities continued in 2019 with Phase II which included a new roof and HVAC system. While removing the interior ceiling of the ballroom the original architectural roof supports were exposed and gave the ballroom an elegant new appearance with the addition of decorative fabrics and lights.



Springvale Ballroom



2019 GapVax Vacuum Truck

- ❖ **Annual Street Program:** The City’s annual street rating program identifies the roads needing the most repair. The City resurfaced 8 streets during 2019, including Bretton Ridge, Georgette Avenue, Sparky Lane, and the Brookpark Road Extension. In total, over 600,000 square feet of road was improved citywide in 2019. It was also the second year of the City’s rejuvenation program which focuses on pavement maintenance so roads will not need to be completely resurfaced as often.
- ❖ **City Hall Upgrades:** Projects were started in 2019 to upgrade and replace the heating and ventilation system (HVAC) and upgrade the electrical systems at City Hall. The current HVAC system was installed in 1983 and revamped in 1992 and operated on an antiquated Windows 95 system. The new system will be split into several zones allowing for better temperature control. Additionally, the new system will extend air conditioning to parts of the building that previously did not have any. The new HVAC units will be more efficient and should provide a savings in utility costs for the building. The City received an Energized Community Grant from the Northeast Ohio Public Energy Council (NOPEC) to pay for a significant portion of the HVAC project. City Hall also received an upgrade to the electrical system due to the old system being unable to provide the required level of stable power for the City’s servers.
- ❖ **Police Station Roof and Enclosure:** The Police station received a new range roof enclosure and a new roof for the whole building. The enclosure provided a solution to the constant leaking problem due to the moisture barrier being compromised. In addition to providing protection of the range, the enclosure provided three additional offices for the storage of files, storage of cleaning supplies, and a Lieutenant’s office. The entire building’s roof was also replaced as part of the project due to water penetration issues.

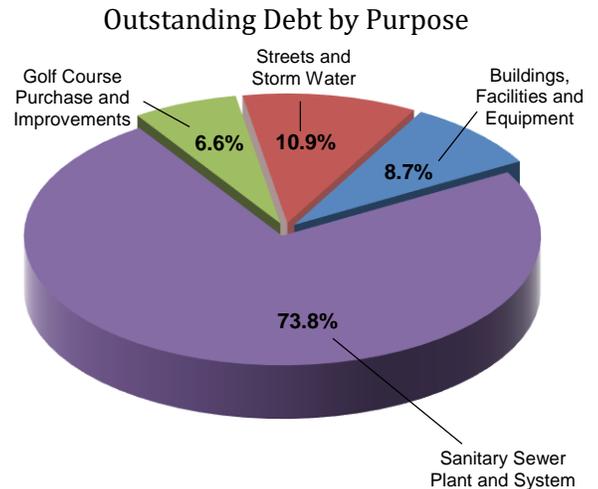
This section provides information on the City’s most significant long-term obligations. It presents summarized information for both the governmental and business-type activities. Detailed information regarding all of the City’s long-term obligations can be found the City’s 2019 CAFR.

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, 2019, the City had various issues outstanding, including \$12.8 million of governmental activities bonds and \$4.9 million of business type bonds. Additionally, \$47.5 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 9, 2019, the City issued \$6,775,000 in capital improvement and equipment notes that had an interest rate of 3.0%, in anticipation of the issuance of bonds, for the purposes of improving designated streets, improvements to the City’s municipal complex and Springvale Golf Course, to provide funds to acquire equipment for the City’s Fire Division, and to provide funds for acquiring and installing telecommunications system and computer hardware and software equipment. The notes matured on April 9, 2020 with a portion being rolled into a new issuance and a portion being paid down.



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 one percent to 4.2 percent during 2019. *
- ❖ The number of residential home sales increased by 2.5 percent to 612, which is the highest volume since 2006. In addition, the average sales price of residential homes increased to \$151,100, which was the first year higher than the 2007 pre-recession average prices.
- ❖ Commercial additions/alterations projects were down in number in 2019 (20%) which is largely due to the impact of the completion of several large projects in 2018 such as car dealerships, hotels and churches. The valuation of commercial additions/alterations also decreased by 45%, but the total overall valuation of new and additions/alterations for commercial work increased by 80% from 2018, reflecting the longer construction cycle of commercial work and showing the statistical impact that can be made by large, long-term commercial projects. In general, these numbers show a strong interest by the City’s residents and businesses in investing to maintain and improve their existing properties, and in North Olmsted as a destination for large new commercial work.
- ❖ The City provides tax incentives under three programs: The Community Reinvestment Area (CRA), known as the North Olmsted Community Reinvestment Area (NOCRA), the Job Retention Grant Program, and the Job Creation Grant Program. The most recent company to take advantage of the tax incentive programs was 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 currently under construction on Lorain Road west of Sterns Road. 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.