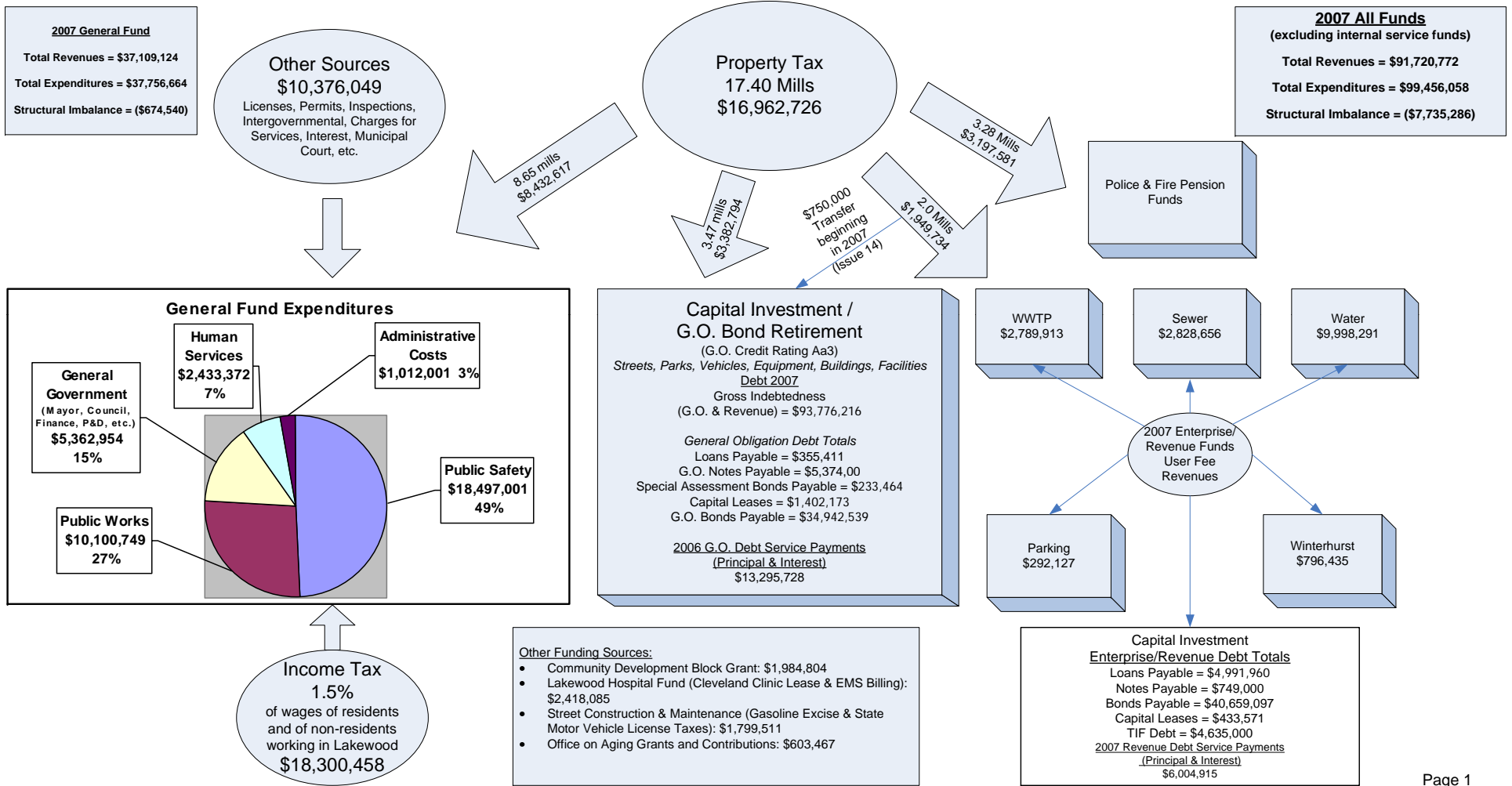


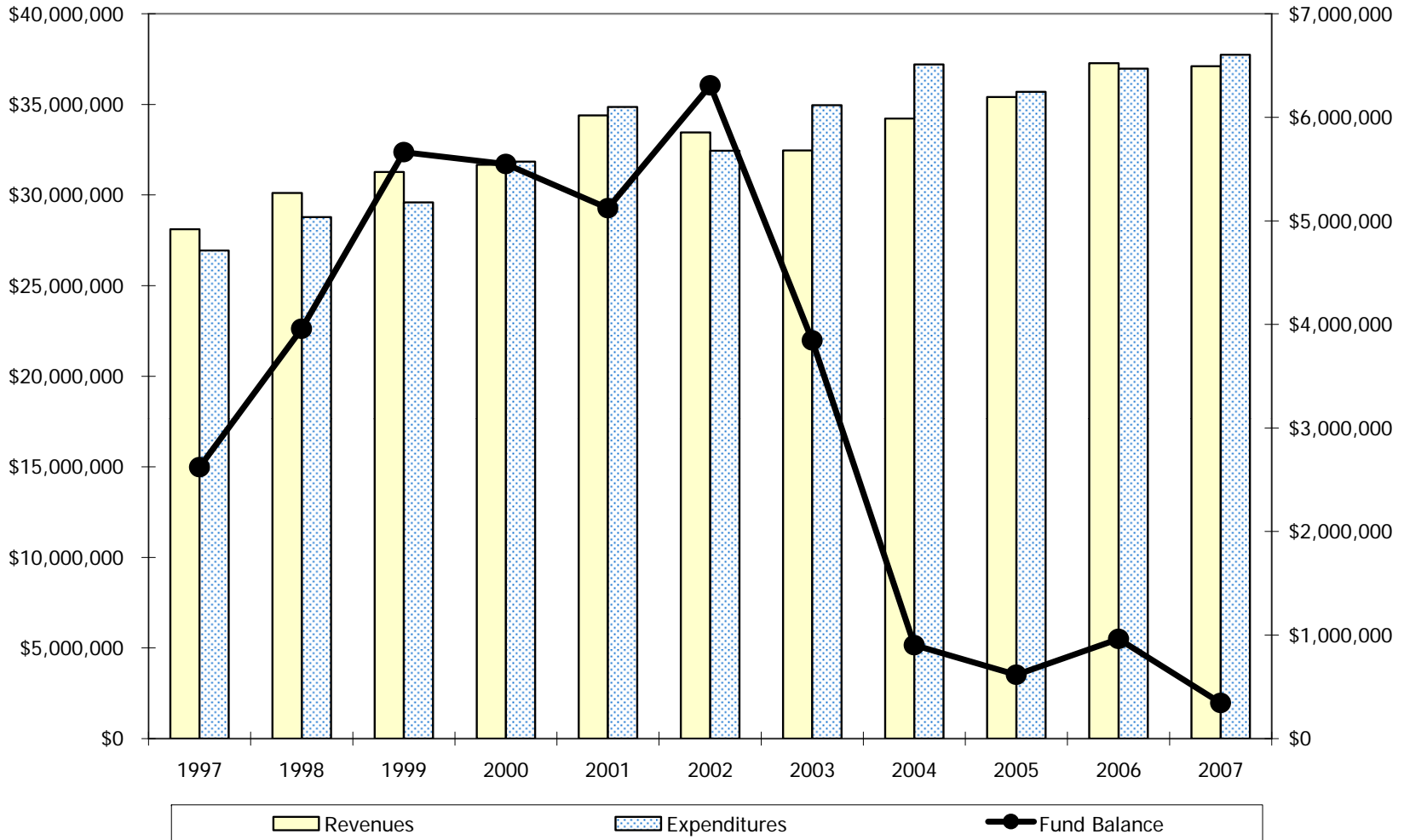
"Making Cents of Lakewood's Finances"

Concurrent initiatives to create a structurally sound budget for 2008, and to create financial strength and flexibility for 2009 and beyond.

Financial Overview – City of Lakewood – Fiscal Year 2007



General Fund Revenues vs. Expenditures with Fund Balance 1997 Actual - 2007 Unaudited Actual



- Expenditure growth has outpaced revenue growth resulting in structural imbalance of the General Fund since 2000 for the City of Lakewood.
- In November 2007, the City of Lakewood Finance Department projected over a \$4.5 million 2008 General Fund operating deficit.
- On January 31, 2008, the State Auditor's Office verified within 1.9% the reasonableness of the November estimated operating deficit

2008 Budget Process

The official 2008 budget hearings began the first week of January and continued until March 31, 2008 when the budget was passed.

The decisions behind this year's budget officially began at the conclusion of last year's budget process. The City Administration and Council resolved to address the fiscal crisis by examining how the City provides services through:

- **Convening the Grow Lakewood Structural Balance Task Force:** A citizens group of financial professionals charged with reviewing and analyzing General Fund expenditures and operations in order to identify possible cost reductions
- **Develop a Fiscal Strength Strategy:** A document that details financial strategies and reports on their progress on a monthly basis
- **Conducting a Core Services Survey:** A process where participants were asked to rate 470 separate City functions and programs to determine where resources should be dedicated to increase the tax base and to attract and retain residents.
- **Creating Municipal Peer Staffing Comparison:** A comparison of the City of Lakewood's staffing levels to that of five regional peers with populations of approximately 50,000

After January's budget hearings, and when over \$2.5 million reductions were identified, Department and Division Heads were asked to identify additional cost reductions and scenarios in order bring their 2008 department budgets to the 2005 level in order to balance this year's budget.

2008 Budget

- Anticipated General Fund Revenues = \$36.887 million
- Anticipated General Fund Expenditures = \$36.771 million
- Projected 2008 Year-End General Fund Balance = \$525,194 compared to \$91,667 budgeted in 2007
- First Structurally Balanced Budget passed by Council since 1992, in that projected revenues exceed expenditures without using year-end fund balances
- Total City Expenditures (all Funds) = \$98.099 million

City of Lakewood Staffing History Since 1993

Summary by Sector	As of 12/31/1993	As of 12/31/1998	As of 12/31/2003	As of 12/31/2006	Peer Average As of 12/31/06	As of 12/31/2007	Estimate as of 5/1/2008
General Government	71	70	63	61	69	61	60
Public Safety (Police, Fire and Building & Housing)	205	202	224	225	223	223	223
Public Works	214	212	205	189	138	179	167
Human Services	62	68	63	61	12	60	46
Total City Full-time Employees	552	552	555	536	442	523	496
Total W2s Issued			740	768		730	n/a
Estimated Part-time/Seasonal			185	232	97	207	109

During the summer of 2007, the City of Lakewood requested the full and part-time employee counts by division and department of five, northeast Ohio peer municipalities with populations around 50,000 as of December 31, 2006. These municipalities are Cleveland Heights, Cuyahoga Falls, Elyria, Euclid and Mentor.

The position titles and counts were entered and totaled in relation to the City of Lakewood's organizational structure: General Government, Public Safety, Public Works and Human Services.

A peer average of division totals were then calculated to be used as a comparison to the division staffing level totals for the City of Lakewood.

2008 Expenditure Reductions

Citywide:

- General Fund Operating Budget Reductions based on analysis of three-year annual average expenditure levels
- Non-filling of 23 full-time vacant positions
- Potential lay off of 48 full-time and part-time positions.
- As of April 15th, 29 employees have received notification effective May 2nd.
- Fire & EMS: Reduce overtime by reducing minimum call-in staffing per shift from 24 to 20
- The City is in the process of entering into a contract with the Cuyahoga County Board of Health to provide health services on behalf of the City. City of Lakewood Nuisance laws will still be monitored and cited by the City.
- Additional two percent across the board reduction

2008 Expenditure Reductions

Citywide for Non-Union Employees:

- Impacts approximately 50 employees, primarily supervisors and division heads
- 0% cost-of-living increase during 2008
- Repealing of Administrative Code Ordinance 149.112 Perfect Attendance Bonus
- Suspending Administrative Code Ordinance 149.07 Longevity Compensation
- Will no longer have the option of 100% healthcare coverage with the same employee contribution amount

Continued, High Quality Government Services Including But Not Limited To:

Public Safety

- Fire and EMS Response from 3 Stations
- Round-the-Clock Uniformed Police Coverage and Investigation
- 911 Dispatch
- Code Enforcement Inspection and Compliance Programs
- School Crossing Guards
- Community Emergency Response Team (CERT)

Continued, High Quality Government Services Including But Not Limited To:

Public Works

- Snow and Ice Control
- Leaf Pick Up
- Street Sweeping
- Backyard Refuse Collection
- Curbside Recycle Collection
- Drop-off Refuse and Recycling Operations
- Recycling and Litter Prevention
- Beautification Efforts
- Grounds keeping, Maintenance and Safety in Community Parks
- Two Municipal Swimming Pools run by the Board of Education
- Street Reconstruction
- Pavement Maintenance
- Sidewalk Inspection Program

Continued, High Quality Government Services Including But Not Limited To:

Human Services

- Youth Master Plan Project
- Lakewood Animal Shelter
- Age 60 and over Transports
- Grocery Shopping Transports
- Home Delivered Meals
- Congregate Meals
- Home Visits and Assessments / Case Management
- Help to Others (H2O)
- Snow Removal Program
- Intervention and Support Services to Youth and Families
- Family to Family Providing Wrap Around Services to At-Risk Families
- The Family Room

Continued, High Quality Government Services Including But Not Limited To:

General Government

- Fourth of July Parade and Fireworks
- Lakewood Arts Festival
- Community Development Home Improvement and Purchase Loan and Grant Programs
- Lakewood Community Festival
- Band Concerts
- Friday Night Flicks

2008 & Beyond Concerns

- 1) Impact of the Foreclosure Crisis and Regional Economy on City of Lakewood's revenues and expenditures.**
- 2) Reduction in population below 50,000 in the next Census, and its impact on funding to the City of Lakewood.**
- 3) Implementation of the EPA-mandated Long-Term Control Plan and Storm water Management requirements.**
- 4) Impact of a large number looming retirements, especially in the Police and Fire Departments.**
- 5) Impact of the terms of 2nd (2008) and 3rd (2009) year of the five currently settled labor contracts – Police, Fire, AFSCME Public Works, Dispatch and Corrections. AFSCME Administrative and Paramedics are currently in negotiations.**
- 6) Ability to sustain and finance the necessary level of capital improvements and equipment purchases to keep pace with the aging infrastructure of streets, water lines, park equipment, etc., and to replace vehicles and equipment.**

2008 & Beyond Investments

Financial Forecasting

- Recommendation in the March 27th State of Ohio Office of the Auditor's Performance Audit
- Prior forecast was based on trends and done annually
- Currently building a detailed Forecast that will be updated monthly for all funds

2008 & Beyond Investments

Establishment of Reserve Balance Accounts to ensure Financial Strength and Flexibility as permitted by the Ohio Revised Code for the following liabilities:

- Health care benefit stop loss
- Workers compensation stop loss
- Compensated absences payment at time of termination
- Routine replacement of capital equipment
- Economic development
- Budget stabilization, i.e. “Rainy Day Account”
- Determine undesignated and unreserved fund balance targets for the General Fund and Enterprise Funds

2008 & Beyond Investments

Phase 2 of the State of Ohio Office of the Auditor's Performance Audit began in April and will take place during the remainder of 2008. The scope of the audit is as follows:

- Healthcare costs
- Performance measures applicable to each City department
- Police Department
- Building and Housing Department
- Fire Department
- Public Works Department

2008 & Beyond Investments

Citywide CitiStat

- All City divisions will be a part of the CitiStat process beginning in spring 2008, including cross-departmental meetings to discuss the status of the City Initiatives.

2008 & Beyond Investments

Several initiatives and feasibility studies are under development and/or will begin implementation during the course of 2008 that include:

- Law Enforcement
- Economic Development
- Technology
- Housing
- Human Services
- Winterhurst
- Central Revenue Collections
- Streamlined Management

2008 & Beyond City Goals

And after what will admittedly be a difficult process, the City of Lakewood will still provide its residents excellent services, and in addition, we believe within the next two years, the City of Lakewood will achieve:

- **Fiscal Strength and Flexibility**
- **Recognition as a National Model in Public Safety**
- **Aggressive Foreclosure and Housing Posture**
- **Efficient, Customer Service-Focused City Services**
- **Leadership In Government Technology Applications**