



Report to Council
Five-year Financial Plan

Monday, November 27, 2006

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Executive Summary

The five-year plan provides direction for the City of Macedonia. The projections indicate the anticipated needs of the various departments. These needs will be the basis for future budget decisions, but are not proposed budgets for the given years. The plan should be used to identify the impact future budgetary decisions will have on fulfilling the projected future needs of the community.

The plan helps the city identify the potential impact of future agreements with other communities and governmental agencies. The plan also helps the city identify where future funding shortfalls are likely to occur and proactively address funding concerns by looking for alternative funding sources.

The plan should be reviewed with the following points in mind:

- The city finished 2004 in a difficult financial position. The city agreed to cut garbage services and increase some fees to developers to shore up the city's financial condition. These steps helped the city make it through the 2005 and 2006 budget cycles. As painful as these decisions were, given the projected future shortfalls in funding, the city cannot entertain funding garbage services.
- The plan is fully funded through 2007.
- The plan makes a significant effort to improve roads. In addition to an increased annual road program, and basic road maintenance, the city is engaging in several major road projects that will alleviate congestion and ensure uninhibited east-west traffic flow.
- The plan identifies future capital projects that are needed. It will help the city evaluate the impact of proposed changes like establishing compacts with other governmental entities.
- The plan identifies that the city still has unfunded financial needs over the next 5 years. The city has significant difficulty funding activities for 2008 and beyond. Therefore, the administration and council will need to continue active monitoring of the city's financial situation.
- The city began labor negotiations in September of 2006. The outcome of these negotiations could significantly impact the city's ability to maintain current service levels.

The city endured significant staff reductions during its recent period of financial uncertainty. As a result, the city continues replacing the lost employees so it can continue to provide the level of services residents have come to expect. The plan calls for the hiring of 15 full-time equivalent employees over the next four years. The city does not currently anticipate additional hires in 2011.



Personnel Expenditures

The current contracts will expire December 31, 2006. The major provisions of the current contracts include a general wage increase of 3% in 2005 (1% on January 1, 2005 and an additional 2% phased in effective July 1, 2005) and 2% in 2006.

Several departments have requested increases in staffing levels over the next several years. The following chart summarizes the requests made. Departments are requesting 15 full-time equivalent employees over the next four years.

Personnel Request Summary						
	2007	2008	2009	2010	2011	Total
Police	3		2	1		6
Fire		3		.5		3.5
Building/Engineering/Zoning						0
Service-Parks	1		1			2
Service-Roads		1		1		2
Service – Administration	.5					.5
Finance						0
Recreation Programming						0
Family Recreation Center		1				1
Total	4.5	5	3	2.5	0	15

Police Requests

Over the last several years, the police department took significant steps to contribute back into the city's coffers. The jail facility was expanded from a 5-day facility to a 12-day facility. This change has increased revenue from other communities housing prisoners in Macedonia's facility. Officers have also maximized their use of the mobile data terminals placed in each vehicle to increase enforcement activities. As a direct benefit of improved enforcement within the city's limits, the revenue in the Mayor's Court has increased dramatically over the last several years. In 2001, the court produced less than \$142,000. By 2005, the courts were producing nearly \$400,000 for the city. Based on current court revenue, the city's share of court revenue is projected to exceed \$480,000 by the end of 2006. The increase in activity is good for the city and its citizens. However, it has increased the workload on existing personnel to unsupportable levels. The department wants to continue to improve its enforcement activities and thereby benefit the city and the citizens. That is the primary focus of the personnel requests contained in this report.

Throughout the years, the department has used part-time officers to supplement its full-time force. New training requirements being placed on the department by state and federal agencies make it difficult to keep officers certified and updated. The training challenges are even more difficult with



part-time patrol officers. The primary source of part-time officers is new recruits who are actively looking for full-time employment but must have employment in the field to maintain their credentials. As a result, these part-time officers are not reliable for filling the long-term patrol needs of the city. The department intends to phase out all part-time patrol officers in the future. The timing of the transition will depend upon attrition and need.

The administration and council have discussed the addition of part-time jailers for several years. Employing jailers would free patrol officers from numerous duties regarding the jail. Currently officers are required to leave their patrol duties to monitor feeding, exercise, showering, hourly checkups, and visitation of prisoners. The city's jail now operates as a 12-day facility. This requires the city to house offenders for longer periods of time and requires additional monitoring. The department plans to hire enough part-time jailers in 2007 to operate the facility for an average of 16 hours a day for five days a week. An additional jailer (40 hours per week divided among part-time employees) will be added in 2009

The department is also requesting an additional lieutenant. The current lieutenant is in charge of dispatch, patrol, the detective bureau, scheduling, policy and rule updates, equipment, training, computers, and assisting with executive duties such as meetings, budgets and discipline issues. This span of control is beyond industry standards and creating operational inefficiencies. Splitting these duties would lessen the burden on one lieutenant and allow each to be more focused and detailed. The main split would place one lieutenant in charge of patrol and the other the detective bureau and dispatch. This would give the bureau an additional officer at times to assist with increased caseloads. The additional lieutenant would also be charged with officer training. The city is currently behind in meeting its training needs and having a lieutenant who could manage the training program is essential. The promotion of a sergeant to the lieutenant position would require the promotion of a patrol officer to sergeant and therefore, one full-time patrol officer would be required.

The city continues to add new residential and commercial development. This continued development increases the demand for patrol officers. The projections used in this plan call for the hiring of one additional officer in 2009 and another in 2010.

Fire Requests

The fire department's last five-year plan included staffing and major capital expenditure requests. Because of economic times, the staffing issues never materialized. The city did, however, promote a lieutenant and move the captain to day shift. No firefighters were hired to replace the promoted firefighters. A need still exists to add one full-time firefighter to each shift, bringing the total to five



firefighters per shift. The addition of these firefighters is scheduled for 2008. An additional fire inspector was approved in 2006.

In 2010, the department intends to convert the current part-time secretarial position into a full-time position with benefits.

Building/Engineering/Zoning Requests

No additional personnel requirements are anticipated over the next five years. The department will continue to supplement its personnel with contracted inspectors.

Service Requests

Since the year 2000, the service department maintenance staff has lessened by 7 employees. One employee was replaced since 2006 and two were internally promoted. As a result, the department is currently short 5 maintenance workers and 1 tradesman. These statistics demonstrate a 25% reduction in service department staffing levels. While the department's staffing levels have been shrinking, its responsibilities have been growing with the addition of Rolling Hills, Lake Forest Estates, Thousand Oaks, Greystone Village, Isabelle Lane, Langston Court, Driftwood, Enterprise Parkway and others. The total number of lane miles in the city has increased by over 10% since 2000. In 2006, the city began to address the staffing problems in the service department.

The service department needs to increase staffing by 2 full-time maintenance workers. This could be accomplished by hiring a full-time worker every other year beginning in 2006. These additions will return the service department to staffing levels equivalent to 2000 standards. They will augment the current work crews during all seasonal activities, as well as allow the potential to develop a seasonal road repair / asphalt crew.

Park maintenance staff has also decreased while service demands increased due to the addition of the Recreation Center and the Field of Dreams Ball Diamond. Demand will continue to increase over the next several years as the playing fields on the north side of Route 82 are developed. Several years without having adequate staff and equipment have diminished the possibility of maintaining any park trails.

The parks division needs to add 2 full-time maintenance workers and change the part-time maintenance worker position to a full-time position. These additional employees will allow the department to provide the proper maintenance to all playing fields and parklands. Currently, regular service department staff is temporarily assigned to the parks division to assist with mowing, field maintenance, and landscaping in order to meet work demands. The additional staff will make the



division more self-sufficient. Seasonal temporary workers will still be needed during the summer months.

Finance Requests

The responsibilities of the finance department have changed dramatically over the last several years. Income tax collections have been outsourced to the Regional Income Tax Agency (RITA). The Payroll/Human Resource Administrator now reports to the Mayor with some dual responsibilities in the finance department. The recent addition of staff in the Mayor's Court and the replacement of the Deputy Finance Director in 2006 alleviate the need for additional personnel over the next five years.

Recreation Requests

The recreation department is responsible for two budget areas: the Family Recreation Center and the recreation program's portion of the parks and recreation fund. The department's responsibilities have grown as the demand for programming has increased.

The department manages and maintains the Family Recreation Center. This 55,000 square foot facility is open to the public more than 100 hours per week. It welcomes more than 400 people per day who use the facilities for swimming, exercising and special programming. The nature of the programming in the facility demands a high degree of cleanliness to prevent unhealthy or unsafe conditions for patrons. The department currently cleans the facility with one full-time custodian and part-time support. The facility needs additional maintenance personnel to ensure that a healthy and safe environment is maintained. In addition, proper maintenance and cleanliness will contribute to a longer useful life for the facility and its equipment. Therefore, the department is requesting the addition of one full-time custodian to be hired in 2008.

5-year City-wide Personnel Expense Projections

Staffing Assumptions

The staffing levels included in the citywide personnel expense projections are based upon current salary and staffing levels. The projections also include all of the additional employees requested by the various departments.

Benefit Assumptions

Benefits are projected with regular increases. Dental benefits are projected to increase at 7% every other year. Vision benefits also increase 7% every other year on the opposite cycle from the dental benefit increases. Health insurance premiums are projected to increase at 14% per year.



The city has been given a schedule of projected increases in employer contribution for the next five years from the Public Employee Retirement System (PERS). PERS will increase the employer contribution percentage to 14%. The increase will be phased in through 2008. In 2007, the employer share will increase to 13.85% and in 2008 it will increase to 14%. The employer contribution is projected to remain at 14% through 2011.

Personnel Cost Projection Summary

Citywide personnel expenditures are projected to increase over the next five years from approximately \$7.8 million to just over \$10 million or approximately 29%. Personnel costs account for approximately 75% of the operating costs in the general fund. Personnel costs in the general fund are projected to increase by 27% over the next five years. The fire operating levy fund and the police pension fund support the personnel expenses associated with the respective departments.

Summary of Projected Personnel Expenditures by Fund					
	2007	2008	2009	2010	2011
General Fund	\$5,868,744	\$6,387,075	\$6,834,480	\$7,201,586	\$7,519,315
SCMR Fund	\$1,104,249	\$1,231,025	\$1,292,484	\$1,411,217	\$1,476,625
Parks and Recreation Fund	\$365,486	\$481,608	\$567,509	\$595,758	\$626,451
Recreation Center Fund	\$715,464	\$790,560	\$828,918	\$865,135	\$904,030
Total	\$8,053,943	\$8,890,268	\$9,523,391	\$10,073,695	\$10,526,421

Non-Personnel Operating Expenditures

All non-personnel expense categories are projected to increase at 3% annually. Some additional increases are incorporated where departments have specific plans. For example, several items were moved from future capital requests into the operating portion of the budgets. These changes were made because the items requested cost less than \$5,000 and/or did not have a five-year useful life. Some expenditures were projected at the object level to fully account for anticipated changes by departments. For example, program changes resulting from the sale or demolition of rental property required that related line items be reduced or eliminated. In addition, anticipated program changes were incorporated where identified by the department head. The data was then aggregated and is presented at the fund level in the following table.

Summary of Projected Operating Expenditures by Fund					
	2007	2008	2009	2010	2011
General Total	\$1,839,250	\$1,794,500	\$1,846,500	\$1,898,500	\$1,952,500
SCMR Total	\$587,600	\$605,000	\$623,000	\$641,000	\$660,000
State Highway	\$70,000	\$30,000	\$45,000	\$45,000	\$45,000
Parks & Rec.	\$202,700	\$208,000	\$215,000	\$222,000	\$229,000
Rec. Center	\$417,400	\$430,000	\$456,000	\$456,000	\$470,000



Capital Expenditures

Road Maintenance

Both council and the administration have repeatedly discussed their desire to improve funding of road maintenance. This plan will help define what is necessary to continue a road maintenance program without incurring additional debt. In 2004, the City Engineer, offered a road plan with projects listed in priority order for council to consider. The number one priority on his project list was North Freeway Drive. North Freeway Drive was completed in 2006. The second priority project on the list was South Freeway Drive. South Freeway Drive is scheduled for 2007 and will be discussed separately under major road projects. The remaining projects plus several new projects make up the current road maintenance proposal.

Soft-spot Repairs

There are areas of roadway throughout the city where the pavement is beginning to give-way. These repairs require full depth roadway repairs and pavement replacement. These repairs typically require grinding of existing asphalt surfaces and are more complex in nature than basic pothole repairs that can be routinely maintained using the city's hotbox and pavement roller.

Crack Sealing Repairs

An active crack sealing program is one of the best preventive maintenance programs for extending the life of roadways. The program is relatively inexpensive when conducted as a regular annual program.

Annual Road Repair Program

Rather than incurring debt for on-going replacement projects, this plan promotes paying for and scheduling improvements on an annual basis. Major road projects will still be candidates for debt because they exceed the level of funding the city can commit to on-going road maintenance. This plan proposes the following specific projects:

2007

Shepard Road (from Aurora Rd. to Interstate 480)

2008

Bedford Road (from Highland Road to Ledge Road)

Additional projects will be added by the engineer as costs allow. All additional projects will be based upon an assessment of the road surfaces to ensure that those roads in the most need of repaving are attended to first. Specific road projects have not been identified for 2009 and beyond. Priority factors include current road condition and estimated traffic flow.



The Shepard/Richmond/Broadway intersection is another project that has been discussed as a potential future need. The intersection project includes portions of Macedonia, and three other communities. The project is not currently on the list. However, the project is being studied by Oakwood. This intersection is particularly difficult to coordinate any improvements and project funding because it is located in 4 different communities and 2 different counties. Any improvements to this intersection will be conducted as a joint project and may be subject to timetables outside the city's direct control.

Summary of Projected Road Maintenance Expenditures					
	2007	2008	2009	2010	2011
Soft-spot Repairs	\$85,000	\$98,000	\$113,000	\$116,000	\$134,000
Crack Sealing	\$53,000	\$55,000	\$56,000	\$58,000	\$67,000
Annual Road Program	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Total	\$638,000	\$653,000	\$669,000	\$674,000	\$701,000

Major Road Projects

Major road projects are normally beyond the scope of annual maintenance programs in one of two ways. First, the project may be a multi-year project that requires tracking of on-going project costs. Second, the project may be a high cost project that requires special funding sources. Special funding could include issuance of debt, federal grants, funding through the Akron Metropolitan Area Transportation Study (AMATS), the Ohio Department of Transportation (ODOT), the Ohio Public Works Commission (Issue 2) or any combination of these sources.

The city has been working on several major projects for decades. These improvements are focused on three basic areas. The first major focus area has been improving the city's east-west arterials to improve overall traffic flow through the community. This focus area includes upgrading State Route 82 and addressing the railroad crossing on Highland Road. A second major focus area is improving the primary north-south arterial through the city, State Route 8. This focus area includes projects to significantly upgrade major intersections along the route, major road resurfacing and improvement of the access to Interstate 271. The third focus area includes improvement of the city's business districts. In 2006, the city completed its improvement of the North Freeway Drive; South Freeway Drive is scheduled for improvement in 2007. The final improvement project waiting for funding approval was the third phase of the Route 82 project. The city received funding of this project in 2006 and is scheduled to proceed with the project. If construction is completed as currently scheduled, the city will have completed all of these major projects by 2010.



Route 8 and Highland Road Intersection

This project includes the construction of a northbound right-turn lane from Route 8 onto Highland Road eastbound and a southbound right-turn lane from Route 8 onto Highland Road westbound. The southbound left-turn lane from Route 8 onto Highland Road eastbound will be extended and a second (dual left-turn) lane added. The northbound left-turn lane from Route 8 on to Highland Road westbound will be extended. A new westbound right-turn lane from Highland Road onto Route 8 northbound will also be constructed and the eastbound right-turn lane from Highland Road on to Route 8 will be extended.

The plan anticipates approximately \$328,000 will be required for right-of-way acquisition. However, the city would only be responsible for approximately \$45,000 of the right-of-way costs. The balance would be paid by AMATS (\$240,000) and the county.

The county will be paying \$90,000 for construction and right-of-way costs. An additional \$37,391 will be paid by the county for environmental documentation and related items. The city expects to receive the county reimbursement in 2006.

Construction is scheduled for 2007. The total cost of construction is estimated at \$1.67 million with related engineering costs of \$167,000. AMATS will fund \$1.2 million of the construction and construction engineering costs. The city's share of the construction costs is \$577,000. The city has been successful in obtaining funding assistance for its portion of the project costs. AMATS has approved funding an additional \$180,000 for the project (total of \$1.38 million). The city is also working with ODOT to secure \$90,000 that was pledged to the project earlier. This will leave approximately \$300,000 that the city will have to fund by issuing notes until project completion, at which time it will either pay off the debt or issue bonds.

Route 82 Widening (Phase 2)

The design engineering for this project was included in the 2005 budget in the amount of \$127,200. The most recent federal transportation bill included earmark funding for this project in the amount of \$2,728,000.

The city has scheduled right-of-way acquisition for 2005 and 2006. The estimated cost for right-of-way acquisition will be \$2.221 million plus \$370,000 for the acquisition consultant services. The 2005 portion included initial appraisal of the affected property and other research items required prior to purchase of the right-of-way. The 2006 portion included the actual property acquisition.



Construction is scheduled to begin in 2007. The precise timing of this project is dependent upon the Ohio Department of Transportation (ODOT). ODOT will administer the project and determine final timetables for construction. However, the project must be completed prior to beginning the Highland Road Grade Separation because Route 82 will be needed to carry the diverted traffic.

The city's portion of the total project costs is currently estimated at \$4,941,000. The city continues to pursue other funding sources to lower its portion of project costs. In 2006, the city was approved for a \$2.8 million loan from the State Infrastructure Bank. The loan will cover approximately 55% of the current funding shortfall that becomes the city's responsibility. The city plans to apply for an initial distribution of loan funds in 2006. This will allow the city to continue the project while it actively seeks alternative funding sources.

Route 82 Widening Phase 2 Project Funding Summary		
Source/Use	Estimated Cost	Estimated Revenue
Right of Way Acquisition	\$3,805,000	
Federal Earmark Funding		\$914,000
State Infrastructure Bank Loan (City)		\$950,000
AMATS (Federal Government)		\$1,100,000
Additional City Responsibility		\$841,000
Construction	\$9,118,000	
Federal Earmark Funding		\$1,568,480
State Infrastructure Bank Loan (City)		\$1,750,000
AMATS (Federal Government)		\$4,400,000
Additional City Responsibility		\$1,399,520
Project Totals	\$12,923,000	\$12,923,000

The city will be applying for state Issue 2 funds as the project progresses. For the purposes of this report, the entire city responsibility is assumed to be funded through additional loans from the State Infrastructure Bank. This is done to assume what we believe is a "worst case scenario" where all of the project costs that are not being funded by the federal government are covered by the city incurring additional debt. However, we do believe that the state will fund a substantial portion of the project.

The railroads are also a potential funding source that is being explored. The project includes substantial improvement to the Norfolk Southern railroad bridge traversing Route 82. A major component of project costs includes reconstruction of the bridge and relocation of fiber optic lines within the railroad right-of-way. These costs are currently being projected with no contribution from the railroad. This again provides a scenario that maximizes the city's potential contribution to the project.



Route 82 Widening (Phase 3)

The purpose of this project is to provide additional through lanes to safely accommodate the very high demand of current traffic volumes. This is the final phase of the three-phase widening within the City of Macedonia. Completion of the proposed widening will provide a fully improved east-west arterial from the City of Twinsburg to Northfield Center Township.

This phase of the project consists of widening the existing two-lane and three-lane roadway to a four-lane roadway with left turn lanes, where warranted, for a total length of 1.67 miles. The project also includes reconstruction of bike lanes where they currently exist.

The city anticipates project engineering to begin in 2007. The city will be responsible for the initial engineering cost of \$274,000. Right-of-way acquisition for the project will begin in 2009 and is expected to cost approximately \$385,000. Project construction will begin in 2010 with an estimated cost of \$4,395,000.

Highland Road Grade Separation (Bridge)

The city budgeted \$100,000 for design engineering in 2005. Since budget approval, the city has been approved for a loan from the State Infrastructure Bank that will allow the city to totally fund the design-engineering portion of the project. This plan proposes increasing the 2005 allocation to \$150,000 and funding approximately \$300,000 in 2006 and the final \$150,000 in 2007.

Construction of the project is anticipated in 2009 and 2010. Construction costs will be funded by the State of Ohio with no additional city commitment. The State of Ohio will also reimburse the city upon project completion, reducing the total city-share to 5% of the total estimated project cost of approximately \$8.5 million.

Route 8 Resurfacing

ODOT has scheduled the resurfacing of State Route 8 from the city's southern corporate limits to the southern corporation line of the Village of Northfield. The project was originally scheduled for construction in fiscal year 2008, which begins on July 1, 2007 and ends on June 30, 2008. The ODOT cost estimate for the project is \$1.5 million. However, only about 66% of the lane miles included in the ODOT estimate are located within the city. ODOT will fund 80% of the project costs. Therefore, the city anticipates that it will be required to fund approximately \$210,000 of the total project cost. On November 2, 2006, the city received notification that this project has been delayed by ODOT and will be slated for 2009.



South Freeway Drive

The project will rehabilitate the roadway between State Route 82 (Aurora Road) and Ledge Road. It will also include improvements to the storm sewer system that connects into the system along Route 82. The storm sewers along Route 82 were recently improved. This project continues from those improvements and goes north through the rear portion of the properties along South Freeway Drive to the railroad tracks. The total project cost is estimated at \$952,000. The storm sewer improvements constitute approximately 1/3 of the total cost. The balance of the project could be assessed to property owners. The city will likely have to issue debt to fund this project.

Summary of Major Road Project Expenditures					
	2007	2008	2009	2010	2011
Route 8 Improvements (Highland Rd. Intersection)	\$1,500,000				
Route 82 Widening Phase 2	\$3,731,000	\$9,432,000			
Route 82 Widening Phase 3	\$274,000		\$385,000	\$4,395,000	
Highland Rd. Bridge	\$150,000		\$1,300,000	\$6,600,000	
Route 8 Improvements (Resurfacing)			\$210,000		
South Freeway Drive	\$952,000				
Total	\$6,607,000	\$9,432,000	\$1,895,000	\$10,995,000	

Storm Water Management

Culvert Replacement

This program will annually inspect all road culverts in the Indian Creek Watershed and provide for the replacement of those culverts that are structurally deficient. Initially the program will be more expensive because of culverts that have already been identified for replacement. Two culverts along Valley View Road were replaced in 2006. Four additional culverts need to be replaced in the near future. These include two additional culverts along Valley View as well as two in other parts of the city. The service department performs some of the necessary culvert repairs. However, the service department is short of staff and several projects are currently waiting for service department availability. Projects that cannot be done using city staff due to project size or staff availability will be outsourced to private contractors for completion.

EPA Phase 2 Compliance

The city has filed a plan with the Environmental Protection Agency to comply with its phase 2 storm water discharge regulations. The compliance project needs to be completed by the end of 2007.



Projects include the rehabilitation of approximately 150 storm water structures located throughout the city. These include box culverts, culvert pipes, and various special projects related to phase 2 compliance. Stream dredging, catch-basin cleaning, street sweeping and erosion control projects are also required in some areas to comply with the plan filed by the city.

Storm Water Maintenance

Once the EPA compliance is completed, the city will need to continue its storm water maintenance program to provide for annual inspection of catch basins and major drainage courses. The on-going storm water maintenance program continues the types of activities performed for the phase 2 compliance program. Regular inspections will be conducted on all 60 identified retention basins in the city, 150 identified road culverts and 12 major drainage courses. The program also includes follow-up maintenance. The maintenance program includes, but is not limited to, clearing debris out of catch basins and major drainage courses to ensure flow maintenance. The city will also address future street sweeping needs as the program progresses.

Summary of Projected Storm Water Management Expenditures					
	2007	2008	2009	2010	2011
Culvert Replacement Program	\$80,000	\$55,000	\$56,000	\$58,000	\$60,000
EPA Compliance Project	\$204,000				
Storm Water Maintenance		\$106,000	\$109,000	\$112,000	\$115,000
Total	\$284,000	\$161,000	\$165,000	\$170,000	\$175,000

Sanitary Sewer

Shepard Road

The project will construct sanitary sewers for service along Shepard Road in three phases. This project will permit existing septic systems to be eliminated. Phases 1 and 2 are being done in conjunction with the City of Twinsburg.

The City of Twinsburg will be the fiscal agent on Phases 1 and 2. Bids were received by Twinsburg for Phase 1 construction. Construction costs are expected to be approximately \$350,000. Total project costs are expected to be about \$425,000. The city will be responsible for approximately 50% of the costs for Phase 1.

In 2006, the city paid for design engineering costs of phase 2. The construction is scheduled for 2007. However, due to provisions in state law, the city will be paying its share of construction costs in 2006. The city is responsible for approximately half of the total costs for phases 1 and 2.



In 2007, the city is responsible for design engineering for phase 3 with construction in 2008. The entire project is assessable and will likely be assessed. Therefore, debt will be issued to fund this project.

Shepard Road Sanitary Sewer Projected Expenditures				
	2007	2008	2009	2010
Phase I				
Phase II	\$139,000			
Phase III	\$21,000	\$197,000		

Departmental Capital Requests

Police

The following plan for the police department includes the major items that are viewed as necessities for the next five years.

The first and most critical item to discuss is the issue of replacing police cruisers. It has always been the police department's intent to replace cruisers before they begin to break down due to extreme use. Unreliable police cruisers cause undue expense to the city and require other cruisers to be used beyond their scheduled rotation. This overuse of the vehicle fleet causes excessive wear and tear on the vehicles due to the increased mileage and idling time. A pattern of overuse and non-replacement creates a cycle that results in shorter overall vehicle life and reliability. The five-year plan calls for replacing 4 vehicles in 2007 and in each subsequent year of the plan. The plan does not include trading in the existing police vehicles because they will be passed on to the other departments that have cars.

Computer-aided Voice Stress Analyzers are beginning to replace the polygraph test as the preferred method for response verification. The city uses lie detector exams in two different ways. First, the department uses them in the hiring process. Each candidate is screened through a lengthy background verification process. Upon completion of the background verification, a polygraph test is currently conducted. Lie detector tests are also used in the process of criminal investigations. The department has expressed its need for accurate and timely information during criminal investigations. Current methods have unacceptable time delays and restrictions that unduly limit the department's ability to efficiently conduct an investigation.

Tasers are replacing virtually all previously issued weapons for suspect compliance. While previous weapons relied on pain compliance (i.e. stun guns), the taser delivers a high voltage, low amperage shock to the suspect that overrides the central nervous system and automatically eliminates resistance. Taser technology also permits the officer to operate the weapon at a safe distance from the suspect



rather than requiring direct contact with the suspect. The projected cost includes the cost of the weaponry and required training for appropriate use.

In-car video systems are widely used throughout Summit County. In-car video systems offer three primary benefits for the city. They protect the city from officers who act beyond their authority, they protect the officers from complaints of abuse, and they protect the public because officers know that everything they do is being recorded. Macedonia has been using in-car video for nearly 10 years. The city's current systems use older technology and will need to be updated over the next five-years.

The replacement of the department's mainframe system includes replacement of most of the in-house computer system. The computers that make up the system were originally purchased in 2003 and will require updating around 2010. The system must be upgraded to take advantage of new technology and updated programming requirements. In 2011, the department's desktop computers will be 9 years old and functionally obsolete. Therefore, the department proposes replacing the desktop units in 2011.

The city's current portable radio equipment was purchased in 1999 and 2001. The first group of radios purchased in 1999 was shared between all the officers until the second batch was purchased in 2001. The addition of the 2001 equipment reduced the wear and tear on the equipment and will extend the life expectancy of all city radio equipment.

The city's current traffic control system requires police officers to direct traffic at priority intersections during power outages. This system is dangerous and inefficient. The department has requested upgrades to the traffic control system in the past. The current plan includes upgrades to be phased in over several years in order to ensure that priority intersections can be upgraded as funds become available.

The department is currently planning to participate jointly with the City of Twinsburg to purchase an Automated Fingerprint Identification (AFI) System. Right now, fingerprint searches are run through the Bureau of Criminal Investigations (BCI). Unfortunately, BCI is running 6 to 9 months behind. In addition, once a set of fingerprints is submitted, BCI will only run one check on that set of prints. The purchase of an AFI system will give the department the ability to run multiple reports on each set of fingerprints and receive search results faster.

One item not currently included in the plan needs to be mentioned to keep council and the administration aware of potential capital needs. The patrol area needs to be remodeled to improve departmental security. The improvements would include reinforcing existing drywall with concrete block and improving ceiling tiles to eliminate access to secure areas. The dispatch center is too small



for current needs let alone future demands. Currently dispatch equipment is being stacked to accommodate the lack of space. For more specific information, council and the administration are encouraged to contact the police department directly.

Police Department Capital Request Summary					
	2007	2008	2009	2010	2011
Cruisers	\$120,000	\$124,000	\$128,000	\$132,000	\$136,000
Voice Stress Analyzer		\$14,400			
Tasers	\$7,000				
Police In-car video			\$56,000		
Mainframe Computer				\$19,000	
Portable Radios				\$13,000	
Traffic Light Battery Backup		\$62,000	\$84,000	\$71,000	
AFI System			\$17,000		
In-house Computers					\$19,000
Total	\$127,000	\$200,400	\$285,000	\$235,000	\$155,000

Fire

The fire department's five-year capital plan does not include any new equipment. The purchases recommended here only include replacement equipment. The useful life of fire equipment is fairly predictable. Other minor equipment purchases may be required in addition to the major purchases stated in this report. An engine and aerial tower can be expected to last 20 years and a rescue squad can be expected to last 15 years at present daily use levels.

Fire Department Capital Request Summary					
	2007	2008	2009	2010	2011
Rescue Squad		\$44,000	\$44,000	\$44,000	\$44,000
Command Vehicle		\$55,000			
Staff Vehicle					\$35,000
Utility Vehicle			\$45,000		
Breathing Air Compressor				\$45,000	
Aerial Tower Truck Lease				\$232,000	\$232,000
Fire truck Lease	\$120,000	\$120,000	\$120,000		
Total	\$120,000	\$219,000	\$209,000	\$321,000	\$311,000

In 2008, the department is proposing the purchase of the rescue squad originally requested in 2005. The plan calls for a five-year lease purchase of the squad and the capital plan reflects the extended



payments. The department also proposes replacing the command vehicle in 2008. In 2009, the department will replace its utility vehicle. A breathing air compressor for refilling air packs will be purchased in 2010. The department is also scheduling replacement of the aerial tower in 2010. This vehicle costs approximately \$900,000 in current dollars and will likely be purchased using a five-year lease purchase program.

Service

The service department has an extensive array of vehicles and equipment that are used to perform work assignments. Every piece of machinery owned by the city has a predictable useable life based on past experience and actual use. The department strives to provide proper maintenance on every unit every year. When annual maintenance costs and downtime escalate, it is time to replace the unit with a new one to ensure the overall lowest operating cost for the city and to maximize availability of the unit.

Most of the purchases for service department represent equipment replacements. In 2007, a mower will be purchased due to additional fields that require regular mowing. The brush-loading bucket is an additional attachment proposed for the front-end loader.

The following purchase program incorporates fleet purchases needed for the parks division and the road division of the service department. The mower purchase in 2009 reflects the purchase of three mowers. Two of the mowers are 60-inch mowing machines. The third mower is a 72-inch mowing machine. All three are replacements of existing equipment. The 2010 purchase of utility body trucks represents the purchase of two pick-up trucks with plows. Both are replacements of existing vehicles.

Beginning in 2007, the city is planning to include regular maintenance of its buildings as an on-going capital item. These proposed items will include all general and routine maintenance required to prevent deterioration of the facilities. Major facility maintenance and repairs like roof replacements will continue to be included in the future as separate items.

Service Department Capital Request Summary					
	2007	2008	2009	2010	2011
Park Requests					
Skid Steer Loader		\$71,000		\$75,000	
Large Area Mower	\$78,000				
Mower		\$51,000			
Utility Body Truck	\$32,000			\$81,000	
Tractor					\$75,000



Park Building Maintenance	\$10,000	\$11,000	\$12,000	\$14,000	\$15,000
Road Requests					
3/4-ton Pickup w/Plow		\$40,000			
Roadside Mowing Tractor		\$138,000			
2.5 Ton Dump w/plow and spreader			\$105,000		
Medium Sized Dump Truck w/plow and Spreader	\$97,000				
1-ton Dump Truck w/plow and Spreader			\$60,000		
Brush Loading Bucket	\$17,000				
Leaf Collector	\$37,000				
Backhoe					\$95,000
Service Facility Maintenance	\$25,000	\$21,000	\$23,000	\$25,000	\$27,000
Tandem Axle Dump Truck		\$120,000			
Total	\$296,000	\$452,000	\$200,000	\$195,000	\$212,000

City Center

The City Center was dedicated in September of 1997. As the building approaches its 10-year anniversary, the city needs to increase its attention to basic maintenance of the facility. This 5-year plan recognizes this need by directing resources to facility maintenance on an annual basis. These funds will be used to institute minor repairs and upgrades. It is not meant to include major repairs such as roof replacement or major furniture or equipment purchases.

The mower and the pick-up truck scheduled for purchase in the next five years are used for grounds maintenance. Both vehicles will replace existing equipment.

City Center Capital Request Summary					
	2007	2008	2009	2010	2011
Exterior Facility Maintenance	\$25,000	\$21,000	\$23,000	\$25,000	\$27,000
Interior Facility Maintenance	\$25,000	\$21,000	\$23,000	\$25,000	\$27,000
Mower				\$16,000	
Pick-up Truck / Utility Vehicle	\$30,000				
Roof Replacement				\$118,000	
Total	\$80,000	\$42,000	\$46,000	\$184,000	\$54,000



Recreation

The majority of the Recreation Department's capital improvements to the parks have been moved back one year pending the results of a professional 5-Year Master Plan for the entire Parks and Recreation Department. This plan will provide the direction for department programs and facilities into the future. Therefore, only those items that will not be affected by this plan are included in the 2007 request. Likewise, no improvements were requested for 2011 that would potentially be addressed in the Master Plan. The administration is currently planning to fund the 5-year plan using fund balances reserved by council in 2006.

In 2007, sidewalks will be installed to the various pavilions in Longwood Park (\$14,000). A personal lift is also needed in 2007 for on-going maintenance of the Recreation Center (\$13,000). The lift is used to access lighting fixtures and ceiling tiles in the rotunda and pool areas, as well as cleaning and general maintenance of the facility's high areas. It has been increasingly difficult due to weather, competing needs and personnel constraints to transport the lift from the city center.

The department also is requesting equipment purchases for the Family Recreation Center. The equipment purchases are required annually to maintain the exercise facilities. The resistance training equipment replacements and upgrades include machines like the leg curl, leg press and chest press machines. The cardiovascular machines include items like recumbent bikes, elliptical trainers and treadmills. Each year the request includes approximately 3 pieces of resistance training equipment and 4 pieces of cardiovascular equipment. The average cost is \$32,000 per year to keep the exercise facilities maintained.

The department foresees the need for improvement of the handicapped parking at the Family Recreation Center. The center will gain approximately 10 spaces located along the front circle with a sidewalk that gives the spots direct access to the front doors of the facility. The relocation and accompanying improvements will cost approximately \$15,000.

A waterslide is needed for the lap pool area. This was requested in the 2005 budget, but was cut due to financial constraints. The addition of the waterslide is expected to improve membership levels and enthusiasm for the pool facilities and therefore increase overall revenue for the center. The waterslide addition is projected to cost between \$60,000 and \$120,000, depending upon the height and length of the slide purchased.

Due to unexpected developments the Family Recreation Center will need to move up two capital purchases to 2007 in the 5 year plan: the registration and membership software, and the digital security camera system. Recware, the department's current software system, is being phased out by



the company. System upgrades and free technical support will no longer be available at the end of 2006. This makes 2007 the logical, and probably the wisest, time to change systems. The department also proposes purchasing security cameras in 2007. These will be purchased as part of the exterior facility maintenance item. The recreation center area has experienced periods of theft. Security cameras will present a deterrent, and potentially help capture the criminals who perpetrate these crimes in and around the recreation center.

Recreation's 2008 request includes a significant park improvement component. Improvements in Longwood Park include installation of four handicap spots off the main driveway for the U8 fields (\$5,000). A new playground is planned for Longwood Park in 2008 (\$28,000) and will be completed in 2009 (\$53,000). A smaller playground is planned for 2009 in Sugarbush park (\$27,000). The precise locations have not been determined yet. A sand volleyball court is planned for 2009 (\$7,000).

Recreation Department Capital Request Summary					
	2007	2008	2009	2010	2011
Recreation Program Improvements					
Handicapped Parking at U8 fields		\$5,000			
Playground for Longwood Park		\$29,000	\$55,000		
Sidewalks for pavilions	\$14,000				
Sugarbush Restrooms		\$64,000			
Pave Red Trail			\$122,000		
Upgrade park trails		\$60,000			
Playground for Sugarbush Park			\$27,000		
Sand Volleyball Court			\$7,000		
Construct New Trail				\$126,000	
Recreation Center Improvements					
Water Slide for Lap Pool		\$62,000			
Resistance Training Equipment	\$9,000	\$10,000	\$10,000	\$10,000	\$10,000
Cardio Equipment	\$20,000	\$21,000	\$21,000	\$22,000	\$22,000
Additional Rec. Center Handicapped Parking	\$15,000				
Interior Facility Maintenance	\$25,000	\$26,000	\$27,000	\$28,000	\$29,000
Exterior Facility Maintenance	\$22,000	\$23,000	\$24,000	\$25,000	\$26,000
Personal Lift for Maintenance	\$13,000				
Registration and Membership Software	\$32,000				
Water Features Activity Pool		\$32,000			
Second Floor Fill-in			\$159,000		
New Pool Pump Motors		\$13,000			
Tot Room Playground				\$33,000	
Grand Total	\$150,000	\$345,000	\$452,000	\$244,000	\$87,000

For 2008, restrooms are planned for Sugarbush park (\$64,000) and various trail upgrades are anticipated for all city parks (\$60,000). The necessary trail upgrades include drainage improvements



and redefining trail boundaries. The Red Trail is scheduled for improvements in 2009 (\$122,000) and a new trail is slated for construction in 2010 (\$126,000). The city is currently investigating agreements with the Summit County Metroparks system that could impact the need for city funding of future trail improvements.

Debt

The city will enter 2007 with approximately \$9,610,000 in outstanding general obligation debt. The city will have an additional \$2,529,000 in special assessment debt outstanding on January 1, 2007. The city's total debt outstanding will be approximately \$12,139,000. The city's total assessed valuation is projected to be approximately \$411 million. Therefore, the city's debt burden is approximately 3% of its total valuation. Rating agencies like Moody's consider a debt burden of 3% to 4% to be average for a city like Macedonia.

The city's general obligation debt burden is predominantly from a combined issuance for the Family Recreation Center and the New City Hall/Safety Center. Payments on the city hall portion are paid out of the capital improvement fund. The payments on the Family Recreation Center come from the recreation center fund. The payments are financed by a .25% addition to the city's income tax, which amounts to 12.5% of the city's total income tax collections.

Since 1999, the city has been paying on various purpose notes that include road improvements and the purchase of a fire vehicle. The city is in the process of paying down this various purpose note and is committed to paying off those notes by 2010.

The Capital Fund will be required to continue to make future debt payments on the city's existing debt for the City Center and the city's various purpose notes. The city's existing lease for fire equipment will continue through 2009. In 2010, the city will begin a new lease for fire equipment purchases scheduled for that year. The capital fund will also be required to support the city's portion of any debt on the South Freeway Drive project.

The city will be required to make payments on the Route 82 Widening loan and the Highland Road Bridge loan from the State Infrastructure Bank in 2009. Currently, these payments are included in the Capital Fund. However, in the event that the city chooses not to fund these payments through the Capital Fund, the city's license tax revenue has been pledged for the repayment of this loan.

Special Revenue Funds will be used to pay a portion of the city's future debt obligation. The Family Recreation Center Fund will continue to make payments on the existing Recreation Center debt.



The city will continue to fund existing special assessment obligations for Highland Road projects. New assessments will be required to pay a portion of the North Freeway Drive and South Freeway Drive debt payments. The Shepard Road Sanitary Sewer debt will also be paid by special assessments once the project can be bonded. These payments will begin in 2011.

New debt issued over the next five years will include bonding of the South Freeway Drive project. Various purpose notes will continue to be issued annually. The outstanding balance on these notes will be reduced by \$200,000 per year until they are finally paid off in 2010. The Shepard Road Sanitary Sewer notes will be issued in anticipation of bonds throughout the construction of the project. All phases of the Shepard Road project will be completed in 2010 and final bonds will be issued at that time. Payments on those bonds will begin in 2011.

Debt Payment Schedule					
	2007	2008	2009	2010	2011
GENERAL OBLIGATION BONDS AND NOTES					
City Center	\$484,128	\$485,403	\$506,003	\$484,140	\$483,565
Recreation Center	\$167,540	\$166,640	\$490,740	\$464,353	\$474,445
Recreation Center/Restructured	\$211,013	\$212,913	\$213,113	\$213,163	\$208,063
Street Resurfacing /Var.	\$791,388	\$624,780	\$416,520	\$208,260	
TOTAL GEN. OB. BONDS & NOTES	\$1,654,069	\$1,489,736	\$1,626,376	\$1,369,916	\$1,166,073
SPECIAL ASSESSEMENT BONDS AND NOTES					
Highland Rd Improvement	\$26,394	\$26,394	\$26,338	\$26,425	\$26,344
Highland Rd. Phase 3	\$89,802	\$88,802	\$92,302	\$90,652	\$89,002
North Freeway Drive	\$44,622	\$44,672	\$44,671	\$44,721	\$44,718
North Freeway Dr (OPWC)	\$33,947	\$33,947	\$33,947	\$33,947	\$33,947
Shepard Rd. San. Sewer	\$156,000	\$382,200	\$397,500	\$413,400	\$33,172
South Freeway Dr.		\$980,904	\$78,710	\$78,710	\$78,710
TOTAL SPEC. ASSESS. BONDS & NOTES	\$350,765	\$1,556,919	\$673,468	\$687,855	\$305,893
OTHER LOANS/LEASES					
SIB (Highland Road Bridge)			\$87,854	\$87,854	\$87,854
SIB (Route 82 Phase 2 Bridge)			\$394,679	\$394,679	\$394,679
SIB (Route 82 Phase 2 Road)				\$323,637	\$323,637
SIB (Route 82 Phase 3)				\$43,927	\$43,927
Fire Equipment Leases	\$118,357	\$118,357	\$118,357	\$232,000	\$232,000
TOTAL LOANS/LEASES	\$118,357	\$118,357	\$600,890	\$1,082,097	\$1,082,097
GRAND TOTAL DEBT SERVICE PAYMENTS	\$2,123,191	\$3,165,012	\$2,900,734	\$3,139,868	\$2,554,063



Revenue Projections

Income Tax

The city currently levies a 2% income tax on all wages earned within the city and on all wage income earned by residents working outside the city. Residents receive a 100% credit for taxes paid to other municipalities up to the 2% city income tax. The income tax revenue is used for general operations, capital expenditures and operation of the Family Recreation Center. The recreation center portion is set at 12.5% of total collections and expires in 2017. The balance of the income tax revenue is generally divided between operating and capital expenditures. Council can alter the allocation annually; however, capital is generally expected to receive 25% of the total income tax collections. The revenue projections contained in this report use the following allocation of income tax revenue.

- Family Recreation Center 12.5%
- Capital Fund 25%
- General Fund 62.5%

Prior to October of 2004, the City collected its income tax in-house. RITA now performs all collection functions for the city. RITA distributes the income tax to the city one month after it is collected and processed by the agency. Collections for 2006 are on track to exceed the projection of \$6.9 million.

The city is actively recruiting new businesses to its North Freeway Drive commercial area and other parts of the city. The following table shows the anticipated impact of a 5% growth in income tax. This level is used for the budgetary projections included in this report. Tables are also included to show the impact of more ambitious growth rates that have been experienced in prior years.

Income Tax Revenue Projections (5% Growth)					
	2007	2008	2009	2010	2011
General Fund	\$4,515,375	\$4,741,000	\$4,978,000	\$5,227,000	\$5,488,000
Family Recreation Center	\$902,875	\$938,990	\$981,245	\$1,025,401	\$1,071,544
Capital Fund	\$1,956,938	\$2,054,784	\$2,157,524	\$2,265,400	\$2,378,670
Total	\$7,375,188	\$7,734,774	\$8,116,768	\$8,517,800	\$8,938,213

RITA has projected that the city can raise \$1.2 million annually by increasing the income tax rate from 2% to 2.25% and keeping the credit at 100%. If the city reduced the credit from 100% to 75%, RITA projections indicate the city could raise \$750,000 annually. If the city eliminated the income tax credit, it could raise approximately \$3,000,000 annually.



The next table shows the impact of an 8% growth rate for income tax collections. The 8% growth rate gives a picture of a substantial growth that is consistent with historic levels but does not account for intervening periods of decline. If the city experienced growth at this level, it could expect approximately \$1.1 million dollars in additional annual revenue by 2011.

Income Tax Revenue Projections (8% Growth)					
	2007	2008	2009	2010	2011
General Fund	\$4,515,375	\$4,877,000	\$5,267,000	\$5,688,000	\$6,143,000
Family Recreation Center	\$902,875	\$975,000	\$1,053,000	\$1,137,000	\$1,228,000
Capital Fund	\$1,956,938	\$2,113,000	\$2,282,000	\$2,465,000	\$2,662,000
Total	\$7,375,188	\$7,965,000	\$8,602,000	\$9,290,000	\$10,033,000

Property Taxes

The following discussion looks at both the property tax and related state shared taxes. The property tax is collected and administered by the County on behalf of the city. State law provides for three property tax reductions that affect the local tax portion of the property tax. These state-mandated reductions are reimbursed by the state through shared tax programs.

In 2006, the state implemented a new reduction for tangible property taxes. Existing property tax levies will be reduced over five years with the lost revenue being replaced by the state. After the five-year period, the tangible property tax will be eliminated on all property tax levies. Any tax levies adopted after June 30, 2005 will not be imposed on tangible personal property.

Macedonia collects four property tax levies. Total millage inside the state's 10-mill limitation is 2.83 mills. This includes a general government levy of 2.53 mills and a .30 mill levy used to fund police pensions. Inside millage is important for a community because it is not subject to any reduction factors mandated by the state. Therefore, these levies will continue to increase as a revenue source as property values in the city increase.

Macedonia also has two levies that are outside the state's 10-mill limitation. These levies are subject to a reduction factor that is designed to protect property owners from inflationary increases in property values. As a result, these levies have a stated millage that is approved by the voters, and an effective millage that is actually collected on behalf of the community. A .80 mill fire-operating levy is dedicated to fire services. This levy has a current effective



rate of approximately .175 mills. It is a five-year levy that was most recently renewed in November 2002. A 5.07 mill levy funds general operations. This levy has an effective rate of approximately 1.11 mills. It is a five-year levy that was most recently renewed in May of 2005.

Property Tax Revenue Projections					
	2007	2008	2009	2010	2011
General Fund					
Real and Tangible Property Tax	\$1,550,200	\$1,558,700	\$1,536,300	\$1,593,500	\$1,651,000
State Property Tax Rebate	\$182,800	\$257,300	\$341,700	\$346,500	\$0
General Fund Total	\$1,733,000	\$1,816,000	\$1,878,000	\$1,940,000	\$1,651,000
Fire Operating Levy Fund					
Real and Tangible Property Tax	\$99,000	\$99,500	\$98,100	\$101,800	\$105,500
State Property Tax Rebate	\$24,000	\$33,800	\$44,900	\$45,500	\$0
Fire Operating Total	\$123,000	\$133,300	\$143,000	\$147,300	\$105,500
Police Pension Fund					
Real and Tangible Property Tax	\$102,000	\$102,600	\$101,100	\$104,900	\$108,700
State Property Tax Rebate	\$12,000	\$16,900	\$22,400	\$22,700	\$0
Police Pension Total	\$114,000	\$119,500	\$123,500	\$127,600	\$108,700

The city can raise approximately \$370,000 per year from each mill of additional property tax.

Soccer Stadium Proposal

The city is currently involved in negotiations to locate a 20,000 to 25,000 seat soccer stadium on undeveloped land along Route 8. The developer has requested Tax Increment Financing for the stadium and related infrastructure it will require. Under this agreement, the developer will continue to pay the annual property taxes. Only the taxes paid on the increased valuation (value of the property after development – value of property prior to development) will be placed into a special fund and distributed per agreement to:

- 1) Compensate the city, school and township for taxes they would have received
- 2) Make debt payments on debt issued to complete the project.

The developer of the project has already signed an agreement with the Nordonia Hills School District that will provide between \$6.7 million and \$8.5 million for the improvement of the school system's sports facilities at the high school. In addition, the schools will receive an on-going payment of



approximately \$200,000 per year for the duration of the 30-year agreement. These annual payments will be available to the schools for general operations.

The city and the township are currently negotiating agreements with the developer. The city has determined that the proposed development will likely have on-going operating costs of approximately \$1,000,000 per year. Additional capital costs are projected to be approximately \$3.3 million.

Five-year Budgetary Impact

The following discussion shows the financial impact of including all of the proposed programs and projects included in this report. These programs and projects have been presented by the departments as necessary. All of the proposed programs and projects will not be able to be funded as this plan calls for through 2011 unless the city is successful in eliminating any shortfall with the financial strategies included later in this report.

Street Construction Maintenance and Repair

Street construction operations are paid for out of two main funds. The Street Construction Maintenance and Repair (SCMR) fund is the primary fund for road operations. The State Highway fund is used to track state funds provided to the city for maintenance of state highways. Administrative functions for the service department are paid out of the General fund.

SCMR Fund

SCMR Fund Balance Projections					
	2007	2008	2009	2010	2011
Beginning Fund Balance	\$217,000	\$5,151	\$4,125	\$8,641	\$12,425
Revenue	\$500,000	\$515,000	\$530,000	\$546,000	\$563,000
Transfers in	\$980,000	\$1,320,000	\$1,390,000	\$1,510,000	\$1,570,000
Expenditures	(\$1,691,849)	(\$1,836,025)	(\$1,915,484)	(\$2,052,217)	(\$2,136,625)
Ending Fund Balance	\$5,151	\$4,125	\$8,641	\$12,425	\$8,799

The SCMR fund receives most of its dedicated revenue from road taxes and motor vehicle license taxes. The city does not currently have any property tax levies for road operations or capital. The dedicated revenue generated from road and motor vehicle taxes is not sufficient to pay for all of the fund's activities which include the street maintenance and repair program, vehicle maintenance program, snow removal program, sign program, and traffic signal program. As a result, the fund will require approximately \$980,000 from the General fund in 2007. The required subsidy will grow to between \$1.3 million and \$1.4 million for 2008 and 2009. In 2010, the required subsidy from the General fund will likely surpass \$1.5 million and continue to increase in 2011.



The administration will continue to work with the service department to identify methods for controlling future costs while continuing to provide improved levels of service.

State Highway Fund

State Highway Fund Balance Projections					
	2007	2008	2009	2010	2011
Beginning Fund Balance	\$55,000	\$21,000	\$28,000	\$21,000	\$15,000
Revenue	\$36,000	\$37,000	\$38,000	\$39,000	\$40,000
Expenditures	(\$70,000)	(\$30,000)	(\$45,000)	(\$45,000)	(\$45,000)
Ending Fund Balance	\$21,000	\$28,000	\$21,000	\$15,000	\$10,000

The State Highway fund also provides a funding source for road maintenance programs. However, due to the limited size of the fund, its activities have been primarily limited to traffic sign and signalization along the various state routes that traverse the city and the purchase of snow removal materials (road salt). Road salt purchases made from this fund help reduce the amount the city needs to purchase through the SCMR fund.

Parks and Recreation

The operations of the recreation department are divided into two primary funds. The Family Recreation Center fund tracks expenditures related to the operation of the Family Recreation Center and the debt associated with its construction. The Parks and Recreation fund tracks expenditures for outdoor recreational programs and maintenance of the park properties.

Family Recreation Center Fund

Beginning in 2009, the debt payments on the Recreation Center will increase by approximately \$300,000 per year. The fund is currently adding to its available fund balance in anticipation of the higher debt costs in the future. The fund will be able to make all debt payments and pay for all operating expenses through 2011 and beyond. The recreation center debt will be fully paid in 2016.

Family Recreation Center Fund Balance Projections					
	2007	2008	2009	2010	2011
Beginning Fund Balance	\$959,500	\$1,168,911	\$1,350,741	\$1,224,067	\$1,144,733
Revenue	\$818,000	\$843,000	\$868,000	\$894,000	\$921,000
Income Tax Revenue	\$902,875	\$938,990	\$981,245	\$1,025,401	\$1,071,544
Expenditures	(\$1,511,464)	(\$1,600,160)	(\$1,975,918)	(\$1,998,735)	(\$2,056,630)
Ending Fund Balance	\$1,168,911	\$1,350,741	\$1,224,067	\$1,144,733	\$1,080,647



Parks and Recreation Fund

The major source of dedicated revenue for the Parks and Recreation fund is program fees. Dedicated revenue sources currently generate between 30% and 40% of fund expenditures. The balance of the fund expenditures needs to be made up with transfers from the General fund. The 2007 beginning fund balance does not represent the fund's cash balance. In 2006, Council reserved an additional \$120,000 of the unappropriated fund balance for future capital projects. The actual projected beginning cash balance in the Parks and Recreation fund for 2007 is anticipated to be about \$240,000. Council currently has legislation pending to reserve \$120,000 of fund balance for future capital projects. Therefore, the beginning available fund balance for 2007 shown in the table below, will be the remaining unreserved balance of \$120,000.

Parks and Recreation Fund Balance Projections					
	2007	2008	2009	2010	2011
Beginning Fund Balance	\$120,000	\$2,814	\$5,205	\$1,697	\$4,939
Revenue	\$216,000	\$222,000	\$229,000	\$236,000	\$243,000
Transfers in	\$235,000	\$470,000	\$550,000	\$585,000	\$610,000
Expenditures	(\$568,186)	(\$689,608)	(\$782,509)	(\$817,758)	(\$855,451)
Ending Fund Balance	\$2,814	\$5,205	\$1,697	\$4,939	\$2,487

Fire Operating Levy Fund

Fire Operating Levy Fund Balance Projections					
	2007	2008	2009	2010	2011
Beginning Fund Balance	\$72,000	\$61,500	\$62,300	\$73,800	\$89,600
Revenue	\$142,000	\$153,300	\$164,000	\$168,300	\$122,500
Expenditures	(\$152,500)	(\$152,500)	(\$152,500)	(\$152,500)	(\$152,500)
Ending Fund Balance	\$61,500	\$62,300	\$73,800	\$89,600	\$59,600

The Fire Operating Levy fund tracks the property tax receipts from the city's fire operating levy. The fund is currently used to make fire pension payments. Expenditures in this fund reduce the fire personnel costs being charged to the General fund.

Police Pension Fund

The Police Pension fund tracks the property tax receipts from the city's police pension levy. The fund is used to make payments to the police pension fund. As with the Fire Levy fund, expenditures in this fund reduce General fund expenditures by reducing the personnel costs charged to the police program.



Police Pension Fund					
	2007	2008	2009	2010	2011
Beginning Fund Balance	\$22,600	\$17,100	\$14,100	\$15,100	\$20,200
Revenue	\$127,000	\$133,500	\$137,500	\$141,600	\$121,700
Expenditures	(\$132,500)	(\$136,500)	(\$136,500)	(\$136,500)	(\$138,000)
Ending Fund Balance	\$17,100	\$14,100	\$15,100	\$20,200	\$1,400

Capital Fund

The Capital fund is used to pay for the city's capital program. It is funded through income tax collections. When income tax collections are not sufficient to fund all capital costs, a transfer from the General fund is needed to cover any excess costs. The 2007 capital program is completely funded by income tax revenue and existing fund balance. In 2008 and beyond, the capital program requires approximately \$2 million in transfers from the General fund in addition to the income tax revenue. As the city progresses through 2011, particular projects will be postponed, amended or eliminated to reduce the amount of General fund transfer required.

Capital Fund Balance Projections					
	2007	2008	2009	2010	2011
Beginning Fund Balance	\$660,000	\$348,850	\$7,788	\$28,572	\$30,195
Transfers in	\$0	\$430,000	\$1,350,000	\$1,350,000	\$700,000
Revenue	\$1,863,750	\$1,956,938	\$2,054,784	\$2,157,524	\$2,265,400
Expenditures	(\$2,174,900)	(\$2,728,000)	(\$3,384,000)	(\$3,505,900)	(\$2,966,300)
Ending Fund Balance	\$348,850	\$7,788	\$28,572	\$30,195	\$29,295

General Fund

The General fund is the most important fund for the city. It is the only fund that can be used to fund virtually any governmental activity. Therefore, this plan shifts the funding burden for all other funds to the General fund by transferring money out of the General fund into the other funds to cover any imbalance. This provides a clear picture of what is needed to pay for all of the projects and programs included in the plan.

The city cannot permit its General fund to have a negative fund balance. Therefore, the city will be required to make adjustments to this plan as it progresses through the next five years. The plan helps the administration and council identify and prioritize community needs and determine the future financial impact of those decisions.



In order to fully fund the programs and projects included in this plan, the city needs to cover a shortfall of \$1.2 million in 2008. The shortfall increases to approximately \$2.5 million per year through 2011. In order to cover these shortfalls, the administration is proactively engaging in multiple financial strategies that will reduce costs or increase revenue over the next several years.

General Fund Balance Projections					
	2007	2008	2009	2010	2011
Beginning Fund Balance	\$249,000	\$69,281	(\$2,976,169)	(\$7,328,899)	(\$11,983,109)
Revenue	\$8,403,275	\$8,788,000	\$9,137,000	\$9,501,000	\$9,495,000
Transfers in	\$60,000	\$62,000	\$64,000	\$66,000	\$68,000
Expenditures	(\$7,427,994)	(\$7,897,575)	(\$8,396,980)	(\$8,816,086)	(\$9,183,815)
Transfer out	(\$1,215,000)	\$2,220,000	\$3,290,000	\$3,445,000	\$2,880,000
Ending Fund Balance	\$69,281	(\$1,198,294)	(\$3,684,274)	(\$6,378,359)	(\$8,879,174)
Annual Change in Fund Balance	-\$179,719	-\$1,267,575	-\$2,485,980	-\$2,694,086	-\$2,500,815

Financial Strategies

Clearly, the city cannot continue to operate and support the deficit levels that would be required to accomplish everything included in the plan as written. However, the plan shows the city what obstacles exist to providing the future level of services that are expected by residents. The plan also helps the city evaluate possible alternatives and gauge the impact they will have on the city's future financial condition. The administration intends to pursue the following strategies to reduce or eliminate the deficits projected in this plan.

Increase Grant Funding

The city has been very successful in acquiring grant funding for various projects. Specifically, the city has actively pursued state and federal money to assist with major road projects and storm water projects. The police and fire departments have also been successful in grant applications to support special projects in their respective areas. As part of the strategy to increase grant funding, the city will use the projects identified in this plan as the base for future grant applications in other program areas.

By identifying future projects and funding needs, this plan will be used by the administration to proactively match future projects with potential funding sources. The administration is in the process of identifying potential funding sources that will reduce the cost of current planned projects rather than reacting to potential funding opportunities that require unplanned expenditures and/or matching funds.



Several grant opportunities have been identified for planned projects. The city will be looking into funding opportunities for the Route 82 widening project. Possible sources include state Issue 2 funding and the potential for participation by the railroads in some of the costs associated with the relocation of the railroad bridge.

The park trail projects and ADA upgrades in the recreation program are candidates for possible grant funding through the Ohio Department of Natural Resources. The city's service department will also continue to look into partial funding of its recycling efforts.

Community Development Block Grant (CDBG) money may be available to help fund various programs for seniors. One potential area the city would like to pursue is CDBG funding for the senior snowplow and refuse collection subsidies.

Capital Program Deferral

The plan balances departmental funding requests for capital projects with future financial resources. The administration needs to fully fund the first year of each five-year plan. Therefore, some capital projects may need to be deferred because of inadequate funding.

Currently, the capital plan presented here includes funding from the city income tax and additional transfers from the general fund to supplement the income tax revenue. Approximately \$1 million of the annual shortfall can be recouped by adjusting Capital fund expenditures to stay within the level of income tax that is allocated to capital projects. Although this would be difficult, it is possible to eliminate or defer enough capital projects on an annual basis to make this adjustment.

Reduce Growth in Personnel Expenses

The city has been actively working to reduce personnel costs. In 2004, the city shifted from a self-funded medical insurance plan to a carrier provided plan. The city recognized substantial savings from the switch.

The plan calls for additional personnel. As with many service organizations, personnel costs are the most significant operating expense for the city. The plan projects personnel increases to ensure that residents continue to receive the highest level of services. If the city reduced its service expectations, some of the additional personnel could be deferred or eliminated from the plan.

The city is also negotiating with the various employee unions to address spiraling personnel costs. The city's current health plan costs over \$14,000 per employee for family coverage and is expected to increase at approximately 14% per year. The city is actively working with employees through the



Health Care Task Force to control future increases in health care costs. Future plan shortfalls can be reduced to the extent that our cooperative efforts are successful in reducing health care cost increases.

Increase Economic Development Activities

The completion of the North Freeway Drive project in 2006 has opened the door for future economic development in Macedonia. The administration continues to work with local developers to encourage commercial/industrial development along North Freeway Drive. This plan also calls for the improvement of South Freeway Drive in 2007. This improvement will further enhance the city's economic development potential.

The plan briefly discusses the current proposal for a soccer stadium development. The proposed project includes substantial retail development, a hotel, and medical facilities in addition to the soccer stadium. The entire project is being reviewed to ensure that it will provide positive revenue flow and minimize any potential liability for the city.

The city also continues to enjoy a positive relationship with the schools and looks to the schools as an active partner in its economic development activities.

Increase Regional Cooperation

The administration is actively working with officials from surrounding communities to encourage regional approaches to providing government services. The city is working with the City of Twinsburg on the Shepard Rd. sanitary sewer project. The city is also looking at equipment sharing agreements with surrounding communities to eliminate the need for duplicate purchasing.

The fire department has taken the lead on regionalizing fire services. The department is currently studying regional solutions with surrounding communities.

These regional solutions are likely to reduce future costs and provide additional funding opportunities for the participating communities.

Debt Management

In the past, the city borrowed to pay for regular maintenance of its roads. The city is still feeling the effects of this policy decision as it attempts to eliminate over \$700,000 in various purpose notes that include road maintenance projects dating back to 1998. The administration is committed to paying down the various purpose notes which will free approximately \$200,000 per year for future capital projects.



Future debt issuance will be based upon specific criteria. If a project is assessable, debt may be issued so long as it is supported, at least partially, by future assessments. If a project is of substantial size and is not for on-going maintenance, the city may issue debt to even out the capital budgeting process.

The city will first look to subsidized loan programs or programs that will not affect the city's future bonding capacity. The city has been using the State Infrastructure Bank to finance the Route 82 widening project. There are several advantages with pursuing these loans for major infrastructure projects. First, the loan does not affect the city's debt limitation. No property taxes are pledged toward repayment of the debt. Second, the loans have no payments due for the first 30 months. Third, the loan has no interest accumulated for 12 months. After the initial 12 month period interest is assessed at 3% which is substantially below the interest rate available to the city through other financing methods. The 30 month grace period also provides the city with an opportunity to secure alternative project funding prior to the initial payment and thereby reduce the city's future debt load.

Increase Revenue

The final option for improving the city's financial condition is to increase revenue. The administration continues to evaluate the fees being charged for individual services. The city is also improving its monitoring of receivables due to a new software package in the finance department. The new accounts receivable software allows the city to invoice and track all receivables in a more efficient manner. This is improving revenue collections through better enforcement of existing ordinances approved by council.

The shift to the Regional Income Tax Agency (RITA) continues to benefit the city as well. RITA's systems provide for more efficient collection of income tax. In addition, programs like the subpoena program improve delinquent collections for the city.

The Mayor's Court is also improving its collection methods. The city hired an outside collection firm to actively pursue delinquent warrants. This program is benefiting the city by bringing in additional collections that would have been viewed as uncollectible prior to the hiring of Capital Recovery, Inc.

The administration is not advocating any changes in the current tax structure for the city. However, this is an option of last resort that is available should all of the other methods for eliminating the annual shortfalls fail. The report briefly discusses the revenue that can be generated by changes in the tax structure and will continue to include these figures to assist the administration and council in future decisions.

