



MARK H. LUDWIG
FINANCE DIRECTOR

JACOB D. KAUFMAN
TAX ADMINISTRATOR/
ASSISTANT FINANCE DIRECTOR

RUSSELL T. SHARNSKY
MAYOR

CITY OF FAIRLAWN

MEMORANDUM

To: Russell T. Sharnsky, Mayor

From: Jacob D. Kaufman, Tax Administrator/Assistant Finance Director

Date: January 9, 2023

Subject: 2022 Finance/Tax Annual Report

Cc: Mark H. Ludwig, Finance Director

The City's unencumbered cash balances serve as useful measures of net resources available for spending at year-end and provide insight into the overall financial strength of the City. Included below is a comparison of the unencumbered cash balances of the City's funds at December 31, 2021 and 2022 followed by an analysis of the City's most significant funds:

Unencumbered Cash Balances	2021	2022	Increase/(Decrease)	
			Amount	Percentage
General Fund	\$ 7,959,441	\$ 8,852,109	\$ 892,668	11.2%
Income Tax Fund	7,732,450	9,087,863	1,355,413	17.5%
Capital Improvement Fund	2,107,267	2,398,720	291,453	13.8%
Federal Capital Grants Fund	(1,778,704)	776	1,779,480	-100.0%
Broadband Fund	937,488	1,478,955	541,467	57.8%
All Other Funds	3,623,300	4,520,831	897,531	24.8%
Total All Funds	\$ 20,581,242	\$ 26,339,254	\$ 5,758,012	28.0%

General Fund

The general fund is the primary operating fund of the City and accounts for nearly every City department. The Government Finance Officers Association (GFOA) believes it is essential for governments to maintain adequate general fund balances to ensure tax rate stability and to mitigate current and future risks. The unencumbered cash balance in the City's general fund increased 11.2% to \$8,852,109 during 2022. At this level, it provides the City with a strong reserve balance equal to six months (50.1%) of the fund's 2022 expenditure budget. For comparison, the GFOA recommends that governments, at a minimum, maintain an unrestricted general fund balance of no less than two months (16.7%) of regular operating expenditures.

The table below provides a comparison of general fund revenues by source for 2021 and 2022:

Revenues by Source	2021	2022	Increase/(Decrease)	
			Amount	Percentage
Income tax transfers-in	\$ 8,372,965	\$ 9,469,452	\$ 1,096,487	13.1%
JEDD revenues	3,467,480	4,192,440	724,960	20.9%
Real and other taxes	885,872	995,027	109,155	12.3%
Charges for services	455,034	623,329	168,295	37.0%
Intergovernmental	418,320	409,974	(8,346)	-2.0%
Interest	16,355	301,730	285,375	1744.9%
Advances-in	566,743	400,000	(166,743)	-29.4%
All other revenues	469,369	506,922	37,553	8.0%
Total	\$ 14,652,138	\$ 16,898,874	\$ 2,246,736	15.3%

Seventy-five percent of income tax revenues, net of refunds and collection costs, are required to be allocated to the general fund. This income tax allocation, included in the table above as “Income tax transfers-in,” is calculated on a trailing 12 months basis coinciding with the calendar year, meaning the amounts allocated to the fund in 2022 are based on the actual net collections in 2021. Net income tax revenues increased by 11.4% in 2021, resulting in a greater income tax allocation to the general fund in 2022. Please refer to the **Income Tax Fund** section for an analysis of actual income tax revenue collections in 2022.

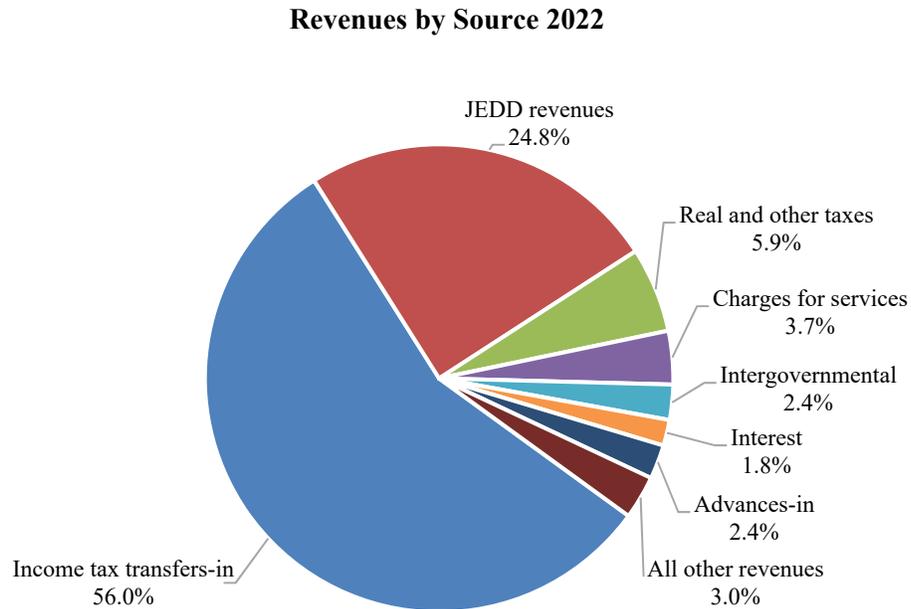
The City receives additional income tax monies, reported as Joint Economic Development District (JEDD) revenues, as the result of its participation in the Bath-Akron-Fairlawn JEDD. Akron is responsible for the administration, collection, and enforcement of the JEDD income tax. The City is entitled to 46.67% of the income tax proceeds from the JEDD, net of collection expenditures. The City’s share of JEDD revenues increased by 20.9% to \$4,192,440 in 2022. The increase likely resulted from the City receiving 14 monthly payments during 2022, after only receiving 10 in 2021.

Charges for services revenue increased by 37.0% or \$168,295, due, in part, to emergency medical service (EMS) fees increasing by \$71,090, as transports increased 17.1%. Furthermore, the ongoing development of the former Rosemont Country Club property resulted in engineering review fees and sewer tap-in fees increasing by \$77,385 and \$45,000, respectively.

Interest revenue increased by \$285,375, due to the Federal Reserve’s Federal Open Markets Committee increasing the target federal funds rate from 0%-0.25% in December 2021 to 4.25%-4.50% in December 2022. The rate, which was increased to combat soaring inflation, indirectly influences the short-term interest rates paid on the City’s investments.

Advances-in decreased by \$166,743, due to only one interfund advance (loan) being repaid during the year. Federal American Rescue Plan (ARP) Act funding was used to reimburse monies advanced to the local fiscal recovery fund for the asphalt and concrete street repair programs.

As shown below, the general fund continues to be heavily reliant upon income taxes and JEDD revenues, which accounted for 80.8% of the fund's revenues in 2022:



The following table provides a comparison of general fund expenditures by function for 2021 and 2022:

Expenditures by Function	2021	2022	Increase/(Decrease)	
			Amount	Percentage
General government	\$ 2,924,300	\$ 2,710,283	\$ (214,017)	-7.3%
Security of persons and property	6,903,003	7,311,936	408,933	5.9%
Transportation	2,594,322	2,855,708	261,386	10.1%
Leisure time activity	467,247	427,200	(40,047)	-8.6%
Transfers/Advances-out	380,000	1,768,585	1,388,585	365.4%
All other expenditures	746,272	797,132	50,860	6.8%
Total	\$ 14,015,144	\$ 15,870,844	\$ 1,855,700	13.2%

Increases to employee wages and health insurance costs impacted nearly every expenditure function in 2022. Salaries and wages were increased 2.5% for all employees, in accordance with various collective bargaining agreements and City ordinances. Furthermore, medical and dental insurance rates increased 7.9% and 2.3%, respectively. Aggregate salaries/wages and fringe benefits costs amounted to \$10,708,640 or 67.5% of general fund expenditures.

General government expenditures include the activities of the Mayor's administration and all other City departments not otherwise classified under another expenditure function. The 7.3% decrease in general government expenditures resulted, in part, from the prior year installation of access control systems in various City-owned buildings, which increased 2021 expenditures by \$358,424.

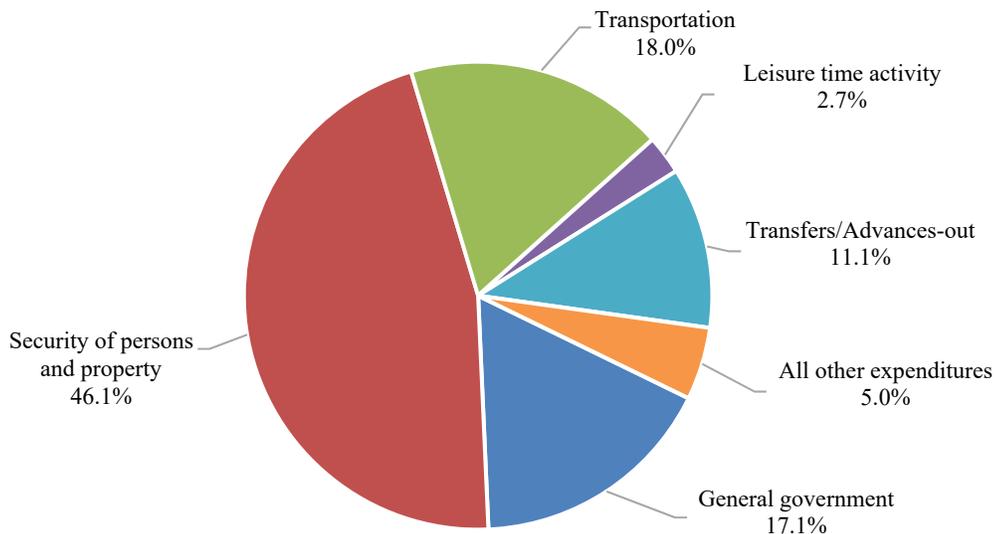
The activities of the Police, Dispatch, and Fire & EMS Departments are reported as security of persons and property expenditures. These expenditures increased by \$408,933 or 5.9%, due to increased personnel costs in the Police and Fire & EMS Departments. The overtime costs for the full-time employees in both departments increased, as a result of employee turnover, limited part-time employee availability, and the resumption of the Friday night summer concerts and Independence Day festivities.

Transportation expenditures, comprising the activities of the Engineering and Service Departments, increased by \$261,386 or 10.1%. The increase primarily resulted from an above-average number of engineering plan reviews for the ongoing development of the former Rosemont Country Club property, upgrades to the Community Center sound system, and new maintenance contracts for the Cleveland-Massillon Road roundabout and the access control systems. In addition, the resumption of the Friday night summer concerts and Independence Day festivities and a renewed interest Community Center rentals significantly increased the Service Department's overtime costs.

Interfund transfers/advances-out of the general fund increased by \$1,388,585 or 365.4%. The fund advanced (loaned) \$400,000 to the fiscal recovery fund for the asphalt and concrete street repair programs, which was subsequently repaid during the year, and \$225,006 to the Rosemont Greens public improvement tax increment financing (TIF) fund to engineer the Rosemont Preserve. The fund also transferred \$473,540 to the capital reserve fund to increase the reserve balance to \$2,500,000.

The general fund's resources were primarily used for general government, security of persons and property, and transportation purposes, which accounted for 81.2% of the fund's expenditures in 2022, as illustrated below:

Expenditures by Function 2022



Income Tax Fund

The income tax fund was established for the administration and collection of the City’s 2% income tax. Income taxes, the City’s largest revenue source, are collected to provide funds for the general operations of the City and the acquisition, construction, and improvement of the City’s capital assets. Seventy-five percent of income tax revenues, net of refunds and collection costs, are required to be allocated to the general fund, while the remaining 25% is required to be allocated to the capital improvement fund. The unencumbered cash balance in the income tax fund, increased \$1,355,413 or 17.5% during the year.

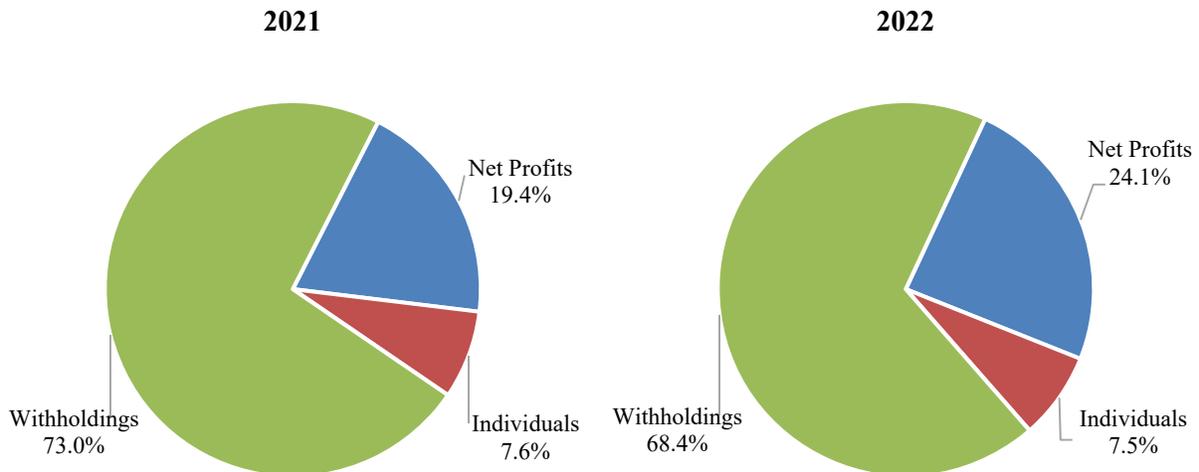
The following table provides a comparison of income tax revenues collected in 2021 and 2022:

	2021	2022	Increase/(Decrease)	
			Amount	Percentage
Income Tax Revenue	\$ 14,852,712	\$ 17,142,635	\$ 2,289,923	15.4%
Less: Refunds	(356,874)	(589,351)	(232,477)	65.1%
Less: Shared Tax Paid to Akron	(1,568,007)	(2,291,453)	(723,446)	46.1%
Net Income Tax Revenue	<u>\$ 12,927,831</u>	<u>\$ 14,261,831</u>	<u>\$ 1,334,000</u>	10.3%

Income tax revenues increased by 15.4% in 2022 to \$17,142,635. Collections in our shared tax districts increased by 43.4% to \$4,781,627, due to general growth. The City sent \$2,291,453 of those shared tax revenues to Akron in accordance with various tax sharing agreements. Net income tax revenues (excluding refunds and shared tax revenues remitted to Akron) amounted to \$14,261,831, or 10.3% greater than the prior year. Refunds increased \$232,477 due to an influx of requests from non-resident individuals working remotely.

As shown in the following chart, the composition of the City’s income tax revenues remained consistent, with 73.0% and 68.4% of revenues coming from withholding taxes in 2021 and 2022, respectively.

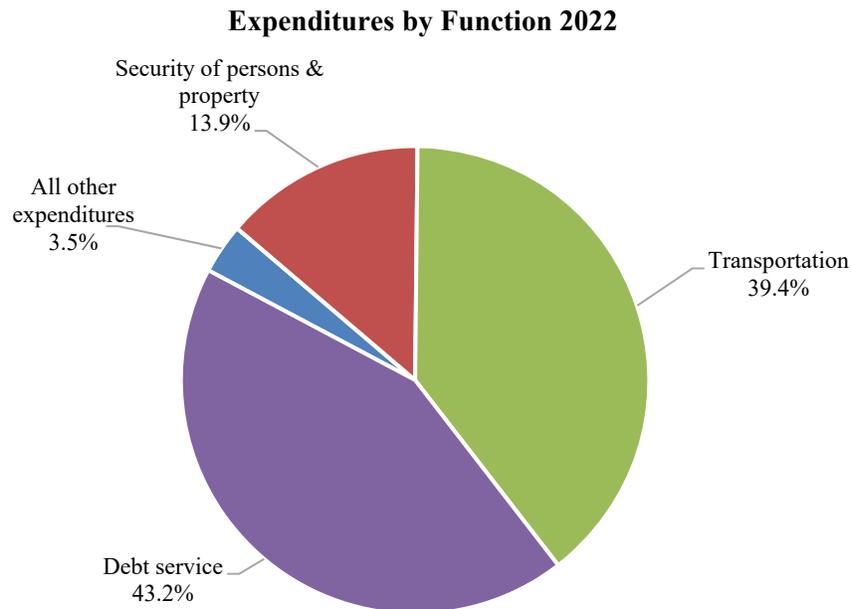
Income Tax Collections by Type



Capital Improvement Fund

The capital improvement fund accounts for the acquisition, construction, and improvement of the City's capital assets. The fund's unencumbered cash balance increased by \$291,453 or 13.8% in 2022 due to various projects coming in under budget.

In addition to servicing the City's outstanding capital-related debt issues, the capital improvement fund's resources were primarily used for security of persons and property and transportation purposes, which accounted for 53.3% of the fund's expenditures in 2022, as illustrated below:



The following major capital acquisitions and improvements occurred in 2022:

- Purchase and Upfitting of 2 Police Vehicles (\$121,890)
- Street Sweeper (\$320,305)
- Cleveland-Massillon Road Resurfacing - Engineering (\$113,775; Summit County's share is \$71,678)
- Asphalt and Concrete Street Repair Programs (\$202,187 local share)
- Cleveland-Massillon Road Widening - Construction (\$274,736 local share)

Federal Capital Grants Fund

The federal capital grants fund was established to separately track federal financial assistance awarded for the acquisition, construction, maintenance, and improvement of capital items. The City was awarded federal Highway Safety, Congestion Mitigation Air Quality Improvement, and Surface Transportation Block Grant funding for the widening of Cleveland-Massillon Road. The engineering phase of the project began in 2015, with right-of-way acquisition and construction following in 2019 and 2020, respectively. During the year, \$2,391,847 in federal funding was expended to conclude construction of the project. The City expended \$9,366,120 in federal funds over the duration of the project, which equates to 74.8% of the total costs, as shown below:

Project Phase	Local Share		Federal Share		Total
	Amount	Percentage	Amount	Percentage	
Engineering	\$ 1,103,604	94.3%	\$ 66,295	5.7%	\$ 1,169,899
Right-of-Way Acquisition	124,110	11.4%	961,600	88.6%	1,085,710
Construction Inspection	439,731	42.9%	585,000	57.1%	1,024,731
Construction	<u>1,481,320</u>	<u>16.0%</u>	<u>7,753,225</u>	<u>84.0%</u>	<u>9,234,545</u>
Total	\$3,148,765	25.2%	\$9,366,120	74.8%	\$12,514,885

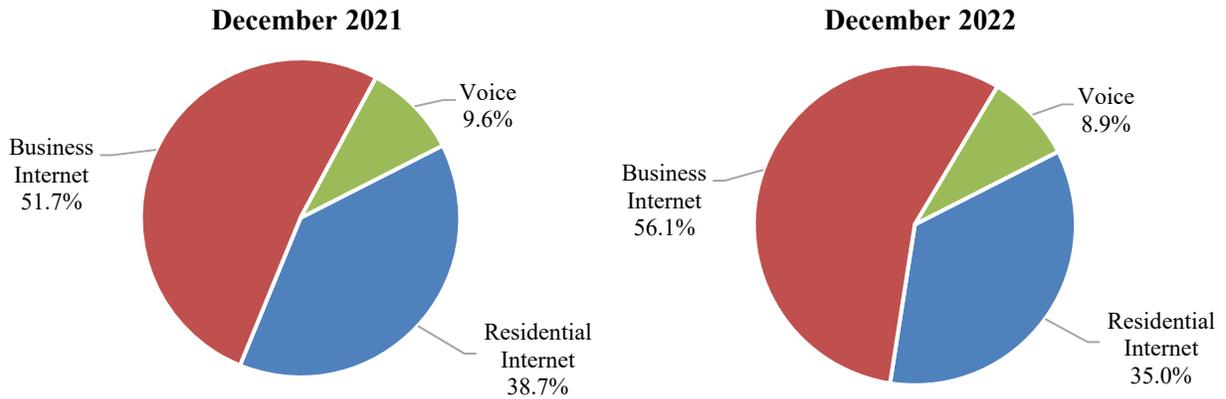
Broadband Fund

The broadband fund was created to account for the activities of the FairlawnGig utility. The unencumbered cash balance in the broadband fund increased 57.8% to \$1,478,955 during the year, thanks, in part, to cost cutting measures and growth in the utility's customer base and service offerings. The following table further details FairlawnGig's year-over-year growth in terms of active customers and monthly recurring revenues:

	December	December	Increase/(Decrease)	
	2021	2022	Amount	Percentage
Active Customers	2,190	2,244	54	2.5%
Monthly Recurring Revenues	\$ 248,006	\$ 259,845	\$ 11,839	4.8%
Average Revenue per User	\$ 113.24	\$ 115.80	\$ 2.56	2.3%

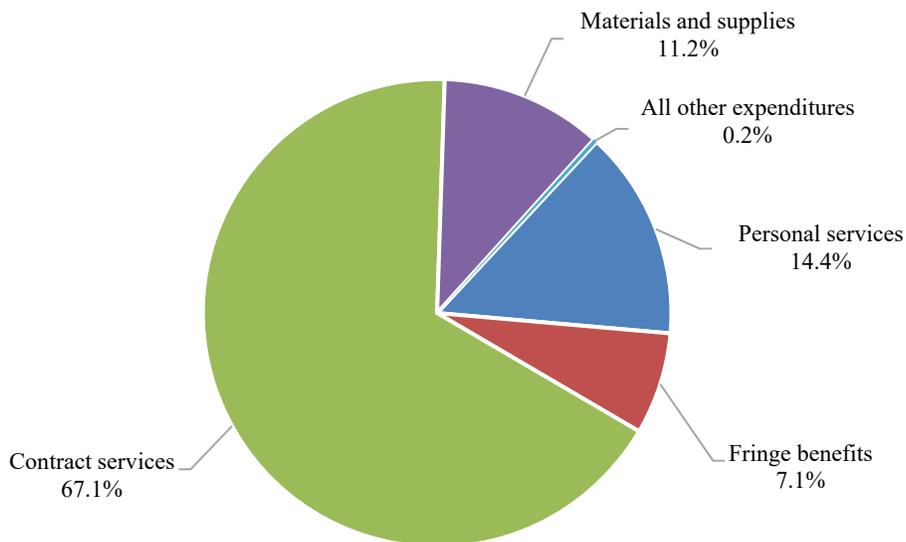
As shown in the following chart, the composition of FairlawnGig's monthly recurring revenues shifted slightly, with internet services comprising 91.1% of revenues in 2022, up from 90.4% in 2021.

Monthly Recurring Revenues by Source



FairlawnGig's resources were primarily used for contract services pertaining to customer installations, the provisioning of services, and maintenance of the system, which accounted for 67.1% of the utility's expenditures in 2022, as illustrated below:

Expenditures by Function 2022



Other Federal Grants

Local Fiscal Recovery Fund

The City was awarded \$790,242 in American Rescue Plan (ARP) funding by the U.S. Treasury Department, which was distributed in two equal tranches, occurring in 2021 and 2022. The local fiscal recovery fund was created to account for ARP funding awarded to the City. Guidance from the U.S. Treasury Department indicates the funding may be used to pay for the provision of government services (including the maintenance of public roadways) to the extent that a government experienced a reduction in revenue due to the COVID-19 public health emergency. Using the U.S. Treasury Department's prescribed formula, the City experienced a \$1,693,296 reduction in revenue during 2020. Since the reduction in revenue exceeded the amount awarded, the City's ARP funding was used for the provision of the 2021 and 2022 asphalt and concrete street repair programs. During the year, \$403,861 in federal ARP funding was expended for this purpose.

Independent Audit

The City's Basic Financial Statements for the year ended December 31, 2021 were compiled by the Finance/Tax Department with technical assistance provided by Julian & Grube, Inc. The State Auditor's Office conducted the annual independent audit of the City's financial statements and issued their report on September 9, 2022. The City received an unmodified audit opinion (the highest level possible), which is a testament to the diligence and professionalism of the Finance/Tax Department staff.

Next Year's Outlook

On December 19, 2022, Council approved the 2023 temporary appropriations. Overall, the total temporary appropriations for all City funds (net of interfund activity) are \$5,323,339 or 19.7% greater than the 2022 permanent appropriations. The table below provides a comparison of the City's total appropriations, net of interfund activity, for 2022 and 2023:

Total Appropriations (net of interfund activity)	2022		2023		Increase/(Decrease)	
	Permanent	Temporary	Amount	Percentage		
General Fund	\$ 15,544,793	\$ 17,520,727	\$ 1,975,934	12.7%		
Income Tax Fund	2,419,828	3,282,326	862,498	35.6%		
Capital Improvement Fund	3,004,122	4,731,608	1,727,486	57.5%		
Federal Capital Grants Fund	739,176	291,375	(447,801)	-60.6%		
Broadband Fund	2,530,720	2,805,170	274,450	10.8%		
All Other Funds	2,850,671	3,781,443	930,772	32.7%		
Total All Funds	\$ 27,089,310	\$ 32,412,649	\$ 5,323,339	19.7%		

The general fund's appropriations increased \$1,975,934, or 12.7% over the 2022 permanent appropriations. Salaries and wages were increased by 3.0% for all employees and adjusted for anticipated personnel changes, while medical insurance premiums increased 7.9%. A voluntary vision insurance plan was also added at a maximum cost of \$19,275.

The appropriations for the income tax fund are \$862,498 or 35.6% greater than the 2022 permanent appropriations. The amount budgeted for shared tax revenue payments to the City of Akron has been increased to account for anticipated growth. Additionally, the refunds budget has been increased to accommodate requests from non-resident working remotely.

Appropriations in the capital improvement fund increased by \$1,727,486 or 57.5%. The following major capital acquisitions and improvements are included in the budget: Fire Department Backup Generator Building (\$900,000); Ambulance Box (\$273,720); Roll-off Truck (\$230,000); Asphalt and Concrete Street Repair Programs (\$1,050,000); Fairlawn Corporate Park Pond Relocation (\$400,000); and Brunsdorph Rd Wetlands Restoration (\$225,000).

The federal capital grants fund budget of \$291,375 represents the federal-share of the cost to resurface Cleveland-Massillon Rd South of Kuhmo Dr and North of Springside Dr.

Finally, the broadband fund's appropriations increased by \$274,450 or 10.8% over the 2022 permanent appropriations. Planned customer ONT upgrades and anticipated inflationary pressures accounted for the overall increase.

For additional information or questions, please contact the City of Fairlawn, Finance Department at 330-668-9524 or finance@fairlawn.us.

YTD Fund Report for Year 2022 Month 12 - City of Fairlawn

Fund	Description	Beg Yr Bal	YTD Rec	YTD Exp	Unexp	Enc	Unenc
101	GENERAL	8,884,960.34	16,898,873.77	15,870,843.85	9,912,990.26	1,060,881.75	8,852,108.51
211	STREET CONSTR. & MAINTENANCE	643,029.94	402,774.57	243,799.04	802,005.47	78,333.83	723,671.64
212	PERMISSIVE TAX	1,620.34	18,315.57	0.00	19,935.91	0.00	19,935.91
213	STATE HIGHWAY IMPROVEMENT	63,229.19	32,773.49	25,887.04	70,115.64	3,112.96	67,002.68
216	INCOME TAX	7,913,247.70	17,154,321.14	15,810,844.22	9,256,724.62	168,861.43	9,087,863.19
221	ENFORCE & EDUCATION (DUI)	14,992.45	573.00	690.51	14,874.94	0.00	14,874.94
222	SEWER MAINTENANCE & REPAIR	388,961.35	229,964.78	61,562.78	557,363.35	111,531.69	445,831.66
225	STEMCO URBAN REDEV TIF	0.00	33,044.04	33,044.04	0.00	0.00	0.00
226	ENERGY SID	0.00	0.00	0.00	0.00	0.00	0.00
227	CRYSTAL CLINIC URBAN REDEV TIF	0.00	981,324.49	981,324.49	0.00	0.00	0.00
228	COURT COMPUTERIZATION	4,461.63	2,666.00	3,453.58	3,674.05	47.39	3,626.66
229	ROSEMONT GREENS PUBLIC IMP TIF	0.00	225,006.00	80,765.81	144,240.19	132,040.19	12,200.00
230	ONEOHIO OPIOID SETTLEMENT	0.00	5,836.64	0.00	5,836.64	0.00	5,836.64
242	LOCAL FISCAL RECOVERY	7,169.08	796,692.02	803,861.10	0.00	0.00	0.00
331	CAPITAL IMPROVEMENT	2,438,076.60	3,380,703.49	2,402,893.13	3,415,886.96	1,017,167.20	2,398,719.76
336	CAPITAL RESERVE	2,026,459.63	473,540.37	0.00	2,500,000.00	0.00	2,500,000.00
340	FEDERAL CAPITAL GRANTS	(9,000.00)	2,447,985.93	2,391,846.89	47,139.04	46,363.42	775.62
510	BROADBAND	1,199,281.07	3,227,778.28	2,468,761.52	1,958,297.83	479,342.46	1,478,955.37
780	UNCLAIMED	23,607.24	2,047.61	6.00	25,648.85	0.00	25,648.85
781	ESCROW	0.00	500.00	0.00	500.00	0.00	500.00
782	STREET OPENING DEPOSIT	44,600.00	100,000.00	14,000.00	130,600.00	0.00	130,600.00
783	PERFORM/LANDSC DEPOSIT	131,025.00	60,475.00	17,000.00	174,500.00	0.00	174,500.00
784	POLICE PENSION	221,884.88	447,587.69	448,934.68	220,537.89	44,947.02	175,590.87
785	FIRE PENSION	169,456.72	399,087.69	329,578.27	238,966.14	87,997.70	150,968.44
786	LAW ENFORCEMENT TRUST	0.00	0.00	0.00	0.00	0.00	0.00
787	DRUG LAW ENFORCEMENT	64,993.55	50.00	0.00	65,043.55	0.00	65,043.55
788	FURTHERANCE OF JUSTICE	5,000.00	0.00	0.00	5,000.00	0.00	5,000.00
27 Funds		24,237,056.71	47,321,921.57	41,989,096.95	29,569,881.33	3,230,627.04	26,339,254.29

City of Fairlawn, Ohio
Income Tax Receipts
December 31, 2022

Type			YTD		Increase/(Decrease)		YTD		Increase/(Decrease)	
Tax District (% shared)	YTD	Last Year	Vs. YTD Last Year	3 Years Ago	Vs. YTD 3 Years Ago					
Business Net Profit	\$ 2,715,120.93	\$ 2,308,543.12	\$ 406,577.81	17.6%	\$ 1,578,645.13	\$ 1,136,475.80	72.0%			
Rosemont (33.3%)	98,311.56	109,105.45	(10,793.89)	-9.9%	170,233.67	(71,922.11)	-42.2%			
Link (40%)	-	650.00	(650.00)	-100.0%	-	-	-			
Embassy Parkway (50%)	1,312,579.15	465,631.51	846,947.64	181.9%	470,819.65	841,759.50	178.8%			
Shared Boundaries (50%)	5,124.29	1,000.00	4,124.29	412.4%	5,629.00	(504.71)	-9.0%			
Subtotal	\$ 4,131,135.93	\$ 2,884,930.08	\$ 1,246,205.85	43.2%	\$ 2,225,327.45	\$ 1,905,808.48	85.6%			
Individuals										
Resident	964,577.97	807,157.36	157,420.61	19.5%	723,433.65	241,144.32	33.3%			
Non-resident	323,465.80	325,111.07	(1,645.27)	-0.5%	398,733.69	(75,267.89)	-18.9%			
Subtotal	\$ 1,288,043.77	\$ 1,132,268.43	\$ 155,775.34	13.8%	\$ 1,122,167.34	\$ 165,876.43	14.8%			
Withholding	8,357,843.61	8,077,280.05	280,563.56	3.5%	8,101,509.64	256,333.97	3.2%			
Rosemont (33.3%)	497,733.20	486,204.91	11,528.29	2.4%	422,598.57	75,134.63	17.8%			
Link (40%)	-	-	-	-	13,856.38	(13,856.38)	-100.0%			
Embassy Parkway (50%)	2,859,818.64	2,264,479.86	595,338.78	26.3%	2,109,445.35	750,373.29	35.6%			
Shared Boundaries (50%)	8,059.89	7,548.21	511.68	6.8%	7,720.29	339.60	4.4%			
Subtotal	\$ 11,723,455.34	\$ 10,835,513.03	\$ 887,942.31	8.2%	\$ 10,655,130.23	\$ 1,068,325.11	10.0%			
Total Receipts	\$ 17,142,635.04	\$ 14,852,711.54	\$ 2,289,923.50	15.4%	\$ 14,002,625.02	\$ 3,140,010.02	22.4%			
Less: Refunds	(589,351.24)	(356,874.27)	(232,476.97)	65.1%	(629,680.85)	40,329.61	-6.4%			
Less: Shared Tax Owed to Akron	(2,291,452.70)	(1,568,006.73)	(723,445.97)	46.1%	(1,499,940.68)	(791,512.02)	52.8%			
Total Net Receipts	\$ 14,261,831.10	\$ 12,927,830.54	\$ 1,334,000.56	10.3%	\$ 11,873,003.49	\$ 2,388,827.61	20.1%			