CUYAHOGA COUNTY COUNCIL

BUDGET BRIEFING FINAL REPORT

April 29, 2015

This report summarizes the results and findings of the recent discussion about Cuyahoga County's finances.

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EXECUTIVE SUMMARY

On March 26, 2015, Cuyahoga County Executive Armond Budish held a press conference where he provided a "Budget Briefing" and general discussion of the County's finances. During this press conference, the County Executive stated that the County faces a "serious situation," particularly regarding its annual operating budget and its capacity to incur additional debt.

Following the County Executive's press conference, some members of council raised concerns that particular statements were incongruous with information previously provided to Council. Council therefore determined to hold a hearing to reconcile the perceived discrepancies.

Section 3.01 of the County Charter designates County Council as the "legislative and taxing authority of [Cuyahoga] County and a co-equal branch of the County government with the executive branch." The Council acts as the primary oversight authority for the adoption of the County's budget pursuant to Charter Section 3.09(5), which explicitly empowers Council to "adopt and amend the County's biennial operating budget and to make appropriations for the County."

It is therefore within County Council's purview to thoroughly question, review and verify the Executive's proposed budget, including the financial, operational and/or policy initiatives contained within.

Accordingly, the County Council's Finance and Budgeting Committee held a meeting on April 6, 2015 in response to the statements made by the County Executive at his March 26th press conference.

This report summarizes the results and findings of the committee.

PURPOSE

The Finance and Budgeting Committee meeting and this Final Report are not intended to contradict the statements made by the Executive, but to better understand the financial status of the County and to clarify statements made during the Executive's press conference.

This report is structured to address specific topics raised during the press conference. The key findings and recommendations are presented below.

KEY FINDINGS:

27th Payroll

In the March 26th press conference, the County Executive stated:

"Every 11 years there's a 27th pay, which is about $8 and-a-half million, and we need to make sure we're…actually reserving funds for that into the future so these new expenses don't hit all in one year." (Page 61)

The Interim Director of Budget and Management Chris Murray stated during the committee meeting and in a written response to a question from Council that the County has always reserved for the 27th pay. (Pages 28 & 74)

2015 Biennial Budget - $200 Million Reserve

The County Executive stated at the March 26th press conference that the County has a *"$200 million reserve fund." (Page 58)*

To provide some clarity to this statement, there needs to be distinction between gross reserves and net reserves. The gross reserve balance reflects the total reserve balance prior to encumbrances/demands due to contractual, legislative, or other policy obligations. In contrast, the net reserve balance reflects the total amount of gross reserves, less the obligations of the County as stated in this report. It is a factual statement that the County, as of December 31, 2014, had a $200 million gross fund reserve balance. However, when the encumbrances/demands due to contractual/legislative/policy obligations or commitments are taken into account, the net general fund reserve balance is $132.0 million.

2015 Biennial Budget - $15 Million Deficit

The County Executive stated at the March 26th press conference:

"…we do start the year looking at about a $15 million operating deficit." (Page 58)

In December 2014, the Council approved a 2015 Budget Update that reflected a $3 million surplus in the 2015 general fund operating budget. The approved 2015 Budget Update included the ¼% sales tax revenue that was then removed out of the revenue projections which resulted in the County Executive's projected $15 million deficit.

The County Executive's statement assumes that the County will spend 100% of its budgeted expenditures. This assumption is not representative of the historical average of actual expenses paid to revised budgeted expenses over the last four years.

When compiling financial projections it is acceptable to refer to historical actual data as a factor in computing future projections.

Based on historical data of actual expenditures versus revised budgeted expenditures, the County Executive's statement projecting a 2015 deficit of $14,875,286 is unlikely. The County has historically underspent its actual expenditures versus budgeted expenditures in its General Fund Operating Budget.

As such, if the projection was prepared at or near the historical expense rate, the 2015 General Fund would likely reflect a surplus and not a deficit. (Page 39)

Impact of Segregating ¼% Sales Tax Revenue and Corresponding Expenses

The Executive and Council agree that the ¼% sales tax should be segregated for reporting purposes.

While there are no legal restrictions requiring the ¼% sales tax revenue be used solely for convention center related expenditures, the practice of segregating this revenue will ensure that the expenditures related to the convention center and hotel are accounted for. The inclusion of the ¼% sales tax revenue within the Sales and Use Taxes line is technically acceptable and its presentation is appropriate. However, this accounting approach is not preferred.

The statement made by the County Executive to the Cleveland Plain Dealer Editorial Board that the ¼% sales tax was used for "unrelated bills" is inaccurate. (Page 195)

The County clearly did not spend any of the ¼% sales tax revenue other than for its intended projects as confirmed by the County's Interim Director of Budget and Management, Chris Murray, at the April 6th Committee meeting. (Page 182)

This statement is supported by the various budget reports we have received over the last four years, showing the surplus of the ¼% sales tax being reserved in the General Fund. (Pages 34, 35, 36, 50, 52 & 53)

County's Debt Capacity

The County Executive stated at the March 26th press conference:

"There's very little capacity right now to take on more debt for projects for around a decade or more, more like 12 years, until 2027." (Page 56)

The County Executive's concerns about the County's long term debt capacity is an issue that Council has discussed at length over the past four years, particularly in the Council's Finance & Budgeting Committees in Summer 2014. The issues identified by Council over the past four years were supported at the Committee meeting held on April 6, 2015. Council has taken steps to address the County's long term debt planning through legislation (Cuyahoga County Code 701.03) and ensured the the Series 2014 bonds issued last year took into account the County's existing debt profile.

These bonds were structured with deferred principal payments to account for existing debt scheduled to be retired in 2027. The deferred principal payment approach was used to accommodate the County's current debt service schedule over the next two decades and was built into the County's long term debt plan. The 2014 bond issue also received positive and stable outlooks from the rating agencies. (Pages 196 -214)

Capital Project Requests of the County

During the March 26th press conference, Executive Budish referenced the fact that the County has received requests for capital development projects including two private sector downtown development projects. (Page 57)

Both the NuCLEus and May Company projects have outstanding loan requests to the County to help finance each project.

It should be clarified that the legislation presented by the former Executive and currently in the Council's Economic Development and Planning Committee includes only the use of Casino Revenue Fund reserves. (Pages 45-48)

These reserves are separate from the County's general fund reserves and would not have any impact on the County's bonding capacity.

If there are additional requests for these two projects or others, including Quicken Loans Arena, that may require the County to incur additional debt as implied in the County Executive's press conference (Page 57), Council is not aware of a formal ask to fund any of these projects.

CONCLUSION

The Council will continue to work with the County Executive to ensure the long term financial health of the County remains strong.

We believe the findings and recommendations in this report will help clarify some of the recent statements regarding the County's resources and financial status.

RECOMMENDATIONS

Reporting of Extra-Ordinary Items
The County should separate or prominently identify one time or extra-ordinary items from the operating budget and in certain circumstances should establish separate funds.

Creation of a Capital Reserve Fund
The County should establish a reserve fund to meet the capital needs of the County.

Capital Project Requests of the County
The County should continue to explore all funding options to provide support for projects throughout the County.

Segregating ¼% Sales Tax Revenue and Corresponding Expenses
The County should segregate the ¼% sales tax revenue and related expenses to have a clearer picture of the County's finances.

2015 Biennial Budget - $15 Million Deficit
The assertion that the 2015 budget is facing a $15 million deficit does not consider historical actual expenditures to budgeted expenditures. Updated projections should be prepared on a monthly basis to have a clearer understanding of the County's finances.

Consistent Information
The County must ensure all financial information is accurate in order for the Executive and Council to make informed decisions relating to the County's finances.

County Council will work with the County Executive's Financial Task Force to address any additional issues they identify.

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BACKGROUND

On March 26, 2015, at 10:00 am Cuyahoga County Executive Armond Budish held a press conference in the 8th Floor Multi-Purpose Room at the Cuyahoga County Administrative Headquarters located at 2079 East 9th Street, Cleveland, Ohio 44115.

The stated purpose of the press conference was for the County Executive to provide an update on the County's financial status. The press conference was titled "Cuyahoga County Budget Briefing."

During the press conference, the County Executive stated, among various topics, that *"We (Cuyahoga County) have a* ***serious situation*** *with two big issues"*[1]relating to the County's finances.

1. The County's ability to incur additional debt, and
2. The projected 2015 $15,000,000 Operating Deficit

In direct response to this statement, the Cuyahoga County Council conducted a Finance and Budgeting Committee Meeting on April 5, 2015 at 1:00 pm in the C. Ellen Connally Council Chambers located at 2079 East 9th Street, Cleveland, Ohio 44115.

At the beginning of the Finance and Budgeting Committee Meeting, the Chair, Councilmember Dave Greenspan, presented a memorandum titled *Discussion of the County's Finances, Budget and Debt Capacity*. (Pages 18 - 25)

The memorandum began as follows:

"Section 3.01 of the County Charter empowers the County Council as the "legislative and taxing authority of the County and a co-equal branch of the County government with the executive branch." Thus declaring the "co-equal branch of County government," the charter enacts a *checks and balances* *relationship of the legislative branch to the executive branch and visa versa.*

"Accordingly, the Council is within the purview to question, review and verify financial, operational and/or policy initiatives, statements or programs of the executive branch."

"This Finance and Budgeting Committee meeting has been called to discuss a few very finite finance and debt issues."

The Finance and Budgeting Committee meeting focused on five specific topic areas based on the statements the County Executive made at the March 26th press conference:

1. The 27th Payroll
2. 2015 Biennial Budget - $200 Million Reserve
3. 2015 Biennial Budget- $15 Million Deficit
4. Impact of segregating ¼% Sales Tax Revenue and corresponding expenses
5. County debt capacity

Additionally, the following subjects were addressed by the County Executive or published in the Plain Dealer Editorial dated April 3, 2015, and will be discussed herein.

1. Request for County resources – NuCLEus, May Company, and The Quicken Loans Arena projects

[1] Transcript of Audio Proceedings, Cuyahoga County Budget Briefing Press Conference, page 56, line 4

2. Approval of unanticipated expenditures during the fiscal year

Positive Momentum

We concur with the County Executive in his statement:

"… We've done some wonderful things here in the County over the last several years, some big projects, projects that have created a momentum and a real buzz about Northeast Ohio…"[2]

Capital Needs of the County

The County Executive is accurate in stating that the County has "*huge capital needs staring us in the face.*"[3]

These "*needs*" are not new and have been discussed by Council over the last four years. Since 2011, the County government has publicly discussed the following items:

- ✓ Pedestrian Bridge
- ✓ Justice Center
    - Holding Facility
    - Perimeter Security
    - Fire Protection
    - Sealant Replacement
    - 4th Floor Windows
- ✓ Halle Warehouse – New Archives
- ✓ Sheriff Gun Range
- ✓ MetroHealth Systems Main Campus
- ✓ MetroHealth Critical Care Pavilion
- ✓ Demolition Project Bonds
- ✓ Huntington Park Garage
- ✓ Western Reserve Fund

[2] Transcript of Audio Proceedings, Cuyahoga County Budget Briefing Press Conference, page 56, line 6

[3] Transcript of Audio Proceedings, Cuyahoga County Budget Briefing Press Conference, page 57, line 3

KEY FINDINGS

27th Payroll

The County pays its employees once every two weeks, which typically requires 26 pays in a normal year. Once every 11 years, however, the calendar results in a 27th pay period that must be accounted for in the budget. 2015 happens to have a 27th pay period.

At the March 26th press conference, the County Executive stated:

"Every 11 years there's a 27th pay, which is about $8 and-a-half million, and we need to make sure we're…actually reserving funds for that into the future so these new expenses don't hit all in one year."[4]

However, the County <u>*has been reserving*</u> for the 27th Payroll as reflected in the attached Exhibits. (Pages 26-36 and 49 & 50)

During the April 5th Finance and Budgeting Committee Meeting when asked about the reserves for the 27th Payroll, Chris Murray, Interim Director of Budget and Management stated:

"We have these reserves set aside so the resources are there for this appropriation…"[5]

Additionally, when the Chair presented Mr. Murray with the following question:

"…the 27th pay was anticipated and so reserved, correct?"[6]

[4] Transcript of Audio Proceedings, Cuyahoga County Budget Briefing Press Conference, page 61, line 18

[5] Transcript of Audio Proceedings of: Minutes Cuyahoga County Finance & Budgeting Committee Meeting, page 72, line 24

Mr. Murray responded:

"That is correct."[7]

Mr. Murray further strengthened the fact that the County was reserving for the 27th pay by stating:

"I assure you the 27th pay is anticipated."[8]

Mr. Murray, however, did acknowledge that the 27th pay was not included in the 2015 budgeted expenditures, but was always accounted for in the reserves on balance:

"*…The County has been building the reserves in the General Fund over the last 11 years to provide sufficient resources for this expenditure. These reserves are highlighted under the Reserves on Balance section of the GF Operating budget schedule. The appropriation for the 27th payroll must be formally added to the budget but the expenditure was planned by the County (consistent with past practice*)." (Page 28)

Conclusion: The 27th Payroll has been reflected in nearly every budget report Council has received for the last four years and even budget reports under the previous form of government. Consistent with past practice, the appropriation was not included in the 2015 budgeted operating expenditures, but was always accounted for as a reserve on balance.

[6] Transcript of Audio Proceedings of: Minutes Cuyahoga County Finance & Budgeting Committee Meeting, page 74, line 15

[7] Transcript of Audio Proceedings of: Minutes Cuyahoga County Finance & Budgeting Committee Meeting, page 74, line 18

[8] Transcript of Audio Proceedings of: Minutes Cuyahoga County Finance & Budgeting Committee Meeting, page 75, line 6

Because the County budgets on a cash basis, cash expenses must be recorded in the year in which the activity underlying that expenditure is realized. The 27th pay expenditure will always be recorded in the year in which it occurs.

2015 Biennial Budget - $200 Million Reserve

At the March 26th press conference, the County Executive stated that the County has a "$200 million reserve fund."[9]

To provide clarity to this statement, the $200 Million reflects the "gross" reserves but does not include any demands/encumbrances on those reserves.

As of December 31, 2014 the report titled Prior Year Budget To Actual Comparison, received by Council on March 30, 2015 (Page 35) stated that the County has a $200,113,312 General Fund Reserve.

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[9] Transcript of Audio Proceedings, Cuyahoga County Budget Briefing Press Conference, page 58, line 20

Below is a summary of the demands on the general fund reserves (Pages 35, 53 & 215):

Beginning Balance	*$200.1
27th Payroll	$11
2008 ¼% Sales Tax Revenue	42.1
2009 ¼% Sales Tax Revenue	38.5
2010 ¼% Sales Tax Net Transfer	(75.8)
2011 ¼% Sales Tax Reserve	.7
2012 ¼% Sales Tax Reserve	4.7
2013 ¼% Sales Tax Reserve	9.8
2014 ¼% Sales Tax Reserve	12.8
IT Automation Reserve	1.0
Econ. Development Reserve	2.1
Econ. Bond Debt Ser. Res.	2.1
Carryover Encumbrances	19.1
Total Demands/Encumbrances	$68.1
Net General Fund Reserves	$132.0

*Figures are in millions

The $132.0 million, which includes $81 million to meet the County's 25% general fund reserve requirement, more accurately reflects the un-encumbered net general fund reserve balance available to the County.

Conclusion: To provide clarity, the accurate amount available in the net general fund reserves is $132.0 million, which is the available balance after contractual/legislative/policy obligations or commitments.

2015 Biennial Budget - $15 Million Deficit

At the March 26th press conference, the County Executive stated: "*we do start the year looking at about a $15 million operating deficit.*"[10]

A key assumption the County Executive used for the statement at the press conference was that 100% of the budgeted expenditures would be expended.

This assumption does not reflect the historical trends and year end actual results for the County's budget and are different from past models. The following provides a historical perspective of actual expenditures to final revised budgeted expenditures:

100% budgeted expenditure utilization is a tool for preparing the budget, however, when compiling projections it is widely accepted to use historical data as well as relevant operational knowledge when estimating what actual expenditures will be – particularly in the cash basis reporting environment that exists at the County.

The average revised budgeted expenditures to actual expenditures utilization rate over the past four years was 92.61%. (Page 39)

2011	92.30%
2012	96.67%
2013	90.25%
2014	91.21%

Each 1% increase/(decrease) in actual expenses to budget is estimated to be $3,346,000. This equates to $24,726,940 positive variance based on the four year average.

Finally it's important to note that in December 2014, the Council approved a 2015 Budget Update that reflected a $3 million surplus in the 2015 general fund operating budget. The approved 2015 Budget Update included the ¼% sales tax revenue that was then removed out of the revenue projections which resulted in the County Executive's projected $15 million deficit.

[10] Transcript of Audio Proceedings, Cuyahoga County Budget Briefing Press Conference, page 58, line 24

Conclusion:

The County Executive's financial model assumes that the County will spend 100% of its budgeted expenditures. This assumption is not representative of the historical average of actual expenses to budget.

When compiling financial projections it is acceptable to refer to historical data as the basis for assumptions that underline the report.

As it relates to the projected 2015 loss of $14,875,286, the County historically underspends its operating budget. As such, if the projection was prepared at or near the historical expense rate, then the 2015 General Fund may reflect a surplus rather than a deficit.

Impact of Segregating ¼% Sales Tax Revenue and Corresponding Expenses

The segregation of the ¼% sales tax revenue and corresponding expenses relating to the Cleveland Convention Center, Global Center for Health Innovations and the Hilton Cleveland Downtown Hotel from the General Fund reporting structure will more accurately reflect the sources and uses of the ¼% sales tax program.

While there are no legal restrictions requiring the use of the ¼% sales tax revenue solely for convention center, global center and hotel related expenditures, segregating this revenue ensures that these expenditures are accounted for. The inclusion of the ¼% sales tax revenue within the Sales and Use Taxes line is technically acceptable and its presentation is appropriate. However, this accounting approach is not preferred.

Once the annual hotel operations and revenue are realized, the segregation of the ¼% sales tax should be revisited.

As a point of clarification, in the April 3, 2015, Plain Dealer Forum there was a statement regarding the use of the ¼% sales tax dollars which read:

"*However, one mistake last year was the use of sales-tax money earmarked for capital construction to pay un-related bills.*" (Page 195)

This statement in the editorial was based on the County Executive's interview with the editorial board.

However, this statement is contrary to facts presented by Mr. Murray. First, a surplus of revenue over expenses is reserved in the amount of $12,820,410.[11] Second, the General Fund Reserve balance increased from 2014 to 2015. (Page 35) Furthermore these facts were confirmed during the April 6th committee meeting where Mr. Murray confirmed the ¼% sales tax revenue was not used for any other expenses except for its intended purpose. (Page 182)

Conclusion:

The County Executive's proposal to segregate the ¼% sales tax is appropriate for reporting purposes and will allow the public to have a better understanding of how the ¼% sales tax revenue is being expended. The method of accounting for the ¼% sales tax revenue is an accurate reflection of the current state of the County's finances, but does not utilize best practices for fiscal planning purposes. Council

[11] County 0.25% Sales Tax Collections with MMCC Sources and Uses Segregated Report 4.15.15. Page 53

applauds the County Executive for changing the reporting method of the ¼% sales tax revenue.

However, the suggestion that the ¼% sales tax revenue was used for "unrelated bills" at any point is inaccurate.

County Debt Capacity

At the March 26th press conference, the County Executive stated: *"there's very little capacity right now to take on more debt for projects for around a decade or more, more like 12 years, until 2027."*[12]

The Council's Finance & Budgeting Committee held hearings specifically devoted to the County's debt capacity in summer 2014 and Council noted at that time the constraints about the long term debt capacity of the County.

The County Executive's statement was supported by testimony heard at the April 6th Committee meeting as well as the work the previous Administration and the County Council did over the last four years. At previous Committee meetings in 2014, employees of the County's Fiscal Office and the County's Financial Advisor, Brad Sprague, testified that the County's capacity to take on additional debt is limited. Further, the Sales Tax Backed Series 2014 bonds that were issued in December 2014 were designed to defer principal payments until the late 2020s, to accommodate the County's current debt service schedule over the next two decades. At the time these bonds were issued, the rating agencies assessed the County's finances and provided a uniformly positive and stable outlook. (Pages 196-214)

[12] Transcript of Audio Proceedings, Cuyahoga County Budget Briefing Press Conference, page 56, line 20

The debt model presented in 2014 also accounted for an additional debt issuance in 2018 for upcoming capital projects. (Page 40). Both the debt model presented in 2014 and the new model presented in March 2015 included an additional $78 million for the Western Reserve Fund above and beyond the $22 million that was previously bonded. In reality the $100 million total was provided for public presentation, and it will be subject to the Council and the Executive to determine the additional appropriation amount moving forward.

The Council questions some of the assumptions utilized in the County Executive's updated March 2015 debt model that differed from the previous November 2014 model. The County Executive's March 2015 debt model contains two key assumptions that do not reflect historical trends and do not realistically forecast the growth of revenue and expenditures over the next thirty years.

The following key assumptions were used by the County Executive for his March 26th press conference:

1. 0.0% annual sales tax growth for years 2018 and beyond
2. 0.0% annual expenses growth for years 2018 and beyond

Both of these assumptions have a significant impact on the County's long term debt capacity model. The following is actual historical data that differs from the Executive's assumptions:

1. Sales Tax Growth Rate (Averages based on collections from 1985 to 2014) (Page 44)

5 Year Average	4.9%
10 Year Average	1.6%
15 Year Average	1.8%
20 Year Average	2.5%
25 Year Average	2.9%
30 Year Average	3.1%

   To project a 0.0% year over year sales tax growth rate for 2018 and beyond is not a realistic projection of future performance.

   Based on current sales tax collection, each 1% increase or decrease in sales tax revenue equates to approximately $2,000,000.

2. Expense Growth Rate – Assuming a 0.0% year-over-year expense growth rate for 2018 and beyond does not provide a realistic projection of future performance. The County holds numerous obligations that necessitate an increase in short term expenses. For instance, the County has collective bargaining agreements with year-over-year increases, so we know that expenses will not remain flat.

Using these historical trends and past year-end actual results that the County has realized should provide a better model for planning the County's long term debt capacity.

Conclusion:

Council appreciates the County Executive's caution approach to issuing additional debt, but wanted to reiterate that the County has been working on this issue over the past four years and has even incorporated Debt Management and Capital Improvement policies in the Cuyahoga County Code.

Council acknowledges the challenges to undertaking significant additional debt moving forward, however Council believes that with prudent planning and management we can continue to meet the needs of the County.

Council also stresses the importance of receiving financial models that are consistent with actual historical trends, as well as a rationale for the various assumptions underlying these models.

Capital Project Requests of the County

During the March 26th press conference, Executive Budish referenced two private sector downtown development projects. (Page 57) Both the NuCLEus and May Company projects have outstanding loan requests to the County to help finance each project, which are currently pending in Council's Economic Development Committee.

It should be clarified that these pending loan requests would utilize Casino Revenue Fund reserves. (Pages 45-48) Casino Revenue Fund reserves are separate from the County's general fund reserves and will not require the County to incur any additional debt and will therefore not have any impact on the County's bonding capacity.

The County may anticipate additional proposals to help finance these projects or others, such as a project related to Quicken Loans Arena, requiring the County to incur additional debt as implied in the County Executive's press conference (Page 57), however Council has not been made aware of any formal requests. If such proposals are received, they will be considered at that time through the normal Council Committee process.

Conclusion:

The development projects referenced at the March 26th press conference do not in any way affect the County's ability to incur or service debt and does not have an impact on the County's 2015 operating budget.

SUMMARY OF FINDINGS

The County Executive focus on the long term financial viability of the County is encouraging. His initial review of the budget and financing capabilities of the County, with an eye on providing the charter and statutory obligations, is critical to meeting the County's mission.

Based on the information provided to Council at the April 6th Committee meeting, historical records, and subsequent fact-finding, Council makes the following findings:

1. The 2015 27th Payroll has been reflected in demands on reserves year-over-year, but the expense was not reflected in the 2015 budget.
2. The County's "$200 million" in reserves represent the county's gross reserves, but do not reflect approximately $68 million in existing demands on these reserves. The net reserves are approximately $132 million.
3. The projected $15 million deficit for 2015 assumes 100% expenditures of the budget. This is not representative of the four year average of the 92.61% actual spend to budget. Each 1% under/over budget equates to $3,346,000. If the historical average is applied to the 2015 budget, the county would realize $24,726,940 in savings. Holding everything else equal, this may result in a surplus rather than the deficit.
4. The ¼% Sales Tax should be segregated from the County's operating budget for reporting purposes, however it is critical to note that at no time was any of the ¼% sales tax used for any purpose other than originally intended.
5. Proposed contributions of County resources for the NuCLEus and May Company projects would be made from the Casino Revenue Fund and not the General Fund reserves, thus resulting in no additional debt for the County. Further, to Council's knowledge, no formal proposal has been presented to Cuyahoga County with respect to the Quicken Loans Arena project.

The Council will continue to work with the County Executive to ensure the long term financial health of the County remains strong. However, we believe this report helps to clarify some of the recent statements regarding the County's resources and financial status.

RECOMMENDATIONS

Based on these findings, Council intends to work with the County Executive to implement the following recommendations:

Reporting of Extra-Ordinary Items

Given the confusion surrounding the reserve for the 27th pay and the segregation of the ¼% sales tax revenue, Council believes it is prudent to reflect non-recurring revenues and expenditures in separate sections or to prominently identify these expenses in financial reports.

This will provide a clearer picture of the County's financial status.

In particular, the 27th pay should be reflected in the annual budget where the 27th pay occurs, which may be adjusted throughout the year as needed. Failing to include the 27th pay in the original budget misrepresents that year's projected expenditures as well as any potential surplus or deficit.

Creation of a Capital Reserve Fund

Council agrees with the County Executive's proposal to create a Capital Reserve Fund. Creation of this fund will enhance the County's ability to plan for capital projects, repair, and maintenance that can be coordinated with the debt model established in 2014.

Council will work with the County Executive to identify, plan and implement sources and uses for the Capital Reserve Fund.

Capital Project Requests of the County

The County's Casino Revenue Fund currently collects an estimated $8 million in annual revenue. The proposals currently before Council do not impact the County's operating budget or the County's debt capacity, but Council should be kept apprised of future projects that may impact the County's finances. The County can continue to look at the Casino Revenue Fund as a tool to assist economic development projects without impacting the County's debt capacity or operating budget.

Segregating ¼% Sales Tax Revenue and Corresponding Expenses

Council agrees with the County Executive that the ¼% sales tax revenue and corresponding expenses should be segregated from the operating budget. Doing so will provide taxpayers a clearer picture of how much the ¼% sales tax revenue collects on an annual basis and where the money is being expended. The segregation should clearly show how much of the ¼% sales tax is going towards the Convention Center, the Global Center, and the hotel. The reporting should also include revenue streams other than the ¼% sales tax dedicated to fund these projects, including the County's lodging tax, hotel revenue, and other related revenue.

2015 Biennial Budget - $15 Million Deficit

Historically the County has not spent 100% of its budgeted expenditures. When preparing its budget the County should absolutely budget what it believes the 100% expenditures will be. However when the County creates projections, it should use historical data and realistic assumptions. The County Executive's projection of $15 million deficit for 2015 does not take into account actual historical trends.

Council recommends that the County produce updated and timely written reports on a monthly basis with the understanding that projections will be adjusted according to historical trends. Additionally, each projection should clearly reflect the underlying assumptions for each model.

Consistent Information

Throughout the process of communicating with the Administration, conducting a committee hearing, and compiling this report, Council received conflicting information in a number of different financial documents and reports. It is critical for the County Executive and Council to receive accurate financial information in order to make informed decisions about the County's finances.

Council eagerly anticipates the implementation of a new Enterprise Resource Planning System (ERP), which will hopefully eliminate these discrepancies. In the meantime, Council strongly urges the Administration's new fiscal team to do whatever possible to provide Council with accurate and timely financial reports.

The County Executive has established a Financial Task Force to assist him in tackling the financial challenges he identified during his March 26th press conference. In the spirit of ensuring that the County's budget authority is relying on accurate, consistent information, it is critical that this task force work closely with Council to identify and address all financial challenges facing Cuyahoga County.

(End of Report)

AGENDA
CUYAHOGA COUNTY FINANCE & BUDGETING COMMITTEE MEETING
MONDAY, APRIL 6, 2015
CUYAHOGA COUNTY ADMINISTRATIVE HEADQUARTERS
C. ELLEN CONNALLY COUNCIL CHAMBERS – 4TH FLOOR
1:00 PM

1. **CALL TO ORDER**

2. **ROLL CALL**

3. **PUBLIC COMMENT RELATED TO THE AGENDA**

4. **APPROVAL OF MINUTES FROM THE MARCH 16, 2015 MEETING**

5. **MATTERS REFERRED TO COMMITTEE**

   a) None

6. **MISCELLANEOUS BUSINESS**

   a) Discussion of the County's Finances, Budget and Debt Capacity

7. **OTHER PUBLIC COMMENT**

8. **ADJOURNMENT**

**Complimentary parking for the public is available in the attached garage at 900 Prospect. A skywalk extends from the garage to provide additional entry to the Council Chambers from the 5th floor parking level of the garage. Please see the Clerk to obtain a complimentary parking pass.*

***Council Chambers is equipped with a hearing assistance system. If needed, please see the Clerk to obtain a receiver.*

Dave Greenspan
Cuyahoga County Council
District 1
Committee Chair: Finance & Budgeting
Committee Vice Chair: Public Safety & Justice Affairs
Committee Member: Council Operations & Intergovernmental Relations
Committee Member: Economic Development & Planning
Committee Member: Public Works, Procurement & Contracting

MEMORANDUM

To: Members of the Cuyahoga County Council

From: Dave Greenspan, Chair, Finance and Budgeting Committee

Date: April 3, 2015

Subject: ***Discussion of the County's Finances, Budget and Debt Capacity***

Section 3.01 of the County Charter empowers the County Council as the "legislative and taxing authority of the County and a co-equal branch of the County government with the executive branch". Thus declaring the "co-equal branch of County government", the charter enacts a *checks and balances* relationship of the legislative branch to the executive branch and vice versa.

Accordingly, the Council is within the purview to question, review and verify financial, operational and/or policy initiatives, statements or programs of the executive branch.

This Finance and Budging Committee meeting has been called to discuss a few very finite finance and debt issues.

On March 26, 2015, County Executive Budish stated is a press conference that County is facing a "serious situation" as it relates to its financial health. It is my intent, as chair of this committee and as member of this council, not to conduct a meeting for the purpose of being adversarial or contradictory towards the administration but to simply better understand the statements made during the press conference as well as information presented to Council that it relied upon in making its decisions over the past few weeks and months.

This meeting is the culmination of and collaboration of members of council, its staff, members of the Office of Budget and Management as well as outside consultants to the County.

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To review the progress that Council has made and the steps that have been taken to bring us to this point we have:

- Viewed the March 26, 2015 County Executive Press Conference
- Listened to the November 10, 2014 Finance and Budgeting Committee Meeting
- Met with, in person, or conducted conference call interviews with members of the Office of Budget and Management as well as outside consultants
- Reviewed financial information presented to Council including but not limited to:
    - 2014-2015 Budget Rollup approved December 10, 2013
    - 2014 Actual Budget Rollup received March 30, 2015
    - 2015 Budget Update Rollup received December 12, 2014
    - OBM 2015 January Projection Update
    - OBM 2015 February Projection Update
    - November 3, 2014 Debt Cash Flow Model
    - Proposed Schedule for 2014-2015 Bond Issuances
    - March 25, 2015 Debt Cash Flow Models
    - Casino Fund Resolution for the May Company Project ($4 million)
    - Casino Fund Resolution for the NuCLEus Project ($3 million)
    - 2011 Budget and Actual General Fund Operating Expenditures
    - 2012 Budget and Actual General Fund Operating Expenditures
    - 2013 Budget and Actual General Fund Operating Expenditures
- Prepared reports for this committee meeting including but not limited to:
    - Annual Budgeted Expenditures to Actual Expenditures Analysis from 2011 to 2014
    - 1985-2014 Sales Tax Collection Analysis for Cuyahoga County
- Requested comments from Members of the County Council

This meeting will be conducted in a very orderly, professional and deliberate manner.

The agenda has been prepared to address very specific topics and once each subject matter has been dispensed with we will move on the next subject. After each presentation is concluded a question and answer period will be afforded and each Member will be able to ask up to three questions per round of Q&A and we will hold as many rounds of Q&A per subject as is needed. We may even hold additional hearings in the next couple of weeks if it's necessary.

Topic 1: ***27th Pay Reserve***

Question 2 from the list of prepared questions (Exhibit 1):

> The County Executive stated at the press conference that the County did not account for the 27th pay in the 2015 budget, but several past budget roll-ups and budget books show the reserves on available balances for this purpose. Please be prepared to explain the discrepancy.

a. Also how much is estimated to be the actual cost of the 27th pay for 2015? In previous budget roll ups and budget books we accounted for $11 million, but the 3/25/2015 Debt Cash Flow Model states the 27th pay for 2015 is $8.5 million.

b. Will reserves for future 27th pays beyond 2015 be accounted for "above the line" i.e. will there be a separate fund setup for future 27th pays where we will transfer annual amounts to build up for the next 27th pay vs. accounting for the 27th pay under the Reserves on Available Balance?

Exhibit 1

<u>My Analysis:</u>

The County Executive stated that one of the "primary issues" contributing to the deficit this year is the 27th pay and implied that the County needs to start reserving for the 27th pay that will cost about $8.5 million in 2015. However as we all know, we have been reserving and accounting for the 27th pay and have been planning for it under the reserve on balances for years.

We all know that the 27th Pay was not budgeted "above the line". However, for the last four years and even prior to that, the County has always reserved for it "below the line".

Exhibits 2, 4 and 8

Topic 2: ***<u>2014-2015 Biennial Budget</u>***

<u>Question 3 from the list of prepared questions (Exhibit 1):</u>

The County Executive stated that the County has $200 million in reserve. The information provided to us in the 2014 year end rollup shows a total available ending balance of $159 million after adjustments (including a reserve for the 27th pay). Can you explain this difference? What do you believe our 2015 year-end balance will be in the GF reserve after all of our obligations are met?

Exhibit 1

<u>Question 4 from the list of prepared questions (Exhibit 1):</u>

a. Questions relating to the 2014 Rollup(s): The 2014 3rd Quarter Projection showed a General Fund Operating surplus of $100,000. The 2014 Actual final numbers show a General Fund Operating surplus of over $12.0 million. Can you please provide detail for the significant projected change at 3rd Quarter vs. the year-end actual numbers?

Exhibits 1, 2, 3 and 4

<u>Question 5 from the list of prepared questions (Exhibit 1):</u>

Questions relating to the 2015 Rollup(s):

a. The rollup that we received on 12/16/2014 showed a 2015 Final Budget surplus of over $3 million in the General Fund Operating budget. However last week the County Executive stated the County is facing a ($15 million) projected deficit for 2015. Can you please provide detail for the significant projected change of over $18 million from December 2014 to March 2015? Does the ($15 million) projected deficit assume 100% spending of the budgeted expenditures? If so, why, as we historically have never witnessed actual budgeted expenditures at 100%?

Exhibits 1, 4, 5, 6, 7, 14, 15 and 16

<u>My Analysis:</u>

In the Fall 2013, the then Executive submitted and subsequently the Council approved a financially sound biennial budget for 2014 – 2015.

The 2014 Fiscal Year ended with a $13 million surplus in the County's General Fund Operating Budget.

In December 2014, the Council approved a General Fund balance budget update for FY 2015 with a projected surplus of $3 million for 2015. But now three and half months later, the County Executive is saying there is a $15 million operating deficit for 2015.

In addition to the Rollup projecting a surplus of $3,000,000, we received monthly projection updates from OBM for January and February stating there hasn't been significant/unexpected variances in revenue and expenditures. I am not sure how in less than 30 days we can go from a $3 million surplus to a $15 million deficit.

Was the $15 million deficit projecting 100% of the expenditures? If so why, as we have historically only expended on average over the last four years 92.60% of the budgeted expenditures. Based off of this, we should have a positive variance of $24.8 million in actual expenditures vs. budgeted expenditures for 2015

Topic 3: ***Impact of Separating ¼% Sales Tax Revenue and Corresponding Expenses***

Question 6 from the list of prepared questions (Exhibit 1):

Although we fully support this change, other than a visual advantage, what is the benefit and/changes to the actual bottom line numbers of separating the .25% sales tax revenues and expenditures out of the general fund operating numbers? What would be our 2015 General Fund operating revenue and operating expenditures be after the .25% sales tax revenue is removed, any other potential revenue that may be listed in the 2015 General Fund operating revenue related to the big three projects, and any expenses related to the convention center/global center/hotel are removed? Please provide a 2014 actual, a 2015 projection and a 2016 projection of the ¼% sales tax revenue and a breakout of expenditures related to the convention center/global center/hotel. It was our understanding that the surplus from the ¼% sales tax was accounted for under the "Global Center Operating Reserve" listed under the reserves on available balance. Is this true? If not, what is included in the "Global Center Operating Reserve" figures?

Exhibit 1

Topic 4: ***County Debt Capacity and Future Assumptions***

Question 1 from the list of prepared questions (Exhibit 1):

On the new March 25, 2015 Debt Cash Flow Model, why do the projections provided assume a 0% growth increase in both sales tax revenues and expenditures? Why were the previous assumptions of the 3% sales tax revenue and 1.75% expenditures from the November 3, 2014 Debt Cash Flow Model changed to 0% growth in both sales tax revenues and expenditures, and why does the County believe a 0% assumption is a more realistic forecast of our financial outlook? (For instance: The actual sales tax increase annual avg. growth over the past 30 years has been an increase of 3.1%, and we also currently know of short term increases in expenditures e.g., collective bargaining agreements)

a. Does the new March 25, 2015 spreadsheet assuming 0% growth in revenue and expenditures incorporate the estimate of a 4% interest rate on the $100 million of debt we issued in December 2014, or does it reflect the actual interest rate of approximately 3.6% that we achieved when we issued the bonds?

b. We know Council has approved bargaining agreement increases between 1-2% over the next 2-3 years. Why would we assume a 0% increase in expenditures under the new March 25, 2015 model?

c. In the Debt Cash Flow model provided to Council on November 3, 2014 was there an assumption that the ¼% Sales Tax would extend beyond 2027? If so, why was that assumption made as the ¼% Sales Tax expires in 2027?

d. Can you please provide why $78 million for the Western Reserve Fund was included in the March 25, 2015 Debt Cash Flow model and not the November 3, 2014 model? Unlike the Demolition Program, there is no legislative requirement or expectation that the Western Reserve Fund be $100 million.

Exhibits 1, 8, 9,10,11,12 and 13

<u>My Analysis:</u>

The November 3, 2014 Debt Cash flow model that was presented at the November 10, 2014 Finance and Budget Committee assumed 9 things:

1. A 3% year over year sales tax growth assumption for the next 30 years
2. The ¼% sales tax revenue and related expenditures were in the model
3. The ¼% sales tax would be renewed beyond 2027 while expenditures related to the ¼% sales tax will have ended in 2027
4. A 0.25% growth year over year in all other revenue
5. A 1.75% growth year over year for all expenditures
6. Only $22 million for the Western Reserve Fund
7. $50 million for the Demolition Program
8. $153 million for 2014 Capital Expenses (Council later removed $51 million from the list to issue 2015 bonds
9. Future $50 million for Capital Projects in 2018

The March 25, 2015 Debt Cash flow model that was provided to Council last week assumed the following 9 things:

1. A 0% year over year sales tax growth assumption for the next 30 years.
2. The ¼% sales tax revenue and related expenditures are not included in the figures.
3. A 0.0% growth year over year in all other revenue
4. A 0.0% growth year over year for all expenditures (even though we have approved labor contracts with COLAs and step increases)
5. Future $78 million for the Western Reserve Fund
6. Future $50 million for the Demolition Program
7. $102 million for 2014 Capital Projects and $51 million for 2015 capital projects
8. Future $50 million for Capital Projects in 2018
9. Future $15 million for the MetroHealth Critical Care Pavilion

Revenue: Based on a thirty year historical sales tax analysis the County realized a 3.1% year over year growth rate dating back to 1985. As such, I have advocated a more conservative position than the 3.0% growth rate presented to us on the November 3, 2014 model it seems unrealistic to budget zero growth since it is not representative of our historical average.

Expenditures: Additionally, the new model contemplates a zero percent increase in expenses. This too does not accurately reflect the anticipated known cost adjustments that include already approved collective bargaining agreements and inflation.

I want to be clear and I normally don't do this, but I think I can speak for most of Council, in saying that the Council fully understands the long term debt needs of the county but has questioned the former administration regarding long term strategic plans and its corresponding debt capacity needed to achieve these objectives.

To sufficiently address the long term capital needs of the County, it is incumbent upon the stakeholders to utilize realistic forecasting models that accurately address the known variables as it relates to both operating and financing scenarios.

During the press conference the County Executive stated some of the major capital projects that could affect the County's debt capacity are the May Company Project and the NuCLEus Project. However these proposals as referenced in the attached resolutions are being considered out of the Casino Fund. As such, this would not impact our bonding portfolio.

Conclusion

I truly appreciate the County Executive's genuine interest and thorough review of the financial status and debt capacity of the County. I believe this discussion in committee will assist both branches of government in coming together to help craft a long term strategy that will keep the County's finances strong and healthy all while keeping a historical perspective as to the information that was relied upon to help us make policy decisions over the last four years.

It is my expectation, that a Final Report of this committee meeting will be compiled with the information disclosed today and will include questions that will be raised from this meeting and the forthcoming answers will be included in the report.

It is my objective that an agreed upon financial model between Council and the Executive will be developed to strategically position the County to maximize its resources and align the County in such a manner as to best serve its residents.

Prepared Questions for the April 6, 2015 Finance and Budget Committee relating to the County's Finances, Budget and Debt Capacity

1. On the new March 25, 2015 Debt Cash Flow Model, why do the projections provided assume a 0% growth increase in both sales tax revenues and expenditures? Why were the previous assumptions of the 3% sales tax revenue and 1.75% expenditures from the November 3, 2014 Debt Cash Flow Model changed to 0% growth in both sales tax revenues and expenditures, and why does the County believe a 0% assumption is a more realistic forecast of our financial outlook? (For instance: The actual sales tax increase annual avg. growth over the past 30 years has been an increase of 3.1%, and we also currently know of short term increases in expenditures e.g., collective bargaining agreements) **As an ongoing part of the debt analysis, performed with each prospective bond legislation sent to Council, OBM and our financial advisors prepare various debt models with differing assumptions. The goal is to provide a variety of planning assumptions for the following: (1) ongoing County revenue and expenditure growth, (2) the scope of prospective projects, (3) the impact of the Hotel construction on operations and (4) maintaining the GF policy limits. After reviewing multiple iterations of this debt model, the administration has observed that changing the County's ongoing revenue and expenditure growth assumptions does affect the ongoing GF reserves which are protected by the policy balance legislation. The 0% growth assumption is one of many models that were reviewed by the administration.**

- **a.** Does the new March 25, 2015 spreadsheet assuming 0% growth in revenue and expenditures incorporate the estimate of a 4% interest rate on the $100 million of debt we issued in December 2014, or does it reflect the actual interest rate of approximately 3.6% that we achieved when we issued the bonds? **The March 2015 debt model reflects the sales tax revenue bonds at 3.6% interest rate.**
- **b.** We know Council has approved bargaining agreement increases between 1-2% over the next 2-3 years. Why would we assume a 0% increase in expenditures under the new March 25, 2015 model? **For the purpose of budget forulation, OBM would not recommend deviating from the current County practice, namely budgeting for all approved union agreements. As previously stated, the debt models allow for a greater variety of scenarios for the purposes of discussion within the administration as well as Council.**
- **c.** In the Debt Cash Flow model provided to Council on November 3, 2014 was there an assumption that the ¼% Sales Tax would extend beyond 2027? If so, why was that assumption made as the ¼% Sales Tax expires in 2027? **The County's assumption in 2014 was that the 0.25% sales tax would be extended in order to provide coverage for the remaining debt service (approximately $6.6 million/year from 2028 to 2044) and sufficient reserves for capital repairs to the 3 structures. While this assumption was made in the November debt model, it should be noted that the debt structure of the certificates of**

participation was designed so that the significant portion of the hotel debt was covered by the end of 2027. Also, it should be noted that while the hotel operator payments offset this County debt service, the presumption is that hotel operations are sufficient to provide said payments. As for the latest model, that more optimistic assumption was removed so that future planning doesn't assume resources that aren't verifiable.

d. Can you please provide why $78 million for the Western Reserve Fund was included in the March 25, 2015 Debt Cash Flow model and not the November 3, 2014 model? Unlike the Demolition Program, there is no legislative requirement or expectation that the Western Reserve Fund be $100 million. **As you will recall, the $100 million in bonding was an aspirational goal of the previous administration. It would not have been financially prudent to issue $100 million in debt with only a finite number of identified projects. The County would not reasonably pay principal and interest on loan projects that haven't been reviewed and approved yet. The November 2015 debt model, which included only $22 million for Western Reserve was consistent with the expected activity of the Department of Development. In fact, the $22 million issued in December covered loan activity for 2013 and the budgeted amount for 2014. ($7 million in 2013 plus $15 million budgeted in 2015. Again, when OBM proceeded with modeling the impact of the next series of bonds in 2015, we created scenarios as diverse as issuing the debt in $10 million/year increments or $78 million as one package for consideration. The 2015 model which Council has reviewed includes the entire $78 million strategy. However, as the document in question is a planning tool for discussion, I would not assert that the Executive has made the determination to move forward with this level of bonding. As I've stated previously, the Department of Development's activity or expected level of activity should be a contributing factor in the size of the next Western Reserve issuance.**

e. Could you please clarify what some of the column headers mean on the November 3, 2014 Debt Cash Flow model and/or the March 25, 2015 Debt Cash Flow model. The clarification is required are on the following column headers:

   i. Operating Transfers
   ii. Plus Non-Go Debt
   iii. Less Estimated Self Supporting

   The Operating Transfers amount reflects the Other Financing Uses line in the 2015 OBM budget schedules that Council has been receiving. The budgeted expenditures in question are for a number of subsidy transfers from the General Fund to other special revenue funds including but not limited to the Coroner's Forensic Lab Fund, the Witness Victim Services Fund, the Euclid Jail Fund, and various debt service funds.

The non-GO Debt column contains all debt service currently being paid from the GF operating fund including sales tax debt and economic development debt. As you will recall, all general obligation debt is paid from a separate debt service fund per O.R.C. Again, the March 2015 model assumes the removal of debt related to the GCHI and the hotel.

The Self-Supporting revenue columns contains the estimated revenue offsets for the economic development debt service that the County is paying including Gateway, brownfields, commercial redevelopment, Shaker Square, Steelyard, and the Westin.

2. The County Executive stated at the press conference that the County did not account for the 27th pay in the 2015 budget, but several past budget roll-ups and budget books show the reserves on available balances for this purpose. Please be prepared to explain the discrepancy. **For the 2014 Year Results report, the cumulative amount of the 27th payroll was not included, only the reserve amount set aside in 2014 is depicted. The cumulative amount is shown on the 2015 Final Budget report in the 3rd quarter projection column of the budget report. So the two reports have different reporting objectives that may be confusing to the interested reader. OBM will make a reporting change to include the cumulative total for the 27th payroll in all subsequent reporting. As Council is aware, the County has been building the reserves in the General Fund over the last 11 years to provide sufficient resources for this expenditure. These reserves are highlighted under the Reserves on Balance section of the GF Operating budget schedule. The appropriation for the 27th payroll must be formally added to the budget but the expenditure was planned by the County (consistent with past practice).**

   a. Also how much is estimated to be the actual cost of the 27th pay for 2015? In previous budget roll ups and budget books we accounted for $11 million, but the 3/25/2015 Debt Cash Flow Model states the 27th pay for 2015 is $8.5 million. **Based on the January payroll projection for General Fund agencies, $8.5 million seems adequate. However, I would caution that OBM has only just begun the First Quarter review process and my recommendation to the Executive and Council would be to use that projection as a more substantive estimate once completed.**

   b. Will reserves for future 27th pays beyond 2015 be accounted for "above the line" i.e. will there be a separate fund setup for future 27th pays where we will transfer annual amounts to build up for the next 27th pay vs. accounting for the 27th pay under the Reserves on Available Balance? **Yes, the Fiscal Office will propose an accounting mechanism to formally set aside the cash for the 27th pay each year. It is our expectation that in doing so, the County will have clearer**

depiction of its obligations. This course of action will be discussed with the Executive and then forwarded to Council at the appropriate time.

3. The County Executive stated that the County has $200 million in reserve. The information provided to us in the 2014 year end rollup shows a total available ending balance of $159 million after adjustments (including a reserve for the 27th pay). Can you explain this difference? **The $200.1 million ending balance in 2014(shown on the Prior Year Actuals report as "Ending Balance Before Adjustments") is consistent with the General Ledger on a cash basis. The adjustments characterized as "Reserves on Balance" were kept consistent with the original budget assumptions. Many of these adjustments are earmarks for planned uses of the GF balance but, in most instances, are not used. The major exception would be the Global Center Operating Reserve which will support a capital repair and reserve account for the GCHI. The County has not transferred any GF operating cash to the Hotel project yet, but the Sources and Uses contemplate approximately $43 million over 3 years plus the expected capital reserve. As I've discussed in previous communication, the goal of the Total Available Ending Balance line is to provide the Executive and Council with an adjusted GF balance if all planned expenditures/contemplated projects actually occur in a given year.**
   What do you believe our 2015 year-end balance will be in the GF reserve after all of our obligations are met? **That projection will be available after the First Quarter review is completed.**

4. Questions relating to the 2014 Rollup(s):
   a. The 2014 3rd Quarter Projection showed a General Fund Operating surplus of $100,000. The 2014 Actual final numbers show a General Fund Operating surplus of over $12.0 million. Can you please provide detail for the significant projected change at 3rd Quarter vs. the year-end actual numbers? **Actual revenue exceeded the 3rd Quarter estimate by $7 million, primarily due to a 3.9% growth in sales taxes, better than expected sin tax collections, increased indirect cost reimbursement, growth in public defender reimbursement, and increased homestead collection.**

      The revenue growth, in conjunction with the lower than expected expenditures, significantly changed the remaining balance in the GF when compared to the 3rd Quarter estimate. The following agencies had lower than anticipated expenditures: the Fiscal Office, Information Technology, Sheriff, and the Board of Elections. County expenditures and their projection are materially affected by projected vacancies vs. actual vacancies as well as the timing of contract payments by county agencies. OBM can provide a detailed expenditure report for each agency if desired.

Lastly, Council should also note that county-wide financial payments was suspended in November 2014 for the calendar year so the Year End Results report reflects this management decision by the Fiscal Office, i.e. lower than expected expenditures.

b. In the year end 2014 Rollup under the Health and Human Service Levy Fund Utilization schedule, there is a 2014 Actual number of $1,425,756 revenue for the HHS 4.9 mil levy. The 2014 budget was $0. Can you please explain how we ended collecting $1.4 million in revenue with a levy that hasn't been in place for some time? **In October 2014, OBM transferred cash from the current 2.9 mill levy into the lapsed 4.9 mill levy to cover cash deficit and close out the 4.9 levy fund. The Health and Human Services Levy Utilization report reflects this approved transaction.**

c. Can you please provide the Public Assistance Fund Balance as of 12/31/2014 as well as of 12/31/2013?

Fund No.	**Operating Funds**	**PA Balance 12.31.13**	**PA Balance 12.31.14**
24A	Public Assistance Fund	$1,064,050	$7,766,348
20A303	Children Services Board and Care	$44,341,864	$45,397,135
20A600	CSEA	$175,471	$255,248
20A615	Homeless Services	$149,905	$149,905
20A807	ECIIC Fund	$1,158,652	$1,382,189
Available Ending Balance		**$46,889,942**	**$54,950,825**

d. Under the 2014 final rollup, the General Fund Operating Revenue has a $10.4 million variance under "Other Taxes." Can you please explain the variance? **Other Taxes include the collection of excess sin tax receipts that were not budgeted. Per the County's agreement with the NFL, once all legal obligations were satisfied with the stadium construction, the County would receive all surplus collections until the end of the agreement in 2015.**

e. Under the 2014 final rollup, the General Fund Operating Revenue has a $7.6 million variance under "Miscellaneous." Can you please explain the variance? **2014 revenue included the one-time receipt of $4.2 million from a closed data processing fund, $2.3 million from interdepartmental chargebacks, an increase of $824,000 in Board of Elections returned postage revenue, $272,000 in restitution and a $100,000 settlement from the Ameritrust lawsuit.**

f. Under the 2014 final rollup, the General Fund Operating expenditures has a negative $8.3 million variance under "Miscellaneous." Can you please explain the variance? **Two GF capital subsidies are the most pertinent transactions: $4.7 million for existing capital maintenance projects performed by Public Works and $2 million for the build out of the Medical Examiner's Lab. The capital maintenance projects were not budgeted in 2014 but OBM recommended the use of GF reserves after the midyear review report. The lab capital project was covered with one-time revenues from a legal settlement that was held in the GF balance (reported as "Legal Settlement Reserve")**

g. What was the "Carryover Encumbrance" under reserves on available balance in 2013? The Carryover Balance in 2013 was $11.4 million. How was the number for the 2014 Budget vs the 2014 actual the same for the carryover encumbrance of $19.1 million? Doesn't it normally change throughout the year? **For the purposes of the Year End Results report, OBM has not traditionally changed the original budget assumptions for this particular document. Based on working with our budgeting software in 2014, the report logic does not allow for changing the original carryover amount. Based on observation of the 2013 Year End Results report, the current reporting approach is consistent. However, while OBM acknowledges that this portion of the report is confusing, the "Ending Balance Before Adjustments" amount matches the County General Ledger on a cash basis.**

5. Questions relating to the 2015 Rollup(s):
   a. The rollup that we received on 12/16/2014 showed a 2015 Final Budget surplus of over $3 million in the General Fund Operating budget. However last week the County Executive stated the County is facing a ($15 million) projected deficit for 2015. Can you please provide detail for the significant projected change of over $18 million from December 2014 to March 2015? **The 2015 debt model proposes a significant change to the operations of the county in that all revenue earmarked for the support of the Global Center, the Convention Center, and the hotel is segregated from the County operating budget. Based on the original financing plan, that amount is roughly $52 million in revenue and $36 million in expenditures. This variance between the inflows and outflows is the basis for the operating issue in the General Fund. In addition to this change, the 2015 budget and not a 2014 forecast was the basis for the latest debt analysis that was shared with Council. It is my expectation, that if First Quarter estimates are incorporated into another iteration of the model with lower expenditure estimates (again based on current data) and the latest revenue trends, the financial picture will change. With analyses such as these, the assumptions of the model may evolve with the passage of time. An observer of government operations should note that plausible revenue and**

expenditure forecasts after a certain number of years is very difficult. Does the ($15 million) projected deficit assume 100% spending of the budgeted expenditures? If so, why, as we are historically have never witnessed actual budgeted expenditures at 100%? Y**es, as a worst case scenario, the March 2015 model does assume the full budget capacity approved by Council. Certainly, County historical activity suggests that this possibility is remote. Again, the March document is a planning tool for discussion purposes and does not suggest a fundamental change in expenditure projection methods from the perspective of OBM.**

6. Although we fully support this change, other than a visual advantage, what is the benefit and/changes to the actual bottom line numbers of separating the .25% sales tax revenues and expenditures out of the general fund operating numbers? What would be our 2015 General Fund operating revenue and operating expenditures be after the .25% sales tax revenue is removed, any other potential revenue that may be listed in the 2015 General Fund operating revenue related to the big three projects, and any expenses related to the convention center/global center/hotel are removed?

Operating Revenue	*Operating Expenditures*	*Comments*
$389,959,009	*$389,038,381*	*Early March Model*
($52,500,000)	*($36,704,086)*	*(1)The revenue reduction accounts for the 0.25% sales tax and the hotel tax growth assumption used in the Sources/Uses document for Hotel construction.* *(2)The expenditure reduction accounts for the Global Center debt service ($32.1M) and the Global Center operating subsidy ($4.6M)*
$337,459,009	*$352,334,295*	*March 26 Model*

Please provide a 2014 actual, a 2015 projection and a 2016 projection of the ¼% sales tax revenue and a breakout of expenditures related to the convention center/global center/hotel. **Please see attached spreadsheet.** It was our understanding that the surplus from the ¼% sales tax was accounted for under the "Global Center Operating Reserve" listed under the reserves on available balance. Is this true? If not, what is included in the "Global Center Operating Reserve" figures? **Yes, that is correct. The Global Center operating reserve will be used for construction expenses (over and above the county resources earmarked for construction), if needed, as well as the funding of a capital repair reserve for the three structures i.e. Global Center, Convention Center, and hotel. Council will recall that the Hotel Sources and Uses document in the original financing plan assumes the contribution of approximately $43.8 million from the County GF. The County has not contributed to the hotel project as of yet, but the GF cash balance has been accumulating the excess 0.25% sales taxes.**

7. Can you please explain the difference between the 2013 Actual and 2014 Actual numbers for the "Sales and Use Tax" revenue vs. the numbers reported on the State of Ohio's Taxation webpage? For example the roll-up you emailed us on March 30th shows $237,306,506 for 2013 Actual and $246,766,868 for 2014 Actual vs. the State of Ohio's website where it has $237,219,044 for 2013 and $249,716,331 for 2014. It's not much of a difference, but I noticed this when I was working on a database to compile the 30 year history of sales tax. **The source for all Year End OBM reports is the County General Ledger so I would not be able to explain this variance. However, OBM will contact the State to determine what caused this difference and report back to Council.**

   Here is the link to State data:
   http://www.tax.ohio.gov/tax_analysis/tax_data_series/sales_and_use/publications_tds_sales/S3CY14.aspx

EXHIBIT 2

Cuyahoga COUNTY OF OHIO

Cuyahoga County Fiscal Office - OBM
2014-2016 Budget Summary
Schedule I - General Fund Operating | FINAL

General Fund Operating	2012 Actual	2013 Q3 Current Budget	2013 OBM 4th Quarter Projection	2014 Final Budget	2015 Final Budget	2016 Final Budget Estimate
AVAILABLE BEGINNING BALANCE	**$178,521,692**	**$180,093,870**	**$180,093,870**	**$143,296,576**	**$116,565,409**	**$101,071,276**
OPERATING REVENUE						
Property Taxes	14,818,423	13,909,658	13,909,411	13,875,536	9,646,536	9,791,234
Sales And Use Tax	226,787,081	234,951,524	235,932,801	242,882,343	248,833,660	252,813,082
Licenses And Permits	55,260	52,598	63,021	63,021	63,021	63,021
Fines And Forfeitures	9,320,384	9,774,039	9,890,427	10,241,826	10,345,254	10,345,254
Charges For Services	53,155,003	57,656,443	59,787,076	63,776,198	63,777,284	66,953,777
Local Government Fund	22,990,045	17,749,292	17,355,667	16,868,483	17,121,510	17,378,333
Other Intergovernmental	13,448,286	12,241,632	11,937,038	13,327,015	13,527,015	13,527,015
Other Taxes	3,234,851	3,442,424	4,026,096	4,788,292	5,070,152	5,171,152
Investment Earnings	6,637,983	4,150,000	3,349,841	3,550,087	4,700,087	5,210,087
Miscellaneous	5,339,786	6,300,966	6,669,138	5,884,492	5,884,492	5,709,492
TOTAL OPERATING REVENUE	**$355,787,103**	**$360,228,576**	**$362,920,516**	**$375,257,294**	**$378,969,013**	**$386,962,448**
TOTAL REVENUE	**$355,787,103**	**$360,228,576**	**$362,920,516**	**$375,257,294**	**$378,969,013**	**$386,962,448**
TOTAL AVAILABLE RESOURCES	**$534,308,795**	**$540,322,446**	**$543,014,386**	**$518,553,870**	**$495,534,422**	**$488,033,724**
OPERATING EXPENDITURES						
General Government	47,749,852	71,623,518	63,422,768	65,200,011	66,404,807	64,359,110
Justice and Public Safety	233,355,358	234,266,355	228,767,966	236,911,251	239,776,201	241,528,247
Development	3,698,816	3,989,383	3,856,743	3,614,843	3,572,237	3,623,832
Social Services	7,067,321	10,236,774	8,777,898	8,910,118	8,975,150	9,041,574
Health and Safety	752,146	745,457	599,261	430,184	434,875	439,667
Miscellaneous	15,068,410	14,063,959	12,535,770	12,181,457	12,213,326	12,460,044
TOTAL OPERATING EXPENDITURES	**$307,691,903**	**$334,925,446**	**$317,960,406**	**$327,247,864**	**$331,376,596**	**$331,452,474**
OTHER FINANCING USES	**$43,232,363**	**$51,513,483**	**$51,839,426**	**$49,956,148**	**$50,120,565**	**$50,194,577**
TOTAL EXPENDITURES	**$350,924,266**	**$386,438,929**	**$369,799,832**	**$377,204,012**	**$381,497,161**	**$381,647,051**
ENDING BALANCE BEFORE ADJ.	**$183,384,529**	**$153,883,517**	**$173,214,554**	**$141,349,858**	**$114,037,261**	**$106,386,673**
RESERVES ON AVAILABLE BALANCE						
Economic Development Reserve	0	(8,000,000)	0	(6,600,000)	0	0
Other Strategic Initiatives	0	(6,000,000)	0	0	0	0
Gateway Bond Guaranty	0	(3,300,000)	0	(3,470,000)	0	0
Econ. Bond Debt Service Reserve	0	(48,100)	0	(2,115,000)	0	0
Global Center Operating Reserve	(3,290,659)	(5,910,346)	(7,733,653)	(11,099,449)	(12,465,985)	(12,634,432)
Whiskey Island Purchase Reserve	0	0	(1,352,000)	0	0	0
27th Payroll Reserve	0	(11,000,000)	(11,000,000)	(500,000)	(500,000)	0
IT Automation Reserve	0	(925,000)	0	(1,000,000)	0	0
IT Enterprise Reserve	0	(1,650,000)	0	0	0	0
Settlement Order Reserve	0	(2,711,498)	0	0	0	0
Carryover Encumbrance	0	(11,365,344)	(9,832,325)	0	0	0
TOTAL ADJUSTMENTS TO BALANCE	**($3,290,659)**	**($52,262,288)**	**($29,917,978)**	**($24,784,449)**	**($12,965,985)**	**($12,634,432)**
TOTAL AVAILABLE ENDING BALANCE	**$180,093,870**	**$101,621,229**	**$143,296,576**	**$116,565,409**	**$101,071,276**	**$93,752,241**
BALANCE TO EXPENDITURES %	**51.3%**	**26.3%**	**38.7%**	**30.9%**	**26.5%**	**24.6%**
			($6,879,316)	**($1,946,718)**	**($2,528,148)**	**$5,315,397**

General Fund available ending balances for current year and budget years are net on current year reserves reflected in this report.

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EXHIBIT 3

Cuyahoga County Fiscal Office - OBM
PRIOR YEAR BUDGET TO ACTUALS COMPARISON
Summary of Revenues, Expenditures and Changes in Fund Balance

General Fund Operating	2013 Actual	2014 Original Budget	2014 Current Budget Revised	2014 Actual	2014 Budget Variance	2013 - 2014 Change
AVAILABLE BEGINNING BALANCE	**$183,384,532**	**$187,413,378**	**$187,413,378**	**$187,413,378**	**$0**	**$4,028,846**
OPERATING REVENUE						
Property Taxes	13,923,275	13,875,536	13,875,536	13,996,437	120,901	73,161
Sales And Use Tax	237,306,506	242,882,343	242,882,343	246,766,868	3,884,525	9,460,362
Licenses And Permits	91,498	63,021	63,021	75,320	12,299	(16,178)
Fines And Forfeitures	9,297,026	10,241,826	10,241,826	10,558,575	316,749	1,261,550
Charges For Services	56,760,272	63,776,198	63,776,198	61,046,550	(2,729,649)	4,286,278
Local Government Fund	17,367,247	16,868,483	16,868,483	17,185,687	317,204	(181,560)
Other Intergovernmental	12,160,384	13,327,015	13,327,015	13,853,731	526,716	1,693,347
Other Taxes	3,842,351	4,788,292	4,788,292	15,230,171	10,441,879	11,387,820
Investment Earnings	0	3,550,087	3,550,087	447,222	(3,102,865)	447,222
Miscellaneous	7,363,801	5,884,492	5,884,492	13,510,291	7,625,799	6,146,490
TOTAL OPERATING REVENUE	**$358,112,360**	**$375,257,294**	**$375,257,294**	**$392,670,851**	**$17,413,557**	**$34,558,492**
TOTAL REVENUE	**$358,112,360**	**$375,257,294**	**$375,257,294**	**$392,670,851**	**$17,413,557**	**$34,558,492**
TOTAL AVAILABLE RESOURCES	**$541,496,892**	**$562,670,672**	**$562,670,672**	**$580,084,229**	**$17,413,557**	**$38,587,338**
OPERATING EXPENDITURES						
General Government	55,760,827	65,588,134	68,657,194	54,608,239	10,979,895	(1,152,587)
Justice and Public Safety	223,479,834	236,911,251	249,280,347	236,185,709	725,543	12,705,880
Development	3,648,394	3,614,843	4,049,896	2,734,491	880,352	(913,902)
Social Services	6,882,505	8,910,118	10,814,040	9,972,396	(1,062,278)	3,089,890
Health and Safety	562,279	430,184	508,445	378,294	51,890	(183,986)
Miscellaneous	12,859,879	12,181,457	22,283,656	20,467,188	(8,285,731)	7,607,311
TOTAL OPERATING EXPENDITURES	**$303,193,718**	**$327,635,987**	**$355,593,578**	**$324,346,317**	**$3,289,671**	**$21,152,606**
OTHER FINANCING USES	**$50,889,796**	**$49,956,148**	**$58,114,460**	**$55,624,600**	**($5,668,452)**	**$4,734,805**
TOTAL EXPENDITURES	**$354,083,514**	**$377,592,135**	**$413,708,038**	**$379,970,917**	**($2,378,781)**	**$25,887,411**
ENDING BALANCE BEFORE ADJ.	**$187,413,378**	**$185,078,537**	**$148,962,634**	**$200,113,312**	**$15,034,775**	**$12,699,927**
RESERVES ON AVAILABLE BALANCE						
Economic Developement Reserve	0	(6,600,000)	(6,600,000)	(6,600,000)	0	0
Other Strategic Initiatives	0	0	0	0	0	0
Gateway Bond Guaranty	0	0	0	0	0	0
Econ. Bond Debt Service Reserve	0	(2,115,000)	(2,115,000)	(2,115,000)	0	0
Global Center Operating Reserve	0	(11,099,449)	(11,099,449)	(11,099,449)	0	0
Whiskey Island Purchase Reserve	0	0	0	0	0	0
27th Payroll Reserve	0	(500,000)	(500,000)	(500,000)	0	0
IT Automation Reserve	0	(1,000,000)	(1,000,000)	(1,000,000)	0	0
IT Enterprise Reserve	0	0	0	0	0	0
Settlement Order Reserve	0	0	0	0	0	0
Carryover Encumbrance	0	(19,154,631)	(19,154,631)	(19,154,631)	0	0
TOTAL ADJUSTMENTS TO BALANCE	**$0**	**($40,469,080)**	**($40,469,080)**	**($40,469,080)**	**$0**	**$0**
TOTAL AVAILABLE ENDING BALANCE	**$187,413,378**	**$144,609,457**	**$108,493,554**	**$159,644,232**	**$15,034,775**	**$12,699,927**
BALANCE TO EXPENDITURES %	**52.9%**	**38.3%**	**26.2%**	**42.0%**		

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EXHIBIT 4

Cuyahoga County Fiscal Office - OBM
2015-2016 Budget Summary
Schedule I - General Fund Operating | FINAL

General Fund Operating	2013 Actual	2014 Q3 Current Budget	2014 OBM 3rd Quarter Projection	2015 Final Budget	2016 Final Budget	2017 Final Budget Estimate
AVAILABLE BEGINNING BALANCE	**$183,384,532**	**$187,413,378**	**$187,413,378**	**$144,667,173**	**$111,487,368**	**$93,810,098**
OPERATING REVENUE						
Property Taxes	13,923,275	13,875,536	14,092,433	11,349,850	10,390,869	10,390,869
Sales And Use Tax	237,306,506	242,882,343	244,769,970	252,162,024	259,827,250	267,622,068
Licenses And Permits	91,498	63,021	91,222	91,222	91,222	91,222
Fines And Forfeitures	9,297,026	10,140,427	9,017,852	9,017,852	9,017,852	9,017,852
Charges For Services	56,760,272	63,776,200	62,755,925	62,370,829	62,970,829	63,426,368
Local Government Fund	17,367,247	16,868,483	16,703,467	16,703,467	16,703,467	16,703,467
Other Intergovernmental	12,160,384	13,327,016	11,729,606	11,841,608	11,841,608	11,841,608
Other Taxes	3,842,351	4,788,292	12,936,330	13,436,330	6,436,330	6,436,330
Investment Earnings	0	3,550,087	853,337	4,092,765	4,951,920	5,718,120
Miscellaneous	7,363,801	5,884,492	12,692,943	8,893,063	9,093,063	8,893,063
TOTAL OPERATING REVENUE	**$358,112,360**	**$375,155,897**	**$385,643,085**	**$389,959,009**	**$391,324,409**	**$400,140,966**
TOTAL REVENUE	**$358,112,360**	**$375,155,897**	**$385,643,085**	**$389,959,009**	**$391,324,409**	**$400,140,966**
TOTAL AVAILABLE RESOURCES	**$541,496,892**	**$562,569,275**	**$573,056,463**	**$534,626,182**	**$502,811,777**	**$493,951,064**
OPERATING EXPENDITURES						
General Government	55,760,827	70,515,711	59,826,091	68,187,272	69,754,606	68,847,247
Justice and Public Safety	223,479,834	250,413,422	240,597,039	245,145,682	245,967,182	247,097,140
Development	3,648,394	4,053,381	3,034,178	2,952,638	2,869,987	2,888,905
Social Services	6,882,505	10,449,773	10,156,259	8,878,118	9,058,613	9,118,186
Health and Safety	562,279	488,002	426,747	456,067	462,624	469,319
Miscellaneous	12,859,879	14,469,247	16,340,987	8,953,075	8,897,287	8,044,392
TOTAL OPERATING EXPENDITURES	**$303,193,718**	**$350,389,536**	**$330,381,301**	**$334,572,852**	**$337,010,299**	**$336,465,189**
OTHER FINANCING USES	**$50,889,796**	**$51,359,514**	**$55,187,816**	**$52,354,020**	**$54,712,948**	**$60,345,805**
TOTAL EXPENDITURES	**$354,083,514**	**$401,749,050**	**$385,569,117**	**$386,926,872**	**$391,723,247**	**$396,810,994**
ENDING BALANCE BEFORE ADJ.	**$187,413,378**	**$160,820,225**	**$187,487,346**	**$147,699,310**	**$111,088,530**	**$97,140,070**
RESERVES ON AVAILABLE BALANCE						
Economic Development Reserve	0	(6,600,000)	(2,450,000)	(14,450,000)	0	0
Other Strategic Initiatives	0	0	0	0	0	0
Gateway Bond Guaranty	0	0	(3,470,000)	0	0	0
Econ. Bond Debt Service Reserve	0	(2,115,000)	(2,115,000)	(2,155,000)	0	0
Global Center Operating Reserve	0	(11,099,449)	(14,833,877)	(19,106,942)	(17,278,432)	(13,725,118)
Whiskey Island Purchase Reserve	0	0	0	0	0	0
27th Payroll Reserve	0	(500,000)	(11,000,000)	(500,000)	0	0
IT Automation Reserve	0	(1,000,000)	(600,000)	0	0	0
IT Enterprise Reserve	0	0	0	0	0	0
Settlement Order Reserve	0	0	0	0	0	0
Carryover Encumbrance	0	(19,154,631)	(8,351,296)	0	0	0
TOTAL ADJUSTMENTS TO BALANCE	**$0**	**($40,469,080)**	**($42,820,173)**	**($36,211,942)**	**($17,278,432)**	**($13,725,118)**
TOTAL AVAILABLE ENDING BALANCE	**$187,413,378**	**$120,351,145**	**$144,667,173**	**$111,487,368**	**$93,810,098**	**$83,414,952**
BALANCE TO EXPENDITURES %	**52.9%**	**30.0%**	**37.5%**	**28.8%**	**23.9%**	**21.0%**
			$73,968	**$3,032,137**	**($398,838)**	**$3,329,972**

General Fund available ending balances for current year and budget years are net on current year reserves reflected in this report.

EXHIBIT 5

January 2015 Projection Update - Introduction

The Office of Budget & Management reviews the County operating budget and assesses the current projected activity (revenues and expenditures) on a monthly basis. The projection summary includes an estimate of current expected expenditure levels based on one month of financial activity.

This monthly financial report is presented in compliance with Cuyahoga County Code 701.07 Financial Reporting. The report shall address Code 701.07 items (C)(1) – (C)(4) regarding revenue and expense projections, changes to performance, significant unexpected revenue or expenditures and changes to projected reserve targets.

General Fund Operating Summary

701.07 (C)(1)

- As of January 31, 2015, the projection for expenditures does not materially differ from the current budget for both the General Fund and Health and Human Services Levy Fund.

701.07 (C)(2)

- There have not been any significant changes to the performance of any department or agency relative to its budget as of January 31, 2015.

701.07 (C)(3)

- There have not been any significant/unexpected revenue or expenditure obligations in the current month.

701.07 (C)(4)

- Due to the limited amount of transactional data available and no significant issues made known to OBM in the first month of this year, there are no material changes to the projected performance of the General Fund and/or Health and Human Services Levy Fund against its reserve target as of January 31, 2015.

EXHIBIT 6

February 2015 Projection Update - Introduction

The Office of Budget & Management reviews the County operating budget and assesses the current projected activity (revenues and expenditures) on a monthly basis. The projection summary includes an estimate of current expected expenditure levels based on two months of financial activity.

This monthly financial report is presented in compliance with Cuyahoga County Code 701.07 Financial Reporting. The report shall address Code 701.07 items (C)(1) – (C)(4) regarding revenue and expense projections, changes to performance, significant unexpected revenue or expenditures and changes to projected reserve targets.

General Fund Operating Summary

701.07 (C)(1)

- With 2 months of actual collections, the current overall revenue estimate has not changed materially from the approved budget. A reliable trend will be available with the completion of the First Quarter Review. The same holds true for the expense projections. As of February 28, 2015, the projection for expenditures does not materially differ from the current budget for both the General Fund and Health and Human Services Levy Fund.

701.07 (C)(2)

- There have not been any significant changes to the performance of any department or agency relative to its budget as of February 28, 2015.

701.07 (C)(3)

- There have not been any significant/unexpected revenue or expenditure obligations in the current month.

701.07 (C)(4)

- There are no material changes to the projected performance of the General Fund and/or Health and Human Services Levy Fund against its reserve target as of February 28, 2015.

EXHIBIT 7

Annual Budgeted Expenditures to Actual Expenditures

General Fund Operating Expenditures by Year	Revised Final Budget Expenditures	Actual Expenditures	Variance of Budgeted to Actual Expenditures	% Variance
2011 (exhibit #14)	$326,323,563	$301,188,574	$25,134,989	92.30%
2012 (exhibit #15)	$318,282,362	$307,691,903	$10,590,459	96.67%
2013 (exhibit #16)	$335,955,775	$303,193,718	$32,762,057	90.25%
2014 (exhibit #3)	$355,593,578	$324,346,317	$31,247,261	91.21%
			Average Variance	92.61%

General Fund Operating Expenditures	2015 Budgeted Expenditures as of 12/16/14	Projected 2015 Expenditures Based off Average of Budgeted to Actual Expenditures from 2011-2014	Potential 2015 Variance
2015 (exhibit #4)	$334,572,852	$309,840,306	$24,732,546

Cuyahoga County, Ohio
Debt Cash Flow Model
November 3, 2014

YEAR	Sales Tax	Other	Total	Growth Assumptions: Sales Tax	Growth Assumptions: Other Rev	Growth Assumptions: Expense	Incremental Prop Tax Rev	Operating Revenue*#	Operating Expenses##
2013								358,112,360	354,083,514
2014								385,643,085	345,753,228
2015							224,395	388,281,450	342,380,015
2016	255,524,032	132,322,819	387,846,851				1,243,210	387,846,851	342,483,120
2017	255,524,032	132,322,819	387,846,851				1,320,312	396,407,869	343,441,466
2018	263,189,753	132,653,626	395,843,379	3.00%	0.25%	1.75%	1,364,456	397,207,835	349,451,691
2019	271,085,446	132,985,260	404,070,706	3.00%	0.25%	1.75%	1,389,378	405,460,081	356,834,883
2020	279,218,009	133,317,723	412,535,732	3.00%	0.25%	1.75%	1,436,178	413,971,910	363,079,494
2021	287,594,549	133,651,018	421,245,567	3.00%	0.25%	1.75%	9,439,212	430,684,779	369,433,385
2022	296,222,386	133,985,145	430,207,531	3.00%	0.25%	1.75%	9,501,765	438,709,296	375,898,469
2023	305,109,057	134,320,108	439,429,165	3.00%	0.25%	1.75%	11,276,646	450,705,811	382,476,692
2024	314,262,329	134,655,908	448,918,237	3.00%	0.25%	1.75%	11,351,690	460,269,928	389,170,034
2025	323,690,199	134,992,548	458,682,747	3.00%	0.25%	1.75%	15,873,840	474,556,587	395,980,510
2026	333,400,905	135,330,029	468,730,934	3.00%	0.25%	1.75%	15,964,434	484,595,368	402,910,169
2027	343,402,932	135,668,354	479,071,286	3.00%	0.25%	1.75%	16,053,900	495,125,188	409,961,097
2028	353,705,020	136,007,525	489,712,545	3.00%	0.25%	1.75%	16,147,459	505,660,004	417,135,416
2029	364,316,170	136,347,544	500,663,715	3.00%	0.25%	1.75%	16,235,860	516,899,575	424,435,286
2030	375,245,656	136,688,413	511,934,069	3.00%	0.25%	1.75%	16,329,855	528,263,924	431,862,905
2031	386,503,025	137,030,134	523,533,159	3.00%	0.25%	1.75%	16,419,855	539,933,015	439,420,504
2032	398,098,116	137,372,709	535,470,825	3.00%	0.25%	1.75%	16,516,609	551,987,434	447,110,363
2033	410,041,059	137,716,141	547,757,201	3.00%	0.25%	1.75%	16,614,198	564,371,396	454,934,794
2034	422,342,291	138,060,432	560,402,723	3.00%	0.25%	1.75%	16,709,600	577,112,322	462,896,153
2035	435,012,560	138,405,583	573,418,143	3.00%	0.25%	1.75%	27,098,500	600,518,643	470,996,836
2036	448,062,937	138,751,597	586,814,533	3.00%	0.25%	1.75%	27,175,661	613,990,195	479,239,280
2037	461,504,825	139,098,476	600,603,300	3.00%	0.25%	1.75%	27,253,616	627,856,916	487,625,968
2038	475,349,970	139,446,222	614,796,191	3.00%	0.25%	1.75%	31,257,565	648,053,758	496,159,422
2039	489,610,469	139,794,837	629,405,306	3.00%	0.25%	1.75%	31,335,709	660,741,015	504,842,212
2040	504,298,783	140,144,324	644,443,107	3.00%	0.25%	1.75%	31,414,048	675,857,155	513,676,951
2041	519,427,746	140,494,685	659,922,431	3.00%	0.25%	1.75%	31,492,583	691,415,015	522,666,297
2042	535,010,579	140,845,922	675,856,501	3.00%	0.25%	1.75%	31,571,315	707,427,815	531,812,958
2043	551,060,896	141,198,037	692,258,933	3.00%	0.25%	1.75%	31,650,243	723,909,176	541,119,684
2044	567,592,723	141,551,032	709,143,755	3.00%	0.25%	1.75%	31,729,388	740,873,123	550,589,279

YEAR	Headquarters Lease	Less Non-GO Debt	Less Hotel Debt	Plus Hotel Revenue	Plus Estimated Self Supporting	Full Operating Expenses	Operating Surplus/Deficit	Total GF Balance**	Percent of Full Expenditures
2013								187,413,375	
2014	895,556	48,514,613	-		9,504,280	385,569,117	73,968	187,487,343	49%
2015	3,812,859	45,818,033	-		8,280,664	383,730,243	4,551,207	181,038,550	47%
2016	5,892,886	43,987,960	3,769,817	-	6,492,288	389,641,495	(1,794,644)	179,243,906	46%
2017	6,010,964	40,530,332	20,308,344	7,741,595	7,740,268	394,809,242	1,598,627	180,842,533	46%
2018	6,131,403	40,716,475	20,743,344	10,558,595	7,936,805	398,547,513	(1,339,678)	179,502,855	45%
2019	6,254,251	40,811,066	20,733,344	11,558,595	7,295,256	405,779,693	(319,611)	179,183,244	44%
2020	6,379,556	44,630,587	20,748,344	11,558,595	7,272,983	416,006,402	(2,034,492)	177,148,751	43%
2021	6,507,367	44,604,815	20,735,844	11,558,595	7,252,824	422,459,991	8,224,788	185,373,539	44%
2022	6,637,734	44,564,986	20,745,844	11,558,595	7,245,285	429,043,133	10,666,162	196,039,702	46%
2023	6,770,709	42,525,287	20,740,844	11,558,595	6,213,836	434,741,101	15,964,711	212,004,412	49%
2024	6,906,343	35,943,976	20,750,094	11,558,595	2,929,245	438,282,606	21,987,320	233,991,732	53%
2025	7,044,690	35,961,946	20,741,344	11,558,595	2,940,087	445,229,808	29,326,779	263,318,512	59%
2026	7,185,804	35,755,123	20,748,844	11,558,595	2,879,641	452,161,703	32,633,665	295,852,177	65%
2027	7,329,740	35,774,376	20,745,094	11,558,595	2,884,744	459,366,967	35,758,219	331,610,396	72%
2028	7,476,555	4,427,412	20,728,844	11,558,595	2,872,728	435,336,903	70,623,101	402,133,497	92%
2029	7,626,306	4,432,773	6,598,844	11,558,595	2,873,473	428,661,141	88,238,435	490,371,931	114%
2030	7,779,052	4,432,351	6,583,844	11,558,595	2,880,771	436,218,784	92,045,140	582,417,072	134%
2031	7,934,853	2,045,928	6,579,469	11,558,595	2,045,928	442,376,231	97,576,784	679,993,855	154%
2032	8,093,770	2,049,440	6,590,406	11,558,595	2,049,440	450,235,944	101,751,490	781,745,346	174%
2033	8,255,865	2,048,988	6,583,906	11,558,595	2,048,988	458,215,971	106,155,426	887,900,771	194%
2034	8,421,203	2,048,325	6,578,906	11,558,595	2,048,325	466,337,667	110,774,655	998,675,426	214%
2035	8,589,847	2,053,525	6,592,906	11,558,595	2,053,525	474,620,994	125,895,649	1,124,571,076	237%
2036	8,761,864	2,053,363	6,785,406	11,558,595	2,053,363	483,227,955	130,762,239	1,255,333,315	260%
2037	8,937,321	2,053,138	6,786,406	11,558,595	2,053,138	491,791,100	136,065,816	1,391,399,131	283%
2038	9,116,287	1,083,625	6,777,500	11,558,595	1,083,625	500,494,615	145,559,142	1,536,958,272	307%
2039	9,298,833	404,188	6,784,844	11,558,595	404,188	509,367,294	151,373,721	1,688,331,993	331%
2040	4,683,761	401,650	7,007,344	12,216,976	401,650	513,151,079	162,706,076	1,851,038,069	361%
2041		403,250	7,010,156	12,216,976	403,250	517,459,476	173,955,537	2,024,993,606	391%
2042		399,248	7,002,031	12,216,976	399,248	526,598,013	180,829,802	2,205,823,408	419%
2043			7,007,969	12,216,976	-	535,910,677	187,998,498	2,393,821,907	447%
2044			7,201,875	12,216,976	-	545,574,178	195,298,945	2,589,120,852	475%

YEAR	Hotel/GC Capital R&R	Capital R&R Balance	Available GF Balance**	% of Exp	$275,550,000 Sales Tax and Non-Tax Revenue Funded Projects - 2018: Debt Service	Suplus/Deficit	Balance	% of Exp	GF Balance (Post Capital R&R)	% of Exp
2013			187,413,375							
2014			187,487,343	49%						
2015			181,038,550	47%	(136,160)	4,689,367	181,176,710	47%	181,176,710	47%
2016	3,500,000	3,500,000	175,743,906	45%	1,045,081	(2,839,725)	178,336,985	46%	174,836,985	45%
2017	3,500,000	7,000,000	173,842,533	44%	1,537,139	61,489	179,305,395	45%	171,398,474	43%
2018	3,500,000	10,500,000	169,002,855	42%	9,392,424	(10,732,101)	170,110,432	42%	157,166,373	39%
2019	3,500,000	14,000,000	165,183,244	41%	9,631,386	(9,950,997)	162,844,258	39%	143,715,375	35%
2020	3,500,000	17,500,000	159,648,751	38%	9,882,099	(11,916,591)	153,851,453	36%	128,298,784	30%
2021	3,500,000	21,000,000	164,373,539	39%	9,907,389	(1,682,601)	155,343,351	36%	123,116,184	28%
2022	3,500,000	24,500,000	171,539,702	40%	12,128,839	(1,462,676)	157,080,463	36%	118,153,508	27%
2023	3,500,000	28,000,000	184,004,412	42%	12,129,889	3,834,822	166,336,524	37%	118,488,330	27%
2024	3,500,000	31,500,000	202,491,732	46%	13,131,489	8,855,832	180,614,644	40%	123,844,161	27%
2025	3,500,000	35,000,000	228,318,512	51%	20,666,339	8,660,441	195,698,973	42%	129,004,602	28%
2026	3,500,000	38,500,000	257,352,177	57%	20,662,518	11,871,147	221,528,859	47%	137,375,750	29%
2027	3,500,000	42,000,000	289,610,396	63%	21,090,682	14,867,537	250,151,314	52%	148,543,287	31%
2028	4,500,000	46,500,000	355,633,497	82%	24,830,350	45,692,751	310,227,147	67%	189,736,038	41%
2029	4,500,000	51,000,000	439,371,931	102%	27,643,100	60,595,335	388,945,231	85%	245,831,372	54%
2030	4,500,000	55,500,000	526,917,072	121%	27,993,000	64,052,140	451,662,872	97%	305,383,513	66%
2031	4,500,000	60,000,000	619,993,855	140%	29,832,850	67,743,934	518,418,005	110%	368,627,446	78%
2032	4,500,000	64,500,000	717,245,346	159%	29,607,250	72,144,240	586,639,896	122%	436,271,687	91%
2033	4,500,000	69,000,000	818,900,771	179%	29,579,700	76,575,726	659,172,271	135%	508,347,412	104%
2034	4,500,000	73,500,000	925,175,426	198%	27,442,250	83,332,405	738,430,376	150%	587,179,817	119%
2035	4,500,000	78,000,000	1,046,571,076	221%	26,971,825	98,923,824	831,142,051	166%	681,603,642	136%
2036	4,500,000	82,500,000	1,172,833,315	243%	21,808,075	108,954,164	967,068,040	191%	786,057,806	156%
2037	4,500,000	87,000,000	1,304,399,131	265%	21,807,025	114,258,791	1,103,134,906	215%	895,816,597	174%
2038	4,500,000	91,500,000	1,445,458,272	289%	21,809,200	123,749,942	1,248,691,872	239%	1,015,066,538	194%
2039	4,500,000	96,000,000	1,592,331,993	313%	21,807,400	129,566,321	1,400,067,393	264%	1,140,132,859	215%
2040	4,500,000	100,500,000	1,750,538,069	341%	4,665,400	158,040,676	1,579,915,469	305%	1,293,673,535	250%
2041	4,500,000	105,000,000	1,919,993,606	371%	4,666,338	169,289,199	1,753,870,069	336%	1,458,462,734	279%
2042	4,500,000	109,500,000	2,098,323,408	398%	4,663,488	176,166,315	1,934,702,721	364%	1,630,129,049	307%
2043	4,500,000	114,000,000	2,279,821,907	425%	4,666,613	183,331,886	2,122,698,094	393%	1,806,960,935	335%
2044	4,500,000	118,500,000	2,470,620,852	453%	-	195,298,945	2,322,663,652	426%	1,999,759,881	367%

* Assumes Revenue is net of GO Debt Payments

\# Includes $15 Million deposit in 2014 representing payment from Gateway
\#\# Includes $11,000,000 for 28th Pay impact in 2015

25 year maturity with principal repayments beginning in 2024.
Capitalized interest for three years.
$153,550,000 Issued in 2014 for CIP plus $22,000,000 for Western Reserve.
Notes issued for Demolition Projects - $15 Million in 14, $15 Million in 15, and $20 Million in 1
Includes $50 Million additional Projects Funded in 2018

PROPOSED SCHEDULE FOR 2014 and 2015 BOND ISSUANCES

EXHIBIT 9

2014 Bond Sales

Legislation #	Amount	Project
R2014-0254	**$35,800,000**	**Sewer District Refinance (Referred to Council on 11/10)**
R2014-0256	**$21,000,000**	**Medical Mart Refinance (Referred to council on 11/10)**
R2014-0257	**$24,500,000**	**Western Reserve Fund**
R2014-0255	$25,621,385	New County Headquarters
R2014-0255	$1,289,082	Justice Center Study
R2014-0255	$800,000	Justice Center Card Readers
R2014-0255	$686,270	Jail Kitchen
R2014-0255	$966,193	Juvenile Justice Sprinkler System
R2014-0255	$18,700,000	Data Center Fit Plan
R2014-0255	$25,000,000	ERP
R2014-0255	$14,857,934	Emergency Operations Center
R2014-0255	$3,569,296	Roof Replacement
R2014-0255	$6,649,759	Switch Refresh
R2014-0255	$4,300,000	Call Manager
R2014-0255	**$102,439,919**	**2014 Total Capital Improvements**
	$183,739,919	**2014 Total Bond Sales**

2015 Bond Sales (Draft)

Legislation #	Amount	Project
R2014-0253	**$10,000,000**	**Pedestrian Walkway**
R2015-XXXX	$4,895,000	Justice Center Holding
R2015-XXXX	$856,800	Justice Center Perimeter Security
R2015-XXXX	$1,661,010	Justice Center Fire Protection
R2015-XXXX	$8,418,774	Halle Warehouse - New Archives
R2015-XXXX	$2,332,295	Sheriff Gun Range
R2015-XXXX	$4,379,844	Courts Tower Sealant Replacement
R2015-XXXX	$565,240	Justice Center 4th Floor Windows
R2015-XXXX	$18,000,000	HPG Design & Construction
R2015-XXXX	**$41,108,963**	**2015 Total Capital Improvements**
R2015-XXXX	**$15,000,000**	**Tentative MetroHealth Campus Transformation Critical Care Pavilion**
	$66,108,963	**2015 Total Bond Sales**

	$249,848,882	**Total 2014 & 2015 Bond Sales**

Cuyahoga County, Ohio
Debt Cash Flow Model A.M.
March 25, 2015
Current Planned Issues No Growth In Revenue or Expenses and .25% Not Renewed

								Oper Rev - Full Oper Exp							$244,108,963 Sales Tax and Non-Tax Revenue Funded Projects through 2021						
YEAR	Operating Revenue	Operating Expenses	Operating Transfers	Headquarters Lease	Plus Non-GO Debt	Less Hotel Revenue	Less Estimated Self Supporting	Full Operating Expenses	Operating Surplus/Deficit	Total GF Balance*	Percent of Full Expenditures	Hotel/GC Capital R&R	Capital R&R Balance	Available GF Balance*	% of Exp	Debt Service	Total Non GO	Suplus/Deficit	Balance	% of Exp	GF Balance	% of Exp
																					Post Capital R&R	
2013														-								
2014	-	-			-					200,113,312				200,113,312								
2015	337,459,009	329,972,852	15,387,644	3,812,859	15,825,456		8,851,657	352,334,295	(14,875,286)	176,738,026	50%	-	-	176,738,026	50%	-	15,825,456	(14,875,286)	176,738,026	50%	176,738,026	50%
2016	338,824,409	332,410,299	14,033,866	5,892,886	14,094,554	-	7,095,406	353,443,313	(14,618,904)	162,119,122	46%	-	-	162,119,122	46%	868,849	14,963,402	(15,487,753)	161,250,273	46%	161,250,273	46%
2017	347,640,966	331,865,189	14,033,866	6,010,964	14,177,605	-	7,184,826	352,891,833	(5,250,867)	156,868,255	44%	-	-	156,868,255	44%	1,843,354	16,020,959	(7,094,222)	154,156,052	43%	154,156,052	43%
2018	348,559,125	333,902,493	14,033,866	6,131,403	18,813,816	-	7,162,046	359,588,128	(11,029,004)	145,839,251	41%	-	-	145,839,251	41%	4,968,968	23,782,784	(15,997,972)	138,158,080	38%	138,158,080	38%
2019	348,509,707	337,251,445	14,033,866	6,254,251	18,913,907	-	7,175,866	363,023,352	(14,513,645)	131,325,606	36%	-	-	131,325,606	36%	7,527,766	26,441,673	(22,041,411)	116,116,669	31%	116,116,669	31%
2020	354,086,986	337,251,445	14,033,866	6,379,556	24,299,328	-	7,149,477	368,435,163	(14,348,177)	116,977,429	32%	-	-	116,977,429	32%	8,395,869	32,695,197	(22,744,046)	93,372,624	25%	93,372,624	25%
2021	362,020,061	337,251,445	14,033,866	6,507,367	24,298,557	-	7,135,894	368,447,973	(6,427,912)	110,549,517	30%	-	-	110,549,517	30%	9,043,872	33,342,428	(15,471,784)	77,900,840	21%	77,900,840	21%
2022	362,008,217	337,251,445	14,033,866	6,637,734	24,256,357	-	7,110,905	368,430,764	(6,422,547)	104,126,971	28%	-	-	104,126,971	28%	12,476,709	36,733,067	(18,899,256)	59,001,584	15%	59,001,584	15%
2023	363,713,764	337,251,445	14,033,866	6,770,709	24,201,366	-	5,785,961	369,700,716	(5,986,952)	98,140,019	27%	-	-	98,140,019	27%	12,474,209	36,675,575	(18,461,161)	40,540,423	11%	40,540,423	11%
2024	363,703,538	337,251,445	14,033,866	6,906,343	24,060,505	-	1,570,683	373,775,134	(10,071,596)	88,068,423	24%	-	-	88,068,423	24%	13,475,709	37,536,214	(23,547,305)	16,993,118	4%	16,993,118	4%
2025	360,994,478	337,251,445	14,033,866	7,044,690	17,279,412	-	1,579,462	366,985,261	(5,990,783)	82,077,639	22%	-	-	82,077,639	22%	13,443,459	30,722,871	(19,434,243)	(2,441,124)	-1%	(2,441,124)	-1%
2026	361,009,424	337,251,445	14,033,866	7,185,804	16,739,402	-	1,522,979	366,501,734	(5,492,310)	65,585,329	18%	-	-	65,585,329	18%	23,549,959	40,289,361	(29,042,270)	(31,483,394)	-8%	(31,483,394)	-8%
2027	361,023,052	337,251,445	14,033,866	7,329,740	13,854,481	-	1,523,832	363,615,960	(2,592,908)	62,992,421	17%	-	-	62,992,421	17%	27,272,259	41,126,740	(29,865,167)	(61,348,561)	-16%	(61,348,561)	-16%
2028	360,016,171	337,251,445	14,033,866	7,476,555	13,837,393	-	1,514,765	363,607,938	(3,591,767)	59,400,654	16%	-	-	59,400,654	16%	31,754,369	45,591,762	(35,346,136)	(96,694,698)	-24%	(96,694,698)	-24%
2029	360,028,355	337,251,445	14,033,866	7,626,306	13,846,242	-	1,520,248	363,611,305	(3,582,949)	55,817,704	15%	-	-	55,817,704	15%	38,009,006	51,855,248	(41,591,955)	(138,286,653)	-34%	(138,286,653)	-34%
2030	360,045,943	337,251,445	14,033,866	7,779,052	13,839,757	-	1,519,484	363,605,584	(3,559,641)	52,258,063	14%	-	-	52,258,063	14%	41,148,322	54,988,079	(44,707,963)	(182,994,616)	-45%	(182,994,616)	-45%
2031	360,059,344	337,251,445	14,033,866	7,934,853	11,455,434	-	689,190	362,051,555	(1,992,210)	50,265,853	14%	-	-	50,265,853	14%	32,904,837	44,360,271	(34,897,047)	(217,891,663)	-55%	(217,891,663)	-55%
2032	360,079,308	337,251,445	14,033,866	8,093,770	11,457,240	-	689,590	362,052,961	(1,973,653)	48,292,200	13%	-	-	48,292,200	13%	22,646,235	34,103,475	(24,619,887)	(242,511,550)	-63%	(242,511,550)	-63%
2033	360,099,913	337,251,445	14,033,866	8,255,865	11,457,675	-	688,775	362,054,211	(1,954,298)	46,337,902	13%	-	-	46,337,902	13%	19,127,750	30,585,425	(21,082,048)	(263,593,598)	-69%	(263,593,598)	-69%
2034	360,118,142	337,251,445	14,033,866	8,421,203	11,457,125	-	686,725	362,055,711	(1,937,568)	44,400,334	12%	-	-	44,400,334	12%	16,998,250	28,455,375	(18,935,818)	(282,529,416)	-75%	(282,529,416)	-75%
2035	370,429,676	337,251,445	14,033,866	8,589,847	11,458,675	-	692,525	362,051,461	8,378,215	52,778,549	15%	-	-	52,778,549	15%	16,525,500	27,984,175	(8,147,285)	(290,676,701)	-77%	(290,676,701)	-77%
2036	370,429,276	337,251,445	14,033,866	8,761,864	11,457,113	-	686,713	362,055,711	8,373,565	61,152,114	17%	-	-	61,152,114	17%	11,366,750	22,823,863	(2,993,185)	(293,669,886)	-79%	(293,669,886)	-79%
2037	370,429,476	337,251,445	14,033,866	8,937,321	11,457,288	-	689,888	362,052,711	8,376,765	58,528,879	16%	-	-	58,528,879	16%	11,363,500	22,820,788	(2,986,735)	(296,656,621)	-79%	(296,656,621)	-79%
2038	374,355,476	337,251,445	14,033,866	9,116,287	11,169,775	-	400,575	362,054,511	12,300,965	70,829,844	20%	-	-	70,829,844	20%	11,362,500	22,532,275	938,465	(295,718,156)	-79%	(295,718,156)	-79%
2039	374,355,476	337,251,445	14,033,866	9,298,833	404,188	-	404,188	351,285,311	23,070,165	93,900,009	27%	-	-	93,900,009	27%	5,922,500	6,326,688	17,147,665	(278,570,491)	-78%	(278,570,491)	-78%
2040	374,355,476	337,251,445	14,033,866	4,683,761	401,650	-	401,650	351,285,311	23,070,165	116,970,175	33%	-	-	116,970,175	33%	5,924,250	6,325,900	17,145,915	(261,424,576)	-73%	(261,424,576)	-73%
2041	374,355,476	337,251,445	14,033,866		403,250	-	403,250	351,285,311	23,070,165	140,040,340	40%	-	-	140,040,340	40%	4,788,000	5,191,250	18,282,165	(243,142,411)	-68%	(243,142,411)	-68%
2042	374,355,476	337,251,445	14,033,866		399,248	-	399,248	351,285,311	23,070,165	163,110,505	46%	-	-	163,110,505	46%	-	399,248	23,070,165	(220,072,246)	-63%	(220,072,246)	-63%
2043	374,355,476	337,251,445	14,033,866		-	-	-	351,285,311	23,070,165	186,180,670	53%	-	-	186,180,670	53%	-	-	23,070,165	(197,002,081)	-56%	(197,002,081)	-56%
2044	374,355,476	337,251,445	14,033,866		-	-	-	351,285,311	23,070,165	209,250,835	60%	-	-	209,250,835	60%	-	-	23,070,165	(173,931,916)	-50%	(173,931,916)	-50%
					385,316,798	-										405,182,751						

* Expenditures Include $8,500,000 for 27th Pay impact in 2015, and $11 million in 2026 and 2037

Assumed Growth Rates in:	
Sales Tax	0.00%
Other Revenue	0.00%
Expenses	0.00%

Assumes .25% Sales TaxNot Renewed at the end of 2027

Assumes all Hotel/Medical Mart Revenues and Expenditures are Removed.

Construction Transfers from Sales Tax

2015	13,479,760
2016	14,466,440
2017	15,868,465

25 year maturity with principal repayments beginning in 2024.
Capitalized interest for three years.
$102,433,919 of projects issued in 2014 for CIP plus remaining $78,000,000 for Western Reserve and $51,108,963 of projects in 2015
Notes issued for Demolition Projects - $13.5 Million in 15, $16.5 Million in 16, and $20 Million in 17.
Includes $50 Million additional Projects Funded in 2018

2014	102,439,919
2015	51,108,963
total	153,548,882
Metro	15,000,000
WR	100,000,000
Demo	50,000,000
2018	50,000,000
total	368,548,882
2014 STR	102,439,919
2014 WR	22,000,000
Remaining	244,108,963

Cuyahoga County, Ohio
Debt Cash Flow Model A.M.
March 25, 2015
Current Planned Issues No Growth In Revenue or Expenses and .25% Not Renewed

Oper Rev - Full Oper Exp

YEAR	Operating Revenue	Operating Expenses	Operating Transfers	Headquarters Lease	Plus Non-GO Debt	Less Hotel Revenue	Less Estimated Self Supporting	Full Operating Expenses	Operating Surplus/Deficit	Total GF Balance*
2014	-	-			-					200,113,312
2015	337,459,009	329,972,852	15,387,644	3,812,859	15,825,456		8,851,657	352,334,295	(14,875,286)	176,738,026
2016	338,824,409	332,410,299	14,033,866	5,892,886	14,094,554	-	7,095,406	353,443,313	(14,618,904)	162,119,122
2017	347,640,966	331,865,189	14,033,866	6,010,964	14,177,605	-	7,184,826	352,891,833	(5,250,867)	156,868,255
2018	356,587,787	333,902,493	14,033,866	6,131,403	18,813,816	-	7,162,046	359,588,128	(3,000,342)	153,867,913
2019	364,807,891	337,251,445	14,033,866	6,254,251	18,913,907	-	7,175,866	363,023,352	1,784,539	155,652,452
2020	378,902,777	343,998,474	14,033,866	6,379,556	24,299,328	-	7,149,477	375,180,192	3,722,586	159,375,038
2021	395,608,988	350,876,403	14,033,866	6,507,367	24,298,557	-	7,135,894	382,072,931	13,536,057	172,911,095
2022	404,633,474	357,893,931	14,033,866	6,637,734	24,256,357	-	7,110,905	389,073,250	15,560,224	188,471,319
2023	415,646,441	365,051,810	14,033,866	6,770,709	24,201,366	-	5,785,961	397,501,081	18,145,360	206,616,679
2024	425,222,857	372,352,846	14,033,866	6,906,343	24,060,505	-	1,570,683	408,876,535	16,346,322	222,963,001
2025	432,388,039	379,799,903	14,033,866	7,044,690	17,279,412	-	1,579,462	409,533,720	22,854,319	245,817,320
2026	442,573,454	387,395,901	14,033,866	7,185,804	16,739,402	-	1,522,979	416,646,190	25,927,263	260,744,583
2027	453,062,665	395,143,819	14,033,866	7,329,740	13,854,481	-	1,523,832	421,508,335	31,554,330	292,298,914
2028	442,279,742	403,046,695	14,033,866	7,476,555	13,837,393	-	1,514,765	429,403,189	12,876,553	305,175,466
2029	451,182,763	411,107,629	14,033,866	7,626,306	13,846,242	-	1,520,248	437,467,489	13,715,273	318,890,740
2030	460,357,912	419,329,782	14,033,866	7,779,052	13,839,757	-	1,519,484	445,683,921	14,673,991	333,564,730
2031	469,803,602	427,716,378	14,033,866	7,934,853	11,455,434	-	689,190	452,516,487	17,287,115	350,851,845
2032	479,538,823	436,270,705	14,033,866	8,093,770	11,457,240	-	689,590	461,072,221	18,466,602	369,318,447
2033	489,566,143	444,996,119	14,033,866	8,255,865	11,457,675	-	688,775	469,798,885	19,767,258	389,085,705
2034	499,891,289	453,896,042	14,033,866	8,421,203	11,457,125	-	686,725	478,700,308	21,190,982	410,276,687
2035	520,818,947	462,973,962	14,033,866	8,589,847	11,458,675	-	692,525	487,773,978	33,044,968	443,321,655
2036	531,753,154	472,233,442	14,033,866	8,761,864	11,457,113	-	686,713	497,037,708	34,715,447	478,037,102
2037	543,016,000	481,678,111	14,033,866	8,937,321	11,457,288	-	689,888	506,479,377	36,536,624	503,573,726
2038	558,542,526	491,311,673	14,033,866	9,116,287	11,169,775	-	400,575	516,114,739	42,427,787	546,001,513
2039	570,491,067	501,137,906	14,033,866	9,298,833	404,188	-	404,188	515,171,772	55,319,295	601,320,807
2040	582,798,064	511,160,664	14,033,866	4,683,761	401,650	-	401,650	525,194,530	57,603,534	658,924,341
2041	595,474,272	521,383,878	14,033,866		403,250	-	403,250	535,417,744	60,056,528	718,980,869
2042	608,530,765	531,811,555	14,033,866		399,248	-	399,248	545,845,421	62,685,344	781,666,213
2043	621,978,953	542,447,786	14,033,866		-	-	-	556,481,652	65,497,301	847,163,514
2044	635,830,587	553,296,742	14,033,866		-	-	-	567,330,608	68,499,979	915,663,494
					385,316,798	-				

$244,108,963 Sales Tax and Non-Tax Revenue Funded Projects through 2021

YEAR	Percent of Full Expenditures	Hotel/GC Capital R&R	Capital R&R Balance	Available GF Balance*	% of Exp	Debt Service	Total Non GO	Suplus/Deficit	Balance	% of Exp	GF Balance	% of Exp
2014				200,113,312								
2015	50%	-	-	176,738,026	50%	-	15,825,456	(14,875,286)	176,738,026	50%	176,738,026	50%
2016	46%	-	-	162,119,122	46%	868,849	14,963,402	(15,487,753)	161,250,273	46%	161,250,273	46%
2017	44%	-	-	156,868,255	44%	1,843,354	16,020,959	(7,094,222)	154,156,052	43%	154,156,052	43%
2018	43%	-	-	153,867,913	43%	4,968,968	23,782,784	(7,969,310)	146,186,742	40%	146,186,742	40%
2019	43%	-	-	155,652,452	43%	7,527,766	26,441,673	(5,743,227)	140,443,515	38%	140,443,515	38%
2020	42%	-	-	159,375,038	42%	8,395,869	32,695,197	(4,673,283)	135,770,232	35%	135,770,232	35%
2021	45%	-	-	172,911,095	45%	9,043,872	33,342,428	4,492,185	140,262,417	36%	140,262,417	36%
2022	48%	-	-	188,471,319	48%	12,476,709	36,733,067	3,083,515	143,345,932	36%	143,345,932	36%
2023	52%	-	-	206,616,679	52%	12,474,209	36,675,575	5,671,151	149,017,083	36%	149,017,083	36%
2024	55%	-	-	222,963,001	55%	13,475,709	37,536,214	2,870,613	151,887,696	36%	151,887,696	36%
2025	60%	-	-	245,817,320	60%	13,443,459	30,722,871	9,410,860	161,298,556	38%	161,298,556	38%
2026	63%	-	-	260,744,583	63%	23,549,959	40,289,361	2,377,304	163,675,860	37%	163,675,860	37%
2027	69%	-	-	292,298,914	69%	27,272,259	41,126,740	4,282,071	167,957,931	37%	167,957,931	37%
2028	71%	-	-	305,175,466	71%	31,754,369	45,591,762	(18,877,817)	149,080,115	32%	149,080,115	32%
2029	73%	-	-	318,890,740	73%	38,009,006	51,855,248	(24,293,733)	124,786,382	26%	124,786,382	26%
2030	75%	-	-	333,564,730	75%	41,148,322	54,988,079	(26,474,331)	98,312,051	20%	98,312,051	20%
2031	78%	-	-	350,851,845	78%	32,904,837	44,360,271	(15,617,722)	82,694,329	17%	82,694,329	17%
2032	80%	-	-	369,318,447	80%	22,646,235	34,103,475	(4,179,633)	78,514,696	16%	78,514,696	16%
2033	83%	-	-	389,085,705	83%	19,127,750	30,585,425	639,508	79,154,204	16%	79,154,204	16%
2034	86%	-	-	410,276,687	86%	16,998,250	28,455,375	4,192,732	83,346,936	17%	83,346,936	17%
2035	91%	-	-	443,321,655	91%	16,525,500	27,984,175	16,519,468	99,866,404	20%	99,866,404	20%
2036	96%	-	-	478,037,102	96%	11,366,750	22,823,863	23,348,697	123,215,101	24%	123,215,101	24%
2037	99%	-	-	503,573,726	99%	11,363,500	22,820,788	25,173,124	148,388,225	29%	148,388,225	29%
2038	106%	-	-	546,001,513	106%	11,362,500	22,532,275	31,065,287	179,453,512	34%	179,453,512	34%
2039	117%	-	-	601,320,807	117%	5,922,500	6,326,688	49,396,795	228,850,307	44%	228,850,307	44%
2040	125%	-	-	658,924,341	125%	5,924,250	6,325,900	51,679,284	280,529,591	53%	280,529,591	53%
2041	134%	-	-	718,980,869	134%	4,788,000	5,191,250	55,268,528	335,798,119	62%	335,798,119	62%
2042	143%	-	-	781,666,213	143%	-	399,248	62,685,344	398,483,462	73%	398,483,462	73%
2043	152%	-	-	847,163,514	152%	-	-	65,497,301	463,980,764	83%	463,980,764	83%
2044	161%	-	-	915,663,494	161%	-	-	68,499,979	532,480,743	94%	532,480,743	94%
						405,182,751						

25 year maturity with principal repayments beginning in 2024.
Capitalized interest for three years.
$102,433,919 of projects issued in 2014 for CIP plus remaining $78,000,000 for Western Reserve and $51,108,963 of projects in 2015
Notes issued for Demolition Projects - $13.5 Million in 15, $16.5 Million in 16, and $20 Million in 17.
Includes $50 Million additional Projects Funded in 2018

* Expenditures Include $8,500,000 for 27th Pay impact in 2015, and $11 million in 2026 and 2037

Assumed Growth Rates in:	
Sales Tax	3.00%
Other Revenue	0.00%
Expenses	2.00%

Construction Transfers from Sales Tax

2015	13,479,760
2016	14,466,440
2017	15,868,465

Assumes .25% Sales TaxNot Renewed at the end of 2027

Assumes all Hotel/Medical Mart Revenues and Expenditures are Removed.

2014	102,439,919
2015	51,108,963
total	153,548,882
Metro	15,000,000
WR	100,000,000
Demo	50,000,000
2018	50,000,000
total	368,548,882
2014 STR	102,439,919
2014 WR	22,000,000
Remaining	244,108,963

EXHIBIT 11

1985 - 2014 Sales Tax Collection*

Year	Actual Amount	Actual Sales Tax Rate	Amount Adjusted to represent a 1.00% Sales Tax Rate	% Increase/Decrease
1985	$38,810,850	0.50%	$77,621,700	
1986	$41,221,349	0.50%	$82,442,698	5.8%
1987	$48,221,488	0.50%	$84,387,604	2.3%
1988	$88,276,458	1.00%	$88,276,458	4.4%
1989	$95,121,222	1.00%	$95,121,222	7.2%
1990	$98,282,721	1.00%	$98,282,721	3.2%
1991	$97,549,293	1.00%	$97,549,293	-0.8%
1992	$101,881,964	1.00%	$101,881,964	4.3%
1993	$108,060,586	1.00%	$108,060,586	5.7%
1994	$117,930,930	1.00%	$117,930,930	8.4%
1995	$127,585,181	1.00%	$127,585,181	7.6%
1996	$131,551,234	1.00%	$131,551,234	3.0%
1997	$138,518,444	1.00%	$138,518,444	5.0%
1998	$146,122,594	1.00%	$146,122,594	5.2%
1999	$151,304,357	1.00%	$151,304,357	3.4%
2000	$161,909,936	1.00%	$161,909,936	6.6%
2001	$157,747,011	1.00%	$157,747,011	-2.6%
2002	$156,713,498	1.00%	$156,713,498	-0.7%
2003	$158,633,995	1.00%	$158,633,995	1.2%
2004	$167,870,952	1.00%	$167,870,952	5.5%
2005	$167,156,017	1.00%	$167,156,017	-0.4%
2006	$169,299,614	1.00%	$169,299,614	1.3%
2007	$179,932,073	1.25%	$170,076,693	0.5%
2008	$212,711,596	1.25%	$170,169,277	0.1%
2009	$194,026,358	1.25%	$155,221,087	-9.6%
2010	$205,211,697	1.25%	$164,169,358	5.5%
2011	$218,737,889	1.25%	$174,990,311	6.2%
2012	$227,706,506	1.25%	$182,165,205	3.9%
2013	$237,219,044	1.25%	$189,775,235	4.0%
2014	$249,716,331	1.25%	$199,773,065	5.0%
Average Annual Growth/Decrease from 1985-2014				**3.1%**
			5 Year Average - 2010-2014	4.9%
			10 Year Average - 2005-2014	1.6%
			15 Year Average 2000-2014	1.8%
			20 Year Average 1995-2014	2.5%
			25 Year Average 1990-2014	2.9%

Notes

1987 ~The sales tax rate in 1987 increased to 1.0% from 0.5% on October 1, 1987. The adjusted amount for 1987 estimates the first nine months of sales tax at 0.5% and the last three months of the year at 1.0%.

2007~The sales tax rate in 2007 increased to 1.25% from 1.0% on October 1, 2007. The amount adjusted for 2007 takes the first nine months actual collections at 1.0% and the actual last three months of the year at 1.25% minus the 0.25% sales tax increase.

~The sales tax rate of 0.5% was effective September 1, 1969.

*Source: State of Department of Taxation
http://www.tax.ohio.gov/tax_analysis/tax_data_series/sales_and_use/publications_tds_sales.aspx

County Council of Cuyahoga County, Ohio

Resolution No. R2014-0271

Sponsored by: **County Executive FitzGerald/Department of Development**	**A Resolution** authorizing a Casino Revenue Fund loan in the amount not-to-exceed \$4,000,000.00 to Landmark-May, LLC for the benefit of the May Company Building Project located at 158 Euclid Avenue, Cleveland; authorizing the Deputy Chief of Staff of Development or Director of Development to execute all documents consistent with said loan and this Resolution.

WHEREAS, the County Executive/Department of Development has recommended a Casino Revenue Fund loan in the amount not-to-exceed \$4,000,000.00 to Landmark-May, LLC for the benefit of the May Company Building Project located at 158 Euclid Avenue, Cleveland; and

WHEREAS, the primary goal of this project is to assist in the financing of the acquisition, redevelopment, construction and conversion of the historic May Company Building located at 158 Euclid Avenue, Cleveland, to a 350-unit apartment complex; and

WHEREAS, the project will be subject to the following, without limitation: the County's SBE Policy, adopted October 29, 2009; execution of a Workforce Development Agreement; submission of annual job creation/retention reporting; and payment of prevailing wages for that portion of the project funded by the County loan authorized herein, if applicable.

WHEREAS, this project will be funded from the Casino Tax Revenue Fund; and

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY COUNCIL OF CUYAHOGA COUNTY, OHIO:

SECTION 1. That the Cuyahoga County Council authorizes a Casino Revenue Fund loan in the amount not-to-exceed \$4,000,000.00 to Landmark-May, LLC for the benefit of the May Company Building Project located at 158 Euclid Avenue, Cleveland.

SECTION 2. That the Deputy Chief of Staff of Development or Director of Development is authorized to execute all documents required in connection with said loan agreement on behalf of the County Executive.

SECTION 3. Provided that this Resolution receives the affirmative vote of at least eight members of Council, it shall take effect and be in force immediately upon the earliest occurrence of any of the following: (1) its approval by the County Executive through signature, (2) the expiration of the time during which it may be disapproved by the County Executive under Section 3.10(6) of the Cuyahoga County Charter, or (3) its passage by at least eight members of Council after disapproval pursuant to Section 3.10(7) of the Cuyahoga County Charter. Otherwise, it shall take effect and be in force from and after the earliest period allowed by law.

SECTION 4. It is found and determined that all formal actions of this Council relating to the adoption of this Resolution were adopted in an open meeting of the Council, and that all deliberations of this Council and of any of its committees that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

On a motion by __________, seconded by _________, the foregoing Resolution was duly adopted.

Yeas:

Nays:

County Council President	Date
County Executive	Date
Clerk of Council	Date

First Reading/Referred to Committee: November 12, 2014
Committee(s) Assigned: Economic Development & Planning

Journal ______________
_______________, 20__

County Council of Cuyahoga County, Ohio

Resolution No. R2014-0272

Sponsored by: **County Executive FitzGerald/Department of Development**	**A Resolution** authorizing a Casino Revenue Fund loan in the amount not-to-exceed \$3,000,000.00 to Gateway-Huron, LLC for the benefit of the Gateway Huron Project, located at East 4th Street, Cleveland; authorizing the Deputy Chief of Staff of Development or Director of Development to execute all documents consistent with said loan and this Resolution.

WHEREAS, the County Executive/Department of Development has recommended a Casino Revenue Fund loan in the amount not-to-exceed \$3,000,000.00 to Gateway-Huron, LLC for the benefit of the Gateway Huron Project, located at East 4th Street in the City of Cleveland; and

WHEREAS, the primary goals of this project are: (1) to assist in the financing of the acquisition, remediation, redevelopment, construction and conversion of various parcels located at East 4th Street in the City of Cleveland to a 277-unit apartment complex with parking to accommodate at least 400 vehicles, and (2) for the economic development and enhancement of Downtown Cleveland; and

WHEREAS, the project will be subject to the following, without limitation: the County's SBE Policy, adopted October 29, 2009; execution of a Workforce Development Agreement; submission of annual job creation/retention reporting; and payment of prevailing wages for that portion of the project funded by the County loan authorized herein, if applicable.

WHEREAS, this project will be funded from the Casino Tax Revenue Fund; and

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY COUNCIL OF CUYAHOGA COUNTY, OHIO:

SECTION 1. That the Cuyahoga County Council authorizes a Casino Revenue Fund loan in the amount not-to-exceed \$3,000,000.00 to Gateway-Huron, LLC for the benefit of the Gateway Huron Project, located at East 4th Street in the City of Cleveland.

SECTION 2. That the Deputy Chief of Staff of Development or Director of Development is authorized to execute all documents required in connection with said loan agreement on behalf of the County Executive.

SECTION 3. Provided that this Resolution receives the affirmative vote of at least eight members of Council, it shall take effect and be in force immediately upon the earliest occurrence of any of the following: (1) its approval by the County Executive through signature, (2) the expiration of the time during which it may be disapproved by the County Executive under Section 3.10(6) of the Cuyahoga County Charter, or (3) its passage by at least eight members of Council after disapproval pursuant to Section 3.10(7) of the Cuyahoga County Charter. Otherwise, it shall take effect and be in force from and after the earliest period allowed by law.

SECTION 4. It is found and determined that all formal actions of this Council relating to the adoption of this Resolution were adopted in an open meeting of the Council, and that all deliberations of this Council and of any of its committees that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

On a motion by __________, seconded by _________, the foregoing Resolution was duly adopted.

Yeas:

Nays:

_________________________	__________
County Council President	Date
_________________________	__________
County Executive	Date
_________________________	__________
Clerk of Council	Date

First Reading/Referred to Committee: November 12, 2014
Committee(s) Assigned: Economic Development & Planning

Journal ______________
_______________, 20__

EXHIBIT 14

Cuyahoga County Fiscal Office - OBM
PRIOR YEAR BUDGET TO ACTUALS COMPARISON
Summary of Revenues, Expenditures and Changes in Fund Balance

General Fund Operating	2010 Actual	2011 Original Budget	2011 Current Budget	2011 Actual	2011 Budget Variance	2010 - 2011 Change
AVAILABLE BEGINNING BALANCE	**$212,609,056**	**$149,382,060**	**$149,382,060**	**$149,382,060**	**$0**	**($63,226,996)**
OPERATING REVENUE						
Property Taxes	22,412,627	13,447,800	13,447,800	14,183,988	736,189	(8,228,639)
Sales And Use Tax	204,063,284	207,868,737	208,368,737	216,589,257	8,220,521	12,525,973
Licenses And Permits	88,813	87,538	87,538	55,100	(32,438)	(33,713)
Fines And Forfeitures	10,984,159	9,791,374	9,791,374	9,598,765	(192,609)	(1,385,394)
Charges For Services	45,502,432	46,174,971	46,174,971	43,989,080	(2,185,893)	(1,513,351)
Local Government Fund	33,543,674	32,500,000	32,500,000	33,704,385	1,204,385	160,711
Other Intergovernmental	17,163,775	14,061,155	14,061,155	12,788,318	(1,272,838)	(4,375,459)
Other Taxes	5,104	4,000	2,204,000	2,472,213	268,214	2,467,109
Investment Earnings	18,039,904	15,555,000	13,050,000	12,525,501	(3,029,500)	(5,514,403)
Miscellaneous	17,780,984	7,189,259	7,189,259	10,618,014	3,428,754	(7,162,970)
TOTAL OPERATING REVENUE	**$369,584,756**	**$346,679,835**	**$346,874,835**	**$356,524,622**	**$7,144,785**	**($13,060,136)**
TOTAL REVENUE	**$369,584,756**	**$346,679,835**	**$346,874,835**	**$356,524,622**	**$7,144,785**	**($13,060,136)**
TOTAL AVAILABLE RESOURCES	**$582,193,812**	**$496,061,895**	**$496,256,895**	**$505,906,682**	**$7,144,785**	**($76,287,132)**
OPERATING EXPENDITURES						
General Government	57,768,375	52,009,002	54,371,233	42,016,664	12,354,566	(15,751,711)
Justice and Public Safety	230,272,411	232,020,805	228,663,602	219,892,905	8,770,692	(10,379,505)
Development	3,570,258	3,771,375	4,410,190	3,380,107	1,030,084	(190,151)
Social Services	6,293,872	7,189,549	7,284,746	6,262,596	1,022,150	(31,276)
Health and Safety	352,094	535,163	353,909	158,483	195,425	(193,613)
Miscellaneous	128,558,303	24,231,594	31,656,007	29,337,819	2,318,185	(99,220,482)
TOTAL OPERATING EXPENDITURES	**$426,976,504**	**$319,757,488**	**$326,323,563**	**$301,188,574**	**$25,134,978**	**($125,787,929)**
OTHER FINANCING USES	**$5,835,248**	**$7,274,772**	**$27,127,132**	**$26,196,416**	**$930,716**	**$20,361,168**
TOTAL EXPENDITURES	**$432,811,752**	**$327,032,260**	**$353,450,695**	**$327,384,990**	**$26,065,694**	**($105,426,761)**
ENDING BALANCE BEFORE ADJ.	**$149,382,060**	**$169,029,635**	**$142,806,200**	**$178,521,692**	**$35,715,492**	**$29,139,629**
RESERVES ON AVAILABLE BALANCE						
Economic Developement Reserve	0	0	0	0	0	0
Other Strategic Initiatives	0	0	0	0	0	0
Gateway Bond Guaranty	0	(3,367,634)	(3,367,634)	(3,367,634)	0	0
Shaker Square Bond Guaranty	0	(24,900)	(24,900)	(24,900)	0	0
Medical Mart Operating Reserve	0	0	0	0	0	0
Whiskey Island Purchase Reserve	0	(1,668,000)	(1,668,000)	(1,668,000)	0	0
27th Payroll Reserve	0	(10,475,000)	(10,475,000)	(10,475,000)	0	0
IT Automation Reserve	0	(2,000,000)	(2,000,000)	(2,000,000)	0	0
IT Enterprise Reserve	0	0	0	0	0	0
Settlement Order Reserve	0	(2,937,898)	(2,937,898)	(2,937,898)	0	0
Carryover Encumbrance	0	(13,613,036)	(13,613,036)	(13,613,036)	0	0
TOTAL ADJUSTMENTS TO BALANCE	**$0**	**($34,086,468)**	**($34,086,468)**	**($34,086,468)**	**$0**	**$0**
TOTAL AVAILABLE ENDING BALANCE	**$149,382,060**	**$134,943,167**	**$108,719,732**	**$144,435,224**	**$35,715,492**	**($4,946,836)**
BALANCE TO EXPENDITURES %	**34.5%**	**41.3%**	**30.8%**			

EXHIBIT 15

Cuyahoga County of Ohio

Cuyahoga County Fiscal Office - OBM
PRIOR YEAR BUDGET TO ACTUALS COMPARISON
Summary of Revenues, Expenditures and Changes in Fund Balance

General Fund Operating	2011 Actual	2012 Original Budget	2012 Current Budget Revised	2012 Actual	2012 Budget Variance	2011 - 2012 Change
AVAILABLE BEGINNING BALANCE	**$149,382,064**	**$178,521,696**	**$178,521,696**	**$178,521,696**	**$0**	**$29,139,632**
OPERATING REVENUE						
Property Taxes	14,183,988	15,539,064	15,539,064	14,818,423	(720,641)	634,434
Sales And Use Tax	216,589,257	223,563,929	223,563,929	226,787,081	3,223,152	10,197,824
Licenses And Permits	55,100	80,862	80,862	55,260	(25,602)	160
Fines And Forfeitures	9,598,765	10,700,042	10,700,042	9,320,384	(1,379,658)	(278,381)
Charges For Services	43,989,080	47,015,620	47,015,620	53,155,003	6,139,379	9,165,917
Local Government Fund	33,704,385	23,484,640	23,484,640	22,990,045	(494,595)	(10,714,340)
Other Intergovernmental	12,788,318	13,437,069	13,437,069	13,448,286	11,217	659,967
Other Taxes	2,472,213	2,661,357	2,661,357	3,234,851	573,494	762,637
Investment Earnings	12,525,501	13,350,000	13,350,000	6,637,983	(6,712,017)	(5,887,518)
Miscellaneous	10,618,014	4,764,310	4,764,310	5,339,786	575,476	(5,278,227)
TOTAL OPERATING REVENUE	**$356,524,622**	**$354,596,893**	**$354,596,893**	**$355,787,103**	**$1,190,205**	**($737,527)**
TOTAL REVENUE	**$356,524,622**	**$354,596,893**	**$354,596,893**	**$355,787,103**	**$1,190,205**	**($737,527)**
TOTAL AVAILABLE RESOURCES	**$505,906,686**	**$533,118,589**	**$533,118,589**	**$534,308,799**	**$1,190,205**	**$28,402,105**
OPERATING EXPENDITURES						
General Government	42,016,664	54,440,123	51,687,898	47,749,852	6,690,271	5,733,191
Justice and Public Safety	219,892,905	228,238,894	237,797,870	233,355,358	(5,116,474)	13,462,463
Development	3,380,107	3,642,920	4,262,219	3,698,816	(55,896)	318,710
Social Services	6,262,596	7,499,224	8,080,692	7,067,321	431,903	804,727
Health and Safety	158,483	1,172,282	1,293,903	752,146	420,137	593,662
Miscellaneous	29,337,819	14,428,305	15,169,505	15,068,410	(640,105)	(14,269,408)
TOTAL OPERATING EXPENDITURES	**$301,048,574**	**$309,421,748**	**$318,282,362**	**$307,691,903**	**$1,729,836**	**$6,643,345**
OTHER FINANCING USES	**$26,336,416**	**$44,019,068**	**$44,555,404**	**$43,232,363**	**$786,705**	**$16,895,946**
TOTAL EXPENDITURES	**$327,384,990**	**$353,440,816**	**$362,837,766**	**$350,924,266**	**$2,516,541**	**$23,539,291**
ENDING BALANCE BEFORE ADJ.	**$178,521,696**	**$179,677,773**	**$170,280,823**	**$183,384,533**	**$13,103,710**	**$4,862,814**
RESERVES ON AVAILABLE BALANCE						
Economic Developement Reserve	0	(8,000,000)	(8,000,000)	(8,000,000)	0	0
Other Strategic Initiatives	0	(6,000,000)	(6,000,000)	(6,000,000)	0	0
Gateway Bond Guaranty	0	(3,382,476)	(3,382,476)	(3,382,476)	0	0
Shaker Square Bond Guaranty	0	(33,700)	(33,700)	(33,700)	0	0
Medical Mart Operating Reserve	0	(3,290,659)	(3,290,659)	(3,290,659)	0	0
Whiskey Island Purchase Reserve	0	(1,508,000)	(1,508,000)	(1,508,000)	0	0
27th Payroll Reserve	0	(10,500,000)	(10,500,000)	(10,500,000)	0	0
IT Automation Reserve	0	(2,000,000)	(2,000,000)	(2,000,000)	0	0
IT Enterprise Reserve	0	(2,000,000)	(2,000,000)	(2,000,000)	0	0
Settlement Order Reserve	0	(2,711,498)	(2,711,498)	(2,711,498)	0	0
Carryover Encumbrance	0	(12,203,151)	(12,203,151)	(12,203,151)	0	0
TOTAL ADJUSTMENTS TO BALANCE	**$0**	**($51,629,484)**	**($51,629,484)**	**($51,629,484)**	**$0**	**$0**
TOTAL AVAILABLE ENDING BALANCE	**$178,521,696**	**$128,048,289**	**$118,651,339**	**$131,755,049**	**$13,103,710**	**($46,766,647)**
BALANCE TO EXPENDITURES %	**54.5%**	**36.2%**	**32.7%**	**37.5%**		

EXHIBIT 16

Cuyahoga County Fiscal Office - OBM
PRIOR YEAR BUDGET TO ACTUALS COMPARISON
Summary of Revenues, Expenditures and Changes in Fund Balance

General Fund Operating	2012 Actual	2013 Original Budget	2013 Current Budget Revised	2013 Actual	2013 Budget Variance	2012 - 2013 Change
AVAILABLE BEGINNING BALANCE	**$178,521,692**	**$183,384,529**	**$183,384,529**	**$183,384,529**	**$0**	**$4,862,837**
OPERATING REVENUE						
Property Taxes	14,818,423	13,909,658	13,909,658	13,923,275	13,617	(895,148)
Sales And Use Tax	226,787,081	234,951,524	234,951,524	237,306,506	2,354,982	10,519,425
Licenses And Permits	55,260	52,598	52,598	91,498	38,900	36,238
Fines And Forfeitures	9,320,384	9,774,039	9,774,039	9,297,026	(477,013)	(23,358)
Charges For Services	53,155,003	57,656,443	57,656,443	56,760,272	(896,171)	3,605,272
Local Government Fund	22,990,045	17,749,292	17,749,292	17,367,247	(382,045)	(5,622,798)
Other Intergovernmental	13,448,286	12,241,633	12,241,633	12,160,384	(81,249)	(1,287,901)
Other Taxes	3,234,851	3,442,424	3,442,424	3,842,351	399,927	607,501
Investment Earnings	6,637,983	4,150,000	4,150,000	0	(4,150,000)	(6,637,984)
Miscellaneous	5,339,786	6,300,966	6,300,966	7,363,801	1,062,835	2,024,015
TOTAL OPERATING REVENUE	**$355,787,103**	**$360,228,577**	**$360,228,577**	**$358,112,360**	**($2,116,217)**	**$2,325,262**
TOTAL REVENUE	**$355,787,103**	**$360,228,577**	**$360,228,577**	**$358,112,360**	**($2,116,217)**	**$2,325,262**
TOTAL AVAILABLE RESOURCES	**$534,308,795**	**$543,613,106**	**$543,613,106**	**$541,496,889**	**($2,116,217)**	**$7,188,099**
OPERATING EXPENDITURES						
General Government	47,749,852	63,746,970	72,729,763	55,760,827	7,986,143	8,010,971
Justice and Public Safety	233,355,358	227,219,954	234,797,200	223,479,834	3,740,120	(9,875,525)
Development	3,698,816	3,634,602	3,970,545	3,648,394	(13,791)	(50,423)
Social Services	7,067,321	7,032,519	9,456,774	6,882,505	150,014	(184,817)
Health and Safety	752,146	1,197,997	782,972	562,279	635,718	(189,867)
Miscellaneous	15,068,410	13,769,455	14,224,010	12,859,879	909,576	(2,208,531)
TOTAL OPERATING EXPENDITURES	**$307,691,903**	**$316,601,497**	**$335,955,775**	**$303,193,718**	**$13,407,780**	**($4,498,192)**
OTHER FINANCING USES	**$43,232,363**	**$45,107,348**	**$54,490,503**	**$50,889,796**	**($5,782,448)**	**$7,657,432**
TOTAL EXPENDITURES	**$350,924,266**	**$361,708,845**	**$390,446,278**	**$354,083,514**	**$7,625,332**	**$3,159,240**
ENDING BALANCE BEFORE ADJ.	**$183,384,529**	**$181,904,261**	**$153,166,828**	**$187,413,375**	**$5,509,114**	**$4,028,859**
RESERVES ON AVAILABLE BALANCE						
Economic Developement Reserve	0	0	0	0	0	0
Other Strategic Initiatives	0	0	0	0	0	0
Gateway Bond Guaranty	0	0	0	0	0	0
Shaker Square Bond Guaranty	0	0	0	0	0	0
Medical Mart Operating Reserve	0	0	0	0	0	0
Whiskey Island Purchase Reserve	0	0	0	0	0	0
27th Payroll Reserve	0	0	0	0	0	0
IT Automation Reserve	0	0	0	0	0	0
IT Enterprise Reserve	0	0	0	0	0	0
Settlement Order Reserve	0	0	0	0	0	0
Carryover Encumbrance	0	(11,365,344)	(11,365,344)	(11,365,344)	0	0
TOTAL ADJUSTMENTS TO BALANCE	**$0**	**($11,365,344)**	**($11,365,344)**	**($11,365,344)**	**$0**	**$0**
TOTAL AVAILABLE ENDING BALANCE	**$183,384,529**	**$170,538,917**	**$141,801,484**	**$176,048,031**	**$5,509,114**	**$4,028,859**
BALANCE TO EXPENDITURES %	**52.3%**	**47.1%**	**36.3%**	**49.7%**		

Med Mart Project Summary of Sources and Uses		2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Budget	2016 Budget	2017 Estimate
Sources								
0.25% County Sales Tax	0729	43,192,730	45,352,598	47,437,063	49,343,489	50,418,738	51,951,368	53,510,332
Rev 1% Bed Tax - Medical Mart	0754	2,215,716	2,973,301	0	3,159,890	4,245,567	4,745,567	4,745,567
Rev CVB Bed Tax Pmt - Med Mart	0745	250,000	250,000	3,770,235	1,226,315	1,627,980	1,627,980	1,627,980
Non Tax Revenue Available for Med Mart		**45,658,446**	**48,575,899**	**51,207,298**	**53,729,694**	**56,292,285**	**58,324,915**	**59,883,879**
Uses								
GCHI/Convention Center		17,369,820	31,158,884	31,161,790	32,658,238	32,660,239	32,661,060	27,976,406
Operating Payments **		27,548,510	12,702,438	10,265,141	7,542,168	4,525,104	4,615,606	4,615,606
Hotel Debt Service							3,769,817	13,566,749
Total Uses		**44,918,330**	**43,861,322**	**41,426,931**	**40,200,406**	**37,185,343**	**41,046,483**	**46,158,761**
Annual Addition to Project Contingency *		***740,116***	***4,714,577***	***9,780,367***	***13,529,288***	***19,106,942***	***17,278,432***	***13,725,118***

* Bed tax revenue includes annual contributions from Positively Cleveland

** Operating payments include contribution to construction account in 2011 and 2012

*** Deposited in contingency account or held in County General Fund

County 0.25% Sales Tax Collections
with MMCC Sources and Uses Segregated
4.15.15

	2008 0.25% SalesTaxes Sources and Uses	2009 0.25% SalesTaxes Sources and Uses	2010 0.25% SalesTaxes Sources and Uses	2011 0.25% SalesTaxes Sources and Uses	2012 0.25% SalesTaxes Sources and Uses	2013 0.25% SalesTaxes Sources and Uses	2014 0.25% SalesTaxes Sources and Uses	2015 Budget 0.25% Sales Taxes Sources and Uses
Property Taxes								
Sales and Use Taxes	42,142,525	38,536,880	40,666,195	43,192,730	45,352,598	47,437,063	49,343,489	50,418,738
Licenses and Permits								
Fines and Forfeitures								
Charges For Services								
Local Governement Fund								
Other Intergovernmental								
Other Taxes				2,465,716	3,223,301	3,770,235	4,386,205	5,873,547
Investment Earnings								
Miscellaneous								
TOTAL REVENUES	**42,142,525**	**38,536,880**	**40,666,195**	**45,658,446**	**48,575,899**	**51,207,298**	**$ 53,729,694**	**56,292,285**
General Government				-	-	-	-	-
Justice and Public Safety								
Development								
Social Services								
Health and Safety								
Miscellaneous			116,414,142	27,548,510	12,702,438	10,265,141	8,760,500	4,525,104
Operating Expenditures	-	-	**116,414,142**	**27,548,510**	**$ 12,702,438**	**$ 10,265,141**	**8,760,500**	**4,525,104**
Other Financing Uses	-	-	-	**17,369,820**	**31,158,884**	**31,161,790**	**32,148,784**	**32,142,415**
TOTAL EXPENDITURES	-	-	**$ 116,414,142**	**44,918,330**	**43,861,322**	**41,426,931**	**40,909,284**	**36,667,519**
OPERATING SURPLUS/(DEFICIT)	42,142,525	38,536,880	(75,747,947)	740,116	4,714,577	9,780,367	$ 12,820,410	19,624,766

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TRANSCRIPTION OF AUDIO PROCEEDINGS

CUYAHOGA COUNTY BUDGET BRIEFING PRESS CONFERENCE

MARCH 26, 2015

- - - -

Susan M. Ottogalli, RMR
Official Court Reporter
Cuyahoga County, Ohio

THURSDAY, MARCH 26, 2015

MR. BUDISH: Good morning, everybody. Thanks for joining us today.

Since I took office in January, I've been meeting with lots of people throughout the community, and that includes the hundred business leaders in the hundred days that I've mentioned earlier and we have completed that. The information that we've been able to get, the advice I've got, the counsel has been excellent from all the people I met with. It's been very helpful in terms of fashioning the vision for this county that I and Sharon Sobol Jordan and my team have, the vision to create jobs, prepare people for jobs and streamline government.

Also, we've spent a lot of time getting answers to questions that we have about the budget. I need to get my arms around the budget, and we've been able to do that. We've dug into the financials and I've had help from a number of people to do that. I want to especially thank Chris Murray, who's with the county, and Tim Offtermatt with Stifel. I don't want to misstate it. Stifel.

And George Hillow with McGlradrey. Both of whom are extremely well versed in financial matters.

We have a serious situation with two big issues. First is that it stems from the fact we've done some wonderful things here in the county over the last several years, some big projects, projects that have created a momentum and a real buzz about Northeast Ohio and around the country, projects like the Convention Center and the Global Center and the new hotel and this administration building, major projects that have created a momentum and are moving us in the right direction here in this county; however, we have to pay for those projects, and we've paid through the issuance of bonds, which is borrowing, and we will be paying those bonds off for years.

There's very little capacity right now to take on more debt for projects for around a decade or more, more like 12 years, until 2027. And, in fact, the debt service payments that we've already incurred actually go up over those years by, in some years, as much as $10 million a year.

The reason this is a concern is because we have huge capital needs staring us in the face as a county. We have the Justice Center. We have Metro where we must do something, and then we have a lot of other capital projects that are being requested of the county, things like the new Nucleus Project, the Q, the May Company project and many others. And I have to say that I envision a number of new initiatives for the county as well so that we can continue to move forward as a county.

The second issue that I wanted to mention is related, and that's because we've, as a county, committed or anticipated at the end of last year additional capital projects which would require additional debt, in-debt service.

These include the demolition bonds, the arrest of the Western Reserve Fund, the Critical Care Pavilion for Metro, the pedestrian bridge, the Huntington Garage and some other projects as well.

The impact of adding these, which

have not yet been bonded, it's hard to say for sure because it depends on how that move forward with new bonding is structured. You can structure things in a lot of different ways but clearly that will increase our debt service under a number of scenarios by as much as $40 million a year, and it leaves little or no additional capacity into the mid to late 2030s.

This is a serious situation, but it's not any kind of panic situation. We can and we will find room in our budget so that we can continue to be a major contributor, a major partner in the public private partnership that is moving our county forward in the areas of economic development, and we will continue to be a major driver for prosperity and success in the region.

And, keep in mind, we still have a $200 million reserve fund, which is, I believe, the largest of any county in the State of Ohio.

One last point that I want to make is that we do start the year looking at about a $15 million operating deficit. This apparently is caused by a number of factors, most important is, I believe, that the quarter percent sales tax which was designed to help pay for the Convention Center, the Global Center, and now the hotel, those revenues were actually put into the general fund. They were not segregated. And I believe that gave the impression that our operating revenues were actually larger than they actually were for other purposes.

Now, this operating deficit is not unusual and it's very manageable, and we will manage it and it should not be a major problem, but I just wanted to give you all the facts and information.

As I started out, we will continue to play a lead role in the economic revitalization of our region. We will tighten up on our budget process, and we will find room in the budget for important projects and programs.

I want to announce today that I'm taking five immediate action steps.

First, we will segregate the one quarter percent sales tax for the Convention

Center, Global Center and hotel so that there will be no confusion going forward with our actual budget capacity.

Second, I will be introducing my new fiscal officer who started yesterday, Dennis Kennedy. This is a welcome to the new job.

Third, we will adopt a more disciplined approach to budgeting. Right now we have a two-year budget cycle. The Executive provides a proposed budget to the county council. That will happen next, in I believe mid October. Council considers the budget, changes it, amends it, holds its hearings and adopts a budget. That's all good. That's the way it should be. In fact, that's how you set priorities in the budget through the budget process.

However, I have found since I've started in this position that new contracts and new expenditures are constantly being brought to the Boards of Control, contracts and purchasing, and directly to council. And they're considered almost on an ad hoc basis. Since the beginning of the year, I've adopted a more disciplined approach. Every week I have met with my department heads, and we have them explain and justify every requested item. If there's no exceptional need, if there's not an emergency or if it doesn't save the county money or things like that, then the item should wait and will wait until the next budget cycle so it can go through the more disciplined budget process that council and the Executive go through.

Fourth, we will begin to establish designated reserves for capital projects and the 27th pay that come up. One of the issues, primary issues, contributing by the way to the deficit as we start this year is that this is a 27th pay year. We pay employees at the county every two weeks. Every 11 years there's a 27th pay, which is about $8 and-a-half million, and we need to make sure we're reserving and actually reserving funds for that into the future so these new expenses don't hit all in one year.

And, finally, I have established, or I will be establishing, a task force of financial and business experts in our community to help analyze the budget and to help us find room in the budget so that we can continue to be a leader in the county, a move to prosperity. This is in formation but I can tell you that people who have already accepted to participate include both Tim Offtermatt and George Hillow. As I said, George is with McGladrey; Tim is with Stifel. Don Kimble, who is the CFO at Key Corp. David Goodman, a partner at Squires Patton Boggs. Eric Friedman, formally with Deloitte. Steve Strnisha, CEO of Cleveland International Fund. Yvette Ittu, who's the executive vice president for finance and operations at the GCP. And Stephanie McHenry, vice president of Finance at CSU. I appreciate their help. They are all serving on a volunteer capacity and they will again help us as we review, analyze the budget, and create room within the budget so that we with stabilize the budget and streamline our organization. We will find funds in the budget so we can continue to move our county forward. We will continue to be a major player. We will invest wisely in our future here in Cuyahoga County. We will lead the public private partnership forward, that is economically rejuvenating Cuyahoga County.

And thank you all for listening and coming today.

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(The proceedings were adjourned.)

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C E R T I F I C A T E

I, Susan M. Ottogalli, Official Court Reporter for the Court of Common Pleas, Cuyahoga County, Ohio, do hereby certify that as such reporter I took down in stenotype all of the proceedings from the audio/videotape in the above-entitled cause; that I have transcribed my said stenotype notes to the best of my ability into typewritten form, as appears in the foregoing Transcript of Proceedings; that said transcript is a complete record of the proceedings had in said cause and constitutes a true and correct Transcript of Proceedings had therein as the quality of the recording allowed.

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Susan M. Ottogalli, RMR
Official Court Reporter
Cuyahoga County, Ohio

TRANSCRIPTION OF AUDIO PROCEEDINGS OF:

MINUTES

CUYAHOGA COUNTY FINANCE & BUDGETING COMMITTEE MEETING

MONDAY, APRIL 6, 2015

CUYAHOGA COUNTY ADMINISTRATIVE HEADQUARTERS

C. ELLEN CONNALLY COUNCIL CHAMBERS - 4th FLOOR

1:00 P.M.

Susan M. Ottogalli, RMR
Official Court Reporter
Cuyahoga County, Ohio

MONDAY AFTERNOON SESSION, APRIL 6, 2015

MR. GREENSPAN: Madam clerk, we'll go ahead and call the meeting to order. Clerk, please call the roll.

MADAM CLERK: Calling the roll. Mr. Greenspan?

MR. GREENSPAN: Here.

MADAM CLERK: Mr. Miller?

MR. MILLER: Here.

MADAM CLERK: Mr. Jones? Mr. Jones is absent.

Mr. Hairston?

MR. HAIRSTON: Here.

MADAM CLERK: Mr. Gallagher?

MR. GALLAGHER: Here.

MADAM CLERK: Mr. Schron?

MR. SCHRON: Here.

MADAM CLERK: Ms. Brown?

MS. BROWN: Here.

MADAM CLERK: We have a quorum, and I'd like the record to reflect that Mr. Brady, Ms. Conwell, Mr. Germana and Ms. Simon are in attendance.

MR. GREENSPAN: Great. Thank you. I thank everyone for their attendance.

This is the Cuyahoga County Finance and Budgeting Committee meeting.

Before us we have the minutes for the March 16th meeting. If there are any amendments or adjustments, I will entertain them. If not, I will entertain a motion to approve the minutes as submitted.

SPEAKER: So moved.

MR. GREENSPAN: Motion is made. Is there a second?

SPEAKER: Second.

MR. GREENSPAN: Motion is made and seconded. Discussion on the motion? Hearing none, all in favor signify by saying I.

ALL: I.

MR. GREENSPAN: Opposed? The minutes are approved.

Matters for committee, we have none. We have one item of miscellaneous business. If the clerk will just read that title.

MADAM CLERK: Discussion of the county's finances budget and debt capacity.

MR. GREENSPAN: Great. Thank

you.

I want to just refer everyone, my colleagues as well as those in attendance, that we have an extensive agenda package that's been put together, and in the package, among other things, is a memo from me, and I will read a brief portion of it. Also is a table of contents containing a number of exhibits that council, staff, the Administration and myself have put together various documents. They're contained -- page 14 is the table of contents, and beyond that are the related exhibits which we'll be referring to during various portions of today's committee meeting.

I'll go ahead and read briefly the statement that I prepared regarding the purpose of this meeting.

Section 301 of the Charter empowers the county council as a legislative and taxing authority of the county and as a co-equal branch of the government with the Executive branch, thus declaring the co-equal branch of county government, the charter and acts, checks and balances relationship of the legislative branch to the executive branch and vice versa.

Accordingly, the Council is within its purview to question, review and verify financial, operational and/or policy initiative statements or programs of the executive branch.

The Finance and Budget Committee meeting has been called to discuss a few very finite finance and debt issues.

On March 26, 2015, County Executive Budish stated in a press conference the county is facing a, quote, serious situation, end quote, as it relates to its financial health. It's my intent as chair of this committee and a member of this council not to conduct a hearing or meeting for the purpose of being adversarial or contradictory towards the Administration but to simply better understand the statements made during the press conference as well as information presented to Council that it relied upon in making its decisions over the past four weeks and months.

This meeting is a culmination of and collaboration of council members, its staff, members of the Office of Budget and Management as well as outside consultants to the County. To review the progress the County has made and the steps that have been taken to bring us to this point, we have, and I've listed each of you have a copy of the various reports that were used and there so contained in the exhibit.

This meeting will be conducted in a very orderly, professional and deliberate manner. The agenda has been prepared to address very specific topics, and once each subject matter has been dispensed with, we will move on to the next subject. After each presentation is concluded, a question answer period will be afforded each member, and each member will be able to ask up to three questions per round of Q&A. And we will hold as many rounds of Q&A per subject as needed. We may hold additional hearings in the next couple of weeks, if necessary.

So, as I stated previously, we've divided the agenda up into various topics. There are a number of topics which were addressed in the Executive's press conference, and we will address them. A number of members of Council as well as staff submitted questions to the Administration which we received answers this morning, and we will have Chris Murray come forward and move through each of the topics.

The first topic that we will address will be the discussion regarding the 27th pay reserve.

So, Mr. Murray, what I'd like you to do is address the committee on the questions that were asked relating to the 27th pay, and those were contained in question two of the list of questions submitted to the Administration for response.

MR. MURRAY: Thank you, Councilman Greenspan. Good afternoon, members of the Finance Committee and members of Council. Chris Murray, Office of Budget and Management.

In terms of the 27th pay, the 27th pay issue is related to, I guess, in terms of differences in the reporting structure of our OBM schedule of reports. There is a --

MR. GREENSPAN: Let me ask you

this -- I may interrupt from time to time. Just give a brief overview of the 27th pay and what we're talking about.

MR. MURRAY: The 27th pay is a financial mechanism. Essentially every 11 years because of the biweekly nature of our payroll, we have a year where we have one additional pay, and essentially this happens every 11 years.

In terms of the way we've handled this or administrated this in Cuyahoga County, we set aside a general fund of resources each year to cover the 27th pay. So essentially we take 11 years and we slowly build our general fund reserve balance to cover this expense.

So in 2015, we will need to appropriate one additional pay. The appropriation of that pay is going to be determined based on our current payroll at that time. We could have easily divided our current budget by 126 and then just added that as a part of the 2015 appropriation measure, but I thought it would be more prudent if we waited. We have these reserves set aside so the resources are there for this appropriation, but I will be -- I can give you a better number for what that actual 27th pay will be based on our current year activity analysis of vacancies, filled positions, anticipated positions, all of that. All of that would be incumbent upon a 27th pay forecast.

So, the plan for the Office of Budget and Management was to bring forward a recommendation for that 27th pay around the mid-year time frame and then we can discuss that along with any other formal budget actions that we would contemplate during the mid-year, mid-year review.

MR. GREENSPAN: Okay. Thank you. I will entertain questions from my colleagues. I've got a number of them, but I will defer any questions. Okay.

Let me start with from a presentation perspective, and I am going to go back into the package, into page 18, Exhibit 2, which was the approved budget that Council approved at the end of 2013 for the '14 and '15 budget. And what we've done is we've actually highlighted the 27th pay reserve as an item in the 2013 budget which rolls forward into the 2014 beginning budget. Correct?

MR. MURRAY: The reserve that you've highlighted, it rolls forward in the balance.

MR. GREENSPAN: Correct.

MR. MURRAY: Right.

MR. GREENSPAN: So the statement that the 27th pay was not accounted for may be a matter of semantics in the sense that the general population may read that statement that Council was unaware and that the Administration itself and the county government was unaware that the 27th pay was coming. So that the more correct assertion is that the 27th pay was anticipated and so reserved, correct?

MR. MURRAY: That is correct.

MR. GREENSPAN: So to say it wasn't accounted for may not be -- it's semantics, but it clearly indicates by this document and what you just stated and what we believe to be true is that we were made aware and the Administration was aware that 27th pay was coming and funds were reserved.

MR. MURRAY: Yes. Funds were reserved. Again, we're talking about the difference between columns on two separate reports.

MR. GREENSPAN: Great.

MR. MURRAY: I assure you the 27th pay is anticipated. It has to be formally budgeted, but the 27th pay resources are there.

MR. GREENSPAN: Okay. And even going so far as to look at Exhibit 4 on page 20, which was the final financial statement, general fund that we received on December 12th of last year, the 27th pay was even reserved and presented there and rolled forward into the 2015 budget; is that correct?

MR. MURRAY: Yes.

MR. GREENSPAN: Okay. So not only did we see it in 2013, and I didn't go back to look at the previous budgets, not only that we inherited when we took over this new government, the original budget that was prepared by this county during our first four years in office, but it also was presented in 2013 and it was further stated to us again in as late as three months ago, we're now moving into the fourth month, in December, that that money was still reserved and if you look and follow the ideology of the budget, it was not only reserved, but it continued to roll forward into the 2015 final budget column, correct?

MR. MURRAY: Yes. It is in the '15 final budget column. I think, again, what we're talking about, we're making distinctions between the 2015 final budget which has projection columns -- this is probably getting into more OBM parlance than you would like, but there are projection columns and then there's budget columns and then there's year-to-date actual columns. So I think some of the confusion or the discrepancy was based on which report you were looking at at that moment.

MR. GREENSPAN: Let me ask you since we're still on Exhibit 4, in the operating expenditure category leading up to the total operating expenditures totaling 334 million -- once again, we're just talking general fund.

MR. MURRAY: Uh-huh.

MR. GREENSPAN: When that budget was compiled, was the 27th pay expenditure anticipated in those expenditure related numbers?

MR. MURRAY: It is not in the operating expenditure budget as passed, correct.

MR. GREENSPAN: So why, why if we knew and this report even reflects the 27th pay as being a reserve number and the cash being so reserved, why then under the expenditures wasn't the 27th pay anticipated -- or I shouldn't say anticipated. We've acknowledged that it's been anticipated. Why was it not reflected in the budget? So you are saying this budget includes 26 pays, but we knew the 27th pay was going to be made in 2015. Why was that --

MR. MURRAY: The budget expenditures include 26 pays, correct.

MR. GREENSPAN: Why not 27 if we knew we were going to pay it in 2015?

MR. MURRAY: The 27th pay, that number, that $11 million, that's an estimate. I believe that is our total county impact. Yeah, total estimated impact for the 27th pay. I think essentially that became a call for me. I didn't think that -- I thought that since this was a 27th pay and it's an extra, it only comes around every 11 years, so as not to over appropriate that expense, I could take a better look at that 27th pay, bring it to Council during the mid-year review process where we formally bring you mid-year adjustments. I thought that would be a better number than than a number that I came up with in the fourth quarter of 2014 in this case.

MR. GREENSPAN: But let me ask you --

MR. MURRAY: So that was my call.

MR. GREENSPAN: So let me ask you this: So if we knew revenue was roughly $390 million and this budget reflects total expenditures, we will include other financing at 287, right? So we have basically a $300 million -- well, it says at the bottom, $320,000 surplus, but that does not include 8 and-a-half to $11 million worth of expenses;

is that correct?

MR. MURRAY: That is correct.

MR. GREENSPAN: So, in essence, then based on the information we were presented, we were anticipating adopting a budget that was within, with either operating in surplus or within a tolerable level of being pretty close to now looking at a budget that the Administration was aware had 8 and-a-half to $11 million worth of expense not included? So effectively --

MR. MURRAY: What I would say to you is this: The $386 million that is currently budgeted, if you look at the history of the county, we do tend to under spend.

MR. GREENSPAN: No. I understand.

MR. MURRAY: We tend to under spend that. And, again, if we look at revenues that are based on our 2014 projection with associated increases that the surplus that we're talking about, I think it's going to be considerably larger from an operating surplus.

MR. GREENSPAN: There's a point

I want to come back to. We'll get back to it later. It has to do with our historical expense spend versus what's budget, but Councilwoman Simon has a question.

MS. SIMON: Thank you, Mr. Chair. My question is from a council person standpoint as well as the residents of the county, our consumers. When they heard that we're in a serious situation with regard to our budget and our financial stability, one of the rationales that I understood was used to justify that statement was that we did not account for this 27th pay.

Is that your understanding as well?

MR. MURRAY: The budget that I believe that the County Executive -- the issue that the County Executive is speaking of concerning the operating budget, it does not -- he's not talking about the 27th pay. It would be a totally separate issue. The 27th pay, it's a one-time expense. It happens every 11 years. We've got sufficient cash to cover that so that it really --

MS. SIMON: It's accounted for.

MR. MURRAY: It's accounted for.

MS. SIMON: It is accounted for. I don't mean to grill you, but do you know whether the 27th pay issue was used as grounds to make a statement we have a serious situation facing the county?

MR. MURRAY: That is not my understanding and that is not what we're -- at least that's not what I'm attempting to communicate today.

MS. SIMON: So the serious situation that was discussed at a press conference had nothing to do with the 27th pay as far as you know.

MR. MURRAY: It was, as far as I know, concerning another issue.

MS. SIMON: Another issue.

MR. MURRAY: Which we will delve into.

MS. SIMON: So the 27th pay issue is a nonissue. We did account for it. It's in reserves. We knew it was coming. It's there, and it's going to be some kind of a wash at the end of the day when we figure out the actual dollars and cents, how much what we need to spend?

MR. MURRAY: Yes.

MR. GREENSPAN: Mr. Schron.

MR. SCHRON: I think Ms. Simon covered it pretty clearly what I was looking to do, but from that same standpoint, did you ever raise that as an issue of seriousness of --

MR. MURRAY: Of the 27th pay?

MR. SCHRON: -- as an item --

MR. MURRAY: No.

MR. SCHRON: -- that anybody needed to be concerned about?

MR. MURRAY: No. I would not. Because the resources are there. The formal budgeting mechanism, that does need to happen, correct, but the resources for the expenditure are in our available balance. We planned for them. We haven't used that cash for another purpose. It's sitting in there, in your balance right now.

MR. SCHRON: And do you accrue for that one-eleventh every year? I mean, that seems to be the logical accounting function that you would do.

MR. MURRAY: Yes.

MR. SCHRON: Do we do that?

MR. MURRAY: It looks like in the previous years, in the past couple of years, we've only reserved a half million dollars, but I'm assuming -- I would have to go back and look. I'm assuming we've been reserving a million for the balance of this time period each year.

MR. SCHRON: You've been associated with this department for how long?

MR. MURRAY: 20 years.

MR. SCHRON: And you're now coming into the leadership role and you are saying you are assuming that we've been doing that one-eleventh --

MR. MURRAY: Well, that would be the --

MR. SCHRON: Why wouldn't you know that? I'm just a little disappointed.

MR. MURRAY: I would have to go back and look at the budget schedules to see what we in fact reserved, but I can tell you that the $11 million for this expenditure, and that's an outside number, that's the most conservative number possible --

MR. SCHRON: I can understand accruing for more money than what perhaps -- then you can make the adjustments. You can true it up whenever the time comes, but I'm concerned when you say, well, I assume we are accruing for a million dollars. I would have thought you would have said, this is what we do, and we accrue the million dollars and you can take that to the bank as the old phrase.

MR. MURRAY: I can certainly show you in the budget schedule that we've done so.

MR. SCHRON: Because I remember when Mr. Miller was chair of this committee, this was not -- this was a new concept that came to us as council members, those of us on the finance committee, this was brought to our attention I think within the first year's budget where we discussed this and we said, okay, as long as we're trueing it up and we're having a clear understanding. It always bothers me when it looks like somebody else is surprised when it should not be a surprise to anybody.

MR. MURRAY: I agree. And this is not, this situation is not a surprise.

MR. SCHRON: So any attributes, anybody attributing this is something that they definitely within your department, having been there as long as you have, and anybody else working in that area would clearly understand that that was part of it?

MR. MURRAY: Yes.

MR. SCHRON: Thank you.

MR. GREENSPAN: So let me try to rephrase this and -- well, before I do that, Mr. Brady.

MR. BRADY: Thank you, Mr. Chairman.

I just want to make some brief, just some brief remarks about this first item and the first topic because it's something that people that had been with the county for quite a while and over the last two weeks since the press conference, I've had an opportunity to check and recheck that. It's never been a question in anybody's memory about whether the county was setting aside the money for the 27th pay period and this has gone on for many decades. So first there's that.

But the problem here, part of the problem here is a disconnect between what was presented in a press conference to the major newspaper of this town and it went out over the internet and is seen by those who are interested as reliable information.

It is, in fact, the case by any reasonable person's estimation or observation that too much was made of this point. It was one of the major points that the Executive made in his press conference. Whether you consider it to be something that was emphasized or not, when I read what was said, this was one of the major points that the Executive made. He was in error. He was in error. And I find it disconcerning that he could have been in error which is over what is not an insignificant amount of money, over an issue that is not difficult to determine. We were able to determine the facts within a few hours, and so we're put in an uncomfortable position of having to point this out, but we want to make sure that we do. So I find it a little disturbing that apparently you had nothing to do with the conclusion that some people came to about this particular topic. That's a statement. You need not respond to me.

MR. MURRAY: I want to make my point when you concluded your comments.

MR. BRADY: I'm concluded.

MR. MURRAY: I think, again, what we're looking at, we're talking about two separate reports. If you look at the prior year actuals report for 2014, which I believe I have submitted to Council, you will see that the original budget plan for the reserve of 27th pay for that particular year was half a million dollars.

The balance for the ending year of 2014 is $200.1 million, which you will see mirrors the general ledger balance.

It is implicit at least to those within the office that the $11 million for the 27th pay is in that particular balance. I think what will happen going forward is you will see perhaps a slight alteration or separation of some of these cumulative, these cumulative balances that we are planning for. I think you will see them in a separate report and so that this discrepancy per se will not become an issue going forward.

MR. GREENSPAN: So let me ask you this: You are referring to the report that we received on March 30th.

MR. MURRAY: I'm referring to the --

MR. GREENSPAN: Exhibit 3. You don't have that?

MR. MURRAY: If it's the remaining -- if it's the 2014 results of operations, yes.

MR. GREENSPAN: Where it has the actual.

MR. MURRAY: Right.

MR. GREENSPAN: So --

MR. MURRAY: So I think what we're talking about here is -- well, the central point is the $11 million, it's in the $200 million.

The budget, Exhibit 4, has a

projection column where we show the accumulated $11 million balance. That column does not appear on the 2014 year-end results of operations. So I think that's where something in our reporting, we may have to make some changes as to how we're seeing it, how we're showing it. But essentially the $200 million encompasses these reserves plus what the county has left over in terms of cash.

MR. GREENSPAN: The county itself made a policy to reserve, just say $11 million, whether it's half a million a year, up to $11 million. And that was a policy that was reiterated and stated from January 1 of '11 when we reviewed various budgets, we always saw the 11 million or half million a year and it accruing. I can understand in a non-expense year that '15 is, so in a non-expense year, where you're driving with that point, why then was that 11 million or whatever that it had accrued up to on an annual basis not included in the carryover encumbrances? Because you are right, is it in 200 million? Yeah, it's in the 200 million.

We know it's there and there's a demand on that, but the carry on encumbrances, we know that we've been historically reserving and have been practically reserving for that. Why was it not included in the carry on encumbrances?

MR. MURRAY: The carryover encumbrances --

MR. GREENSPAN: Carryover, right.

MR. MURRAY: -- the county has historically defined carryover encumbrances as legal obligations that have not ended in a calendar year but are still in effect that we need to carry forward into the next year with the presumption that we're going to continue with those operations. The carryover, a carryover encumbrance is normally tied to a contract or a purchase order, something of that nature. We've never classified it as a -- we never classified the 27th pay as a carryover. It's a reserve on balance.

Now, we can certainly talk about maybe going forward, you know, perhaps a formal documentation of the reserve, which would be through an appropriation measure. That's one of our options. That is something that we're going to explore and bring back to Council at the appropriate time.

MR. GREENSPAN: So I'm going to put on a cash accounting hat, not an accrual accounting hat, and I just want to restate this. In any of the 2015 budget items we've ever seen, you're telling me that the 27th pay has never been reflected?

MR. MURRAY: In the budget?

MR. GREENSPAN: In any roll up, any document we've ever seen, the 27th pay has never been reflected?

MR. MURRAY: No. The reserve -- but the reserve has been reflected.

MR. GREENSPAN: But the expense had not. So --

MR. MURRAY: No.

MR. GREENSPAN: So the county has -- I have to be careful in the words I use. So the county has been under reporting expenses. You know there's going to be a 27th pay, whether it's 8 and-a-half or 11 or some number in between. We know and we have known and every 11 years we know that there's going to be a 27th pay. And the information that's consistently been presented to this Council in order to do its job in reviewing and providing financial guidance and controllers of the purse strings, however you want to reflect it, has never properly reported its expense scenario to the council.

MR. MURRAY: It's reported -- well, 11 years ago, it does -- it shows up as an actual expense in the given years paid out.

MR. GREENSPAN: Correct. So when you're doing your budgets and you know that in 2015 you are going to have an expense, it should be reflected. I'm not meaning you, Chris Murray, personally, but you know, OBM knows that that number needs to be reflected. And in every report we've ever seen that number has not been reflected, the 27th pay as an expense item, as an actual cash out. Because if I take these numbers right now, even if I take the March 30th, the March 30th number of the report off of Exhibit 3, I'm going to have to add 8 and-a-half to $11 million worth of expense to the -- well, let's look at Exhibit 4 because Exhibit 3 doesn't have a 2015 number on it. Exhibit 4, I'm going to have to add 8 and-a-half to $11 million to the 334 million in operating expenses. My point is --

MR. MURRAY: But the --

MR. GREENSPAN: Forget the cash. The cash isn't an issue. We agree the cash has been sufficiently accounted for, reserved, set aside. But from a P&L perspective, from a profit and loss perspective, we've under reported expenses because this P&L so to speak does not include all the expenses that we anticipate in 2015. Is that correct?

MR. MURRAY: That's one way of looking at it, yes.

MR. GREENSPAN: All right. Any other questions? Ms. Simon.

MS. SIMON: I just wanted to follow up. I thought Mr. Murray answered that that the reason it wasn't reflected in expense was because he was waiting to definitively reflect what the actual numbers would be in 2015.

MR. MURRAY: Yes.

MS. SIMON: Mr. Greenspan, I think the question was asked and answered. I think he answered the question why it wasn't in our 2015 operational expense was because he was waiting to find out what the actual number would be to reflect reality versus an estimation, but when you say the proper way to prepare a P&L, I'm not sure there's one proper way, there could be different ways to account for this. So, I think Mr. Murray answered. He was waiting for a concrete number to put in our 2015 expense column.

MR. GREENSPAN: Well, Mr. Germana, do have you a question? Then Mr. Schron.

MR. GERMANA: Mr. Chairman, I just want to say that, you know, my prior life, I had 19 years with the City of Parma, which is the second largest city in Cuyahoga County, and we're very familiar with the 27th pay because it's a big issue in a city, especially if the city doesn't reserve. And I can tell you early on when I was a new council president, the city spent money and they were trying to save, but when it came down to balancing the budget and at the end of the year, so they actually back in the early '90s, there was that one time where the city had to go ahead and bond their health insurance just to have enough money to balance the budget.

So since that time, our auditor in Parma, Dennis Kish, has been very disciplined with the 27th pay and it's been reserved. And so we, in Parma, do not have the problem of this 27th pay coming up and then having to come up with something creative in order to pay it.

So as I see it -- and I'm not on the finance committee. I just came here because this is a big subject -- I think we have adequate reserves. We knew about it.

So I'm just questioning like Chairman Greenspan was saying, you know, if we knew it was coming due in 2015, it seems like it should have been a separate item. But, I got to give a lot of credit to Cuyahoga County because it's got great reserves on the general fund.

MR. GREENSPAN: Mr. Schron and

then Mr. Miller.

MR. SCHRON: Yes. Thank you. The 27th pay that comes in the 11th year doesn't just all fall in the 11th year. Is that a correct assumption? There's a piece of the additional pay that falls, a piece every one of those 11 years, and we just pay it in the 11th year because of the accounting as to when it actually trues up?

MR. MURRAY: My understanding of the 27th payroll is they're within a calendar year, every 11 years we have an additional pay. We haven't -- if I'm understanding your question, we haven't paid anything that was not a legal obligation or a payroll. We're setting aside the cash in the balance to account for the pay when we need to expend it.

MR. SCHRON: I'm just suggesting another alternative to what Mr. Greenspan. The cash is going to go out once every 11 years. The expenditure could have been hitting one-eleventh every single year for those 11 years because the expense truly is not hitting the 11th year. The cash is hitting. The expense should be hitting, I believe, every one of those 11 years and should be budgeted accordingly and therefore it would not necessarily show all of the entire pay being an expense in the 11th year, and it seems to me that's a more appropriate way from an accounting standpoint because a piece of that is falling into all 11 years out there.

And I would suggest that as we go forward, we ought to look and see what is best practices in regards to this. I know that we've heard about Parma in the past, but the issue is not whether or not you've reserved the cash. It's also how does it reflect as far as the bookkeeping, the accounting side. And in my personal belief, I think you ought to at least look and see whether or not the appropriating accounting function should be to have a piece of that expense hitting all 11 years so it never hits in just one year. The cash is accrued and building up. You will find that's probably a more appropriate accounting wise way of going about it.

MR. GREENSPAN: Mr. Miller.

MR. MILLER: Mr. Chairman and my colleagues, I'd like to say a few general comments and then comment a little more specifically on the 27th pay.

In his recent press conference, Executive Armond Budish did not directly criticize Council's work on finance budget and debt management, but I need to remind everyone that this council started from scratch four years ago and built a strong financial foundation.

For proper context, note that before we started, most people expected Council to provide no more than a 30,000 foot level review without really getting into the weeds, and we have gone light years beyond what people expected.

Through Councilman Greenspan's leadership, Council created a legislative reserve policy for both the general fund and the HHS levy fund, and we passed legislation defining what information should be provided before initiating new programs. I then persisted for three years and passed legislation last year to create a formal plan and process to use when we identify threats to maintain improper reserve levels.

We passed legislation creating a defined set of reporting requirements to improve Council's oversight capabilities. We did not always get all the information we asked for, but we made the very best use of the information we got.

The idea to avoid new expenditures outside the biannual and second year budget processes is not new. In four years, Council only initiated two such expenditures, the program to assist low income people with hearing aids and the additional staff for the detention center.

Following Councilman Greenspan's request, we also initiated the process of having the bimonthly fiscal resolution identify expenditures that use reserves.

Last year, we ended the practice of giving blanket approval to year-end budget amendments. We now require all budget amendments to be approved in advance.

The idea that we are facing debt policy constraints is totally not new. Last summer, I grew concerned about debt capacity and that we were receiving appropriation requests for projects one at a time rather than a comprehensive plan. I called a dedicated meeting of Finance and Budget, had our financial advisor, Mr. Sprague advise us on our debt capacity, and called upon OBM to present a comprehensive plan for the next several years, which they did.

I then said that we are reaching the limits of our debt capacity and that we need to plan well so that we don't fund a project and then leave us short when a more important one comes along.

I also said that we are at a special time with opportunities to make progress that don't come along often and that we need to stretch ourselves to take advantage of them. I still believe that. But recognizing our constraints, we acted cautiously last December and took $51 million in projects from the proposed $153 million main bond sale request.

I don't want to get into the weeds on the new debt capacity modeling, but let me just say one thing because it amounts to 78 million. The $100 Western Reserve fund was a public relations concept. We spent about 22 million. How much more we want to spend is up to the Executive and us.

Mr. Executive, the problem with our debt capacity is not primarily financial. It's spiritual. If we dwell on what we are lacking, results will be lacking. If we think about what's possible, much will be accomplished.

We have things in the wrong order. We should start by having you recommend what projects really need to get done and how much they will cost. We will find a reasonable and prudent way to get it done.

Now I turn briefly to the 2015 budget. I've not seen a 2015 update, but I just don't think there's a serious structural problem. Council did a careful review when we passed the biannual and again when we did the update last year. Yes, there are presentational advantages to reporting the .25 percent sales tax separately; however, that money is not restricted. Money not needed for the three primary projects may be used to help balance the budget, at least for debt service. To think otherwise is overly conservative in my opinion.

It is also not correct to charge the entire cost of the 27th payroll against the 2015 budget. One year's prorated shares should be charged. The rest should be funded from what we reserved.

With those reasonable assumptions and the normal rate of attrition and unspent contracts, the 2015 budget will balance.

There are some things I don't do well, but I am good at arithmetic and have an intuitive feel for numbers. We passed a prudent 2015 budget that can be balanced with reasonable effort.

Going forward, I am fine with being fiscally careful. At the 2014 to '15 biannual budget hearings, my recommendations set was the lowest cost by several millions. We've provided a good balance of serving the people's needs and being financially responsible.

We started from scratch four years ago and built you a strong foundation on both capital planning and operations. Any other interpretation would be wrong and unfair.

My comment regarding the 27th payroll is that when I try to think about how we're doing, I think in terms of a normalized year's receipts and expenditures. So along that line, we should only count one-eleventh of the 27th payroll as what would be a normal operating expenditure for the year.

Along the same line, I think that in 2014, we cut off expenditures early and we carried over an unusually large amount of encumbrances into 2015. And as a result, I think that probably our expenditures for 2014 understated what would be a normal year's expenditures which partly explains why we had a $12 million surplus and our expenditures for 2015 may be a little bit overstating what would be a normal year's expenditure because of all those carryover encumbrances.

At the appropriate time later on, I am going to want to ask some questions about exactly what the assumptions are going into the statement that was made that we have about a $15 million problem for 2015. We haven't seen the numbers yet, but I'm going to want to look at that in some detail. Thank you very much, Mr. Chairman.

MR. GREENSPAN: Thank you. Ms. Conwell.

MS. CONWELL: Through the chair to the director, the $11 million that was reserved for the 2015 27th pay but in the 8.5 million stated in the debt cash flow motto, what happens with the remaining usage of the 2.5 million? So if you said 11 million, that's what we estimated, but now you are kind of saying it's going to roughly come out to 8.5. What do we do with that $2.5? Do we utilize it to start saving for the next 11th year or does it just stay in the general fund and used for other things?

MR. MURRAY: Through the Chair to Councilman Conwell, the $8 and-a-half million is reflective of a January payroll snapshot. So, January payroll forecasted for 27 pays. The impact is essentially $8 and-a-half million for the general fund. The $11 million that was a, I believe that is including some of our other special revenue funds. It's also including any -- I think it's probably an old number because our -- the 11 million because it's based on operational capacity that we don't have anymore. We don't have the same number of employees. So that $11 million, we kind of kept it as a place holder and lower for a number of years. I wanted to use the most current payroll projection I had at that point was a January month end. I annualized that amount for that general fund. That's how I came up with $8 and-a-half million. So will there be some savings there for the county? It is quite possible, quite possible that it will be, but I would not want to sit here and bank on or tell you to bank on a forecast based on January's pay alone.

We are, the office is right now in the process of completing our first quarter review. That takes three months of data plus interviews with department heads, and once we've had a chance to do that, complete that work, then I will have a even better estimate for the 11 and-a-half million. I'm sorry. For the 27th pay.

MS. CONWELL: So in moving forward with the 11 million that you said that was an old kind of budget accounting --

MR. MURRAY: Uh-huh.

MS. CONWELL: -- do you think that the county would still keep that 11 million because you still have positions that haven't been filled, whether they are or not in the future, they haven't been, and we want to be, you know, I guess be over than under.

MR. MURRAY: Well, that is one of the reasons why I didn't want to include a 27th pay in the budget because I wanted a more exact number. This comes along once every 11 years. So an additional payroll based on the most current activity that I had I thought was the better basis for bringing another appropriation measure to Council. So that was my plan. That was my goal. I believe that was probably a little bit more of a conservative viewpoint.

MS. CONWELL: Is that stated anywhere in our two-year budget?

MR. MURRAY: The fact that we're --

MS. CONWELL: That we do not show or reflect in the previous year's budget, in 2014's budget that we had the expense of the 27th pay.

MR. MURRAY: The expense is not there. The impact on the balance is.

MS. CONWELL: So I guess Council in going forward is going to have to decide if they want to be open and transparent with that, that particular item on the 11th year.

MR. MURRAY: Right.

MR. GREENSPAN: Just to sum it up unless there are any other questions, the over cash flow position is the county has the cash flow to meet this obligation.

MR. MURRAY: Correct.

MR. GREENSPAN: The county has been reserving $11 million for the 27th pay.

MR. MURRAY: Correct.

MR. GREENSPAN: Any administration, I am not being specific to anyone, any administration prior to this one if I can so bluntly state it, projected a budget to us that did not reflect the full year's expenses in '15, meaning the 27th pay was not included as an expense item, for whatever reason. If you truly want to go conservative with it, if you are reserving 11, then you should reflect 11 in your payout and you do an adjustment, which we do frequently to true up what the true expense is.

So the bottom line on the total expenditures is our total expenditures in '15 is currently understated by whatever amount the 27th payroll will be, whether it's 8 and-a-half or $11 million.

MR. MURRAY: Currently that is a true statement. It will be reflected in the current budget once we've appropriated it.

MR. GREENSPAN: Correct. That's correct, but the budget we approved in December of '13 understated expenses. Okay. Any other questions on this subject?

Hearing none, we will move on to topic number 2, which is the 2014 biannual budget.

Question number 3, I believe, has been addressed once we receive the March -- where the 200 million came from, the 200 million in reserves. If you can move on, unless you have anything to elaborate or anybody has any questions on that. We now see where that 200 million comes from on Exhibit 3.

As I said, at the time we compiled that, we didn't have that, but question 4-A, if you can address that one, please. Question 4-A basically says that we have a surplus on the Q-3 2014 projections of 100,000 yet the 2014 actual was 12 million. Why is there such a big difference?

MR. MURRAY: The $12 million -- so we're talking about the operating results in '14 that the year-end revenue compared to the year-end expenses?

MR. GREENSPAN: Correct.

MR. MURRAY: Is that what you are talking about?

MR. GREENSPAN: Correct. So if you look at Exhibit 4, it says we would have a 74,000 surplus.

MR. MURRAY: Uh-huh.

MR. GREENSPAN: That was the last projection we received for the year. Yet the actual that came through on March 30th had a $12 million surplus. So what happened between December and March that we had a huge swing in a surplus?

MR. MURRAY: Okay. And I'm just going to read off, if that is okay. I will read off the response that I gave you.

Essentially actual revenue exceeded the third quarter estimate by $7 million primarily due to a number of factors. Number one, the estimates that we used for growth in sales tax are 3 percent. The actual growth in sales tax revenue was 3.9 percent. So that was a conservative revenue estimate, but I would always rather be low on revenue than high on my expectations.

There's also better than expected sin tax collections. Sin tax collections were not budgeted, but we were made aware of them for mid-year projections. I believe my estimate was $7 and-a-half million. We actually collected ten. Now, what is still unclear yet is was that merely an acceleration of our revenue collections that we should expect for '14 and '15? That still needs to be determined, but, essentially, we received about $2 and-a-half million more in sin tax revenue collections.

The indirect cost reimbursement which is a -- it's a county revenue source essentially. Indirect costs is the mechanism that we used to reimburse the general fund for services performed by general fund entities to non general fund entities.

Councilman Simon, you remember this discussion that we've had.

Essentially, the cost of providing legal services, the law office, payroll services, risk and property, all financial, the entire fiscal office, those are costs that -- those are services that are provided to non general fund agencies, primarily your health and human service departments. And we have some other special revenue funds. Those services -- we charge those particular entities two years after the actuals have been completed, and that's provided -- that becomes a revenue source for the general fund. That is a standard revenue item for all governments of our size. It's called the indirect cost reimbursement.

And then finally, there were a couple of other major points. There was growth in our public defender, our State public defender reimbursements, and the Homestead collection, I believe, was about a million dollars higher than we anticipated.

So the revenue growth in conjunction with the lower than expected expenditures significantly changed the balance in the general fund.

The following agencies have lower than anticipated expenditures and these, you will note that these are pretty much the same entities that traditionally under spend. The fiscal office, information technology, the sheriff and Board of Elections. So the county expenditures and their projection of course are materially affected by any projected vacancies versus actual vacancies, as well as the timing of contract payments by county agencies.

OBM, we can provide any detail for each agency if so desired.

Lastly, Council should note that the

countywide financial payments were suspended in November of 2014 so at this point there is a -- we are experiencing lower expenditures if you compare 2014 with prior years. Now that situation going forward will not be an issue if we continue the practice of essentially suspending financial payments in the middle of November. If we don't, then obviously that will be a, that would not help us in terms of comparability year to year on expenditures.

MR. GREENSPAN: Mr. Miller touched on that and that was a question I had as well. And since you raised it, I will raise the question now.

So in 2014, how many -- so, the cutoff period prior to 2014 for expenditures to be paid in '14, in that current year was around what day or week?

MR. MURRAY: We actually, we were -- I would say really toward the end of the year, literally the end of the year.

MR. GREENSPAN: So let's say it was the 51st week of the year, week before Christmas. What was it last year? In '14, what was the cutoff?

MR. MURRAY: I believe it was the middle of November. Middle of November.

MR. GREENSPAN: So around the 46th week? Five weeks, six weeks earlier --

MR. MURRAY: Sure.

MR. GREENSPAN: That was in '14. So in all other years except for '14, the cutoff date was say December 20th.

MR. MURRAY: Essentially year-end, yes.

MR. GREENSPAN: Last year, it was shorter, the period was shorter, correct, by five weeks? Four or five, six weeks.

MR. MURRAY: Uh-huh.

MR. GREENSPAN: And understanding that that extra week, that cutoff from one year would roll into the next assuming you kept the calendars the same, so you are always paying 52 weeks worth of expenses in any one given year, it just may be 50 weeks of one year or two weeks of a previous year and 50 weeks of the current year except in '14. In '14 what I'm hearing is you didn't pay 52 weeks of expenses. You only paid say 47 because you cut off earlier in that year.

MR. MURRAY: But we would have had expenses from '13.

MR. GREENSPAN: Only two weeks or one week.

MR. MURRAY: Carrying over.

MR. GREENSPAN: A shorter period of time.

MR. MURRAY: Sure.

MR. GREENSPAN: So let's say a historical calendar of payables in any one year compromised of 50 weeks of the current year and two weeks of the previous year to get your 52 weeks of pay, except in '14 you had your two weeks carryover from '13, but you only paid out 44 weeks, let's say 45 weeks, of '14's pay. So, in essence, we didn't pay out 52 weeks worth of expenses in '14 because you changed the cutoff calendar.

MR. MURRAY: Because of the cutoff, right.

MR. GREENSPAN: But we had 52 weeks of revenue, correct? Was revenue --

MR. MURRAY: Revenue was not cut off. As far as I know, no. As we collected it, yes.

MR. GREENSPAN: So a fundamental tenant of accounting is referred to the matching concept. You match revenue with expenses. So we did not match revenue with expenses in 2014.

Do we have any idea as to how that impacts the '12 to '14, the $12 million surplus in '14? Obviously it's got to have an impact because we didn't pay enough expenses but we reported a full year's worth of revenue and were short on the expenses.

MR. MURRAY: I'm going to say about 3 and-a-half million of expenses from '14 roll into '15. Now, I would like to verify that, but that's my recollection.

MR. GREENSPAN: And I stated in this meeting that it was not our intent and it's the intent not to be adversarial and be collegial with the Administration, but who made the decision to back up the pay date into mid November from the end of December?

MR. MURRAY: The recommendation by our controller and our fiscal officer.

MR. GREENSPAN: Okay. All right. Mr. Miller.

MR. MILLER: As you know, we responded last year to the audit findings and changed the year-end budget amendment process so that we did not provide the pre-approval, and I think the change in the cutoff date was needed to enable that new process that we implemented last year.

MR. MURRAY: That's true. The mechanism that we were traditionally and the departments traditionally depended on was the year-end blanket resolution which allowed us to make any normally Council approved changes, we can make them at the level of OBM and that allowed fiscal processing to continue through the end of the year.

With the adherence to some of the management level points, we decided, the controller and the fiscal officer, made the recommendation to move the processing back so that we had plenty of time to close the books and have all processing closed by December 31st.

MR. GREENSPAN: So you're going

to get back to us on the amount?

MR. MURRAY: Okay. Would you like all funds and general funds?

MR. GREENSPAN: Yeah. It's important to understand exactly what we're talking about because obviously it will have impact on '15's numbers whether that's contributing to the 15 million that's currently being presented or not, we will find out, but if it's a contributing factor, we should have knowledge as to what that factor is, which then would explain why we have a surplus of that amount, revenues don't much expenses.

Let me go to Mr. Schron and then back to Mr. Miller.

MR. SCHRON: Thank you, Mr. Chairman.

Short period returns are not uncommon as far as in accounting, but I never heard of a short period where you don't have the expenses match the revenue. They're both designed to have the same cutoff period of time. And I understand that the audit perhaps accelerated the cutoff of the expenses. Was the audit recommending also that the revenue would be for a longer period of time?

MR. MURRAY: As far as I know, the audit does not address revenue collection. As far as I know.

MR. SCHRON: Does it make any sense that you would not have those two periods matching up so that we at least can be consistent?

MR. MURRAY: Well, I guess it depends -- since we're operating on a cash basis, I think -- I mean, what we would be talking about would be, I don't know, maybe suspending wire transfers of sales taxes. I don't know that would be prudent for the county to do so, to hold it, have the State hold it for us.

MR. SCHRON: Not to holding as much as having the periods matching up to the expense and the revenue coincide so you don't end up having an artificial buildup in that respect.

MR. MURRAY: And I would certainly defer this to the fiscal officer, but my assumption would be that would be part of the accrual for the financial statement purposes, which is different than my budget schedules. But I think that would be addressed certain within the financial statements.

MR. SCHRON: Thank you.

MR. GREENSPAN: Mr. Miller.

MR. MILLER: Mr. Chairman, Director, I would like if you could shed some light on the carryover encumbrance. I was surprised by a couple of things. One is that in Exhibit 3, the carryover encumbrance is listed at exactly $19,154,631 in the 2014 original budget, in the 2014 current budget and in the 2014 actual.

And then in Exhibit 4, that same carryover encumbrance, the second last line in red is listed at $8,351,296 in the 2014 OBM third quarter projection.

And I'm wondering, first of all, about the 8 million versus the 19 million; and, secondly, it would seem to me that the amount of carryover encumbrance would not be something that one could exactly forecast. So I was surprised why those three numbers in

Exhibit 3 are exactly the same.

MR. MURRAY: For the carryover encumbrance, this is -- we traditionally show that $19.1 million I believe that's the verifiable expenditure, sorry, the verifiable carryover amount as of the date that the budget is passed.

If you turn to Exhibit 4 and you see the $8.3 million, that is a live projection column so that is a number that we are refining on a quarterly basis. When you see our first quarter report and our report, that number is constantly refined. So part of the process of the review is literally walking through the agency's contracts with them contract by contract and assessing how much of those legal obligations that are on the books, how much are you actually going to spend in a given year, and then any prospective contracts that have not occurred yet, may not even be before council yet, we also have to take a picture or create an estimate as to how much of those contracts are going to be expended in a given year.

And that exercise is -- we do that

exercise because we want to give you an accurate current projection. And by definition in OBM parlance, the current projection is cash out the door. So I can -- there's two or three different buckets of information. We'll have a -- OBM internally keeps a current projection, which is cash out the door. We also keep a total projection, which would include projected expenses plus everything that is currently on the books, plus anything that we expect to be executed in a given year. That's a separate bucket. So there's a number of different buckets that we -- buckets of information that we maintain for the purposes of the Executive and the Council's review, we provide the one that we think is most, I guess, most coherent which would be cash out the door. This carryover encumbrance is part of that cash out the door, part of that cash out the door projection or forecast.

MR. MILLER: Well, Director, if the third quarter projection was $8,351,000, why is it then, going back to Exhibit 3, that the 2014 actual, the third column from the right, reverts back to 19,154,631? And if it did go back up, it just seems hard to believe that it would go back to that exact number to the dollar.

MR. MURRAY: Well, no. This is in actuality the same amount. So as of the end of 2014, we have an actual carryover amount. We can find that in the general ledger. And that is literally the amount of money left over in legal obligations, contracts and such that are physically on the books. We keep -- when you move over to Exhibit 4, we keep that as our starting point, but then we compare the starting point with what we think is our, what we think is our updated carryover amount. And in this case, the carryover amount has decreased so what that will mean is that in some cases, the contract, we expect some contracts to be decertified and reduced. Some of them we may have the expectation of payments in those contracts has changed.

This quarterly projection number reflects our best estimate. And, again, that number changes but that's because of the work we do that we have to perform in conjunction with the department.

MR. MILLER: So, Director --

MR. MURRAY: Departments, I should say.

MR. MILLER: So you are saying that even in the final 2014 actual that you don't adjust that number to reflect the actual amount carrying over, but you don't do that until you get to 2015, is that what --

MR. MURRAY: Yes.

MR. MILLER: Okay.

MR. GREENSPAN: Any other questions?

Moving on to question 5 under the same topic, it has to deal with the roll up that we received in December projected in '15, a surplus of 3 million. Then the Administration has come out in the press conference and said they expect a deficit of 15 million for '15, which obviously is an $18 million difference.

But a couple of things that I want to ask about. Exhibits 5 and 6 are the required per our code notification to Council of financial condition of the county. And in there it basically says that nothing is materially different from the budget, the general fund and health and human services levy fund. It's almost a consistent message for month over month, and even the last statement says there are no material changes to the projected performance of the general fund or health and human service levy fund against reserve targets.

So, consistently there's been in these reports that we received representing January and February basically we're getting the everything is okay sign. Yet we get a statement for the Administration saying that we're in a $15 million deficit. Where is the disconnect? Why don't these two exhibits, these two reports back to Council, mirror the statements from the Executive in his press conference?

MR. MURRAY: Well, there's a number of different reasons, but let me begin with one statement. The January and February projection updates, for want of a better term, is essentially as of this date do I know of any material changes to the budget as presented? In that case, the answer was no. So this is a -- these are more of a, not policy statements as you say, but they are germane to the reporting requirements that OBM has.

So when we move over to the $15 million issue, that's a difference between budget reporting, which is totally different, to long-term planning. I would like to go into this report in some detail and talk about some of the assumptions that we have if you permit me to do so.

MR. GREENSPAN: You are talking about the debt schedule?

MR. MURRAY: The debt schedule because the conversation about the serious problem is germane to the debt modeling.

MR. GREENSPAN: Yes. We'll lead into that topic. We can skip topic 3 and move to topic 4 on the agenda. That's not a problem, but I guess going back to my original statement, then are we just not to believe the information that's presented on the January and February statements? So are we not -- are things not materially different or are they materially different?

MR. MURRAY: At this point, Councilman Greenspan, I can't tell you if they are materially different. A detailed revenue projection is normally done over at least three months of data and then six months of data and then nine months of data. So based on January's and February's actuals, they have not materially changed the revenues or do I see a material change in the expenses at this point. But I will admit to you that the deep dive into this information occurs with first quarter.

MR. GREENSPAN: So -- okay. So, we shouldn't pay any attention to what was written and submitted to us in January and February.

MR. MURRAY: I didn't say that.

MR. GREENSPAN: Well, but they are conflicting with one another. We either have no material issues or have material issues.

MR. MURRAY: The material issues are -- again, this goes back to the planning document, not based on monitoring of the budget as passed.

MR. GREENSPAN: So if I'm to interpret the January and February updates, then I'm to assume that we are trending -- I'm to read into this that we are trending right along with where the budget which projected a $3 million surplus? So at some point I'm going to get one of these in one month, it's going to be kind of the holy crap report or things have gone off the rail.

MR. MURRAY: Right.

MR. GREENSPAN: I guess the holy crap report would coincide with more of a quarterly projection than the month to month.

Okay. Ms. Simon.

MS. SIMON: Thank you, Mr. Chair. The disconnect that I'm hearing in this hearing is that I'm not sure that it was Mr. Murray's reporting that provided the information for a conclusion that we're in serious financial situation or serious situation. So we're asking questions about the data we've been provided, and what I'm hearing is Mr. Murray standing by that data and unless there's a holy crap report or some forecast, that -- I don't see that we're going to get the information we're looking for. So I would like to hear from the person or the entity or the firm that actually at some point gave us this forecast of zero sales tax revenue projection. I don't think we're going to get what we want from Mr. Murray because his data he's standing by, and that doesn't give us a projection of serious financial situation. So where is this coming from?

MR. GREENSPAN: That's where I believe we will move into.

MS. SIMON: We need to go there, but I'm not sure this is the person who -- so we are laying the foundation that the data we've been provided is sound. I'm hearing that. So I'll let you continue on, but --

MR. GREENSPAN: And this module, you know, if you look these topics, the way they're geared, this topic was to deal with the fact that we had budget that was had

100,000. Then we went to 12 million. Where's the difference? And now we're 15 the other way. We're getting there. It's a cumulative process. If there's no objection to my colleagues, we're going to -- well, let me ask you, are there any further questions on topic two? Yes. Mr. Miller.

MR. MILLER: Mr. Chairman, Director, do you have a document that shows a projected $15 million excess of expenditures over revenues for 2015?

MR. MURRAY: I have a planning tool that will discuss what some of the concerns that we have, yes.

MR. MILLER: Well, consider it a public records request. I want to see that document. I want to see -- I want to see what the assumptions are that went into that. I think that the chairman's question was right on point, that the monthly reports indicate that nothing essentially has changed and now it's being stated that we have a $15 million deficit. So I have to assume that the assumptions are different, and I want to see what's going on so that I know whether those are based on valid assumptions or not.

You know, for one thing, I alluded to it in my comments earlier. I'm wondering, if I'm wondering if you're assuming that the quarter percent sales tax is totally segregated and that none of that money can be used for general 2015 expenses, not even for debt service, you know. That's not an assumption I would accept. So I want to see that document.

MR. MURRAY: I can provide these.

MR. MILLER: Okay. Thank you. And, Mr. Chairman, just one other thing in the way of a comment, which is that regarding the monthly reports, you know, when we wrote the legislation on the monthly reports, we specifically didn't require schedules or detailed financials and suggested that it could be a brief narrative. And we know the detailed dive is done on a quarterly basis, but you are looking at payroll expenses biweekly and you're looking at major revenue sources like sales tax at least monthly. And what we intended was for that monthly report to give you a chance to say while we know this isn't definitive but we think there may be something moving in this direction or that direction and to kind of give us a head's up on what's emerging. And so I'm just requesting that you use those monthly reports in a more robust fashion to try to give us some greater insight beyond that there's just the pro forma comment that nothing has changed. So I make that request as well.

MR. GREENSPAN: Thank you. Mr. Schron.

MR. SCHRON: Just to follow up on Mr. Miller's.

Your assumptions must have changed some place along the way and so I'm looking forward to seeing those. One of the questions that I asked you and when you had flat lined the revenue I believe at 3 percent flat line, I asked you -- and by your smile, you remember the question. And the question is going to come back again because now is it more appropriate to at least be thinking not knowing when but we know that the day will come that we will have recession at some point along the way that will directly affect revenue. And obviously it will turn out.

Are your assumptions now building in some kind of less than flat 3 percent revenue assumption? Is that what I'm hearing?

MR. MURRAY: That's a preview, but yes.

MR. SCHRON: That's a preview.

Are you also building in that there will be a dip at some point along the way as other people forecast, not knowing when a recession will occur, but knowing we have a history going back for years and years and years, we will at least be able to see some trending out there, what its impact will be within a range of the high, the low and the accepted norm of where we think it's going to be? Is your forecasting now building that into a model?

MR. MURRAY: It's a conservative revenue approach. I would not characterize it as a dip in the model.

MR. SCHRON: Is it still flat lining or going on for a infinitum?

MR. MURRAY: At a certain revenue assumption, yes.
MR. SCHRON: It might be different than 3 percent, but you are still flat lining it?
MR. MURRAY: Yes.
MR. SCHRON: Thank you.
MR. GREENSPAN: Ms. Simon.
MS. SIMON: Just quick. Why, Mr. Murray, are you now changing your forecast? Isn't that what I just heard?
MR. MURRAY: For planning purposes, if we're talking about some of our major county initiatives, we are presenting a range of revenue assumptions, a broader range than we originally presented to Council when we brought forth the 2014 Obama legislation, which I believe it was at one point there was just 3 percent sales tax increase and then a quarter percent -- I'm sorry -- 2 percent increase in expenses. So now we are presenting a range.
MS. SIMON: Why? Why now?
MR. MURRAY: Well, there's a number of different reasons, which I can

certainly go into. Are we going to move --

MR. GREENSPAN: I believe that moves into a debt capacity question.

MS. SIMON: Which, by the way, Mr. Chair, I'm glad to move on, but Councilman President Brady said, we've known about the debt capacity. We've known about the projects on the horizon. There's nothing new here. So I don't understand why now we're taking such a cataclysmic change in shift. That's all I'm saying. It's a statement.

MR. MURRAY: Okay.

MR. GREENSPAN: All right. Any other questions on this topic? Hearing none, we will skip topic 3 and move right into topic 4.

I believe Mr. Sprague came from Columbus to help address this issue. I didn't want to not provide him an -- that's not proper English. I wanted to provide him an opportunity to address some of the concerns that come up.

So before us, we see question 1 which is one of the fundamental statements made during the Executive's press conference and one in which not only Council President Brady but all of us over the years expressed regarding the amount of borrowing and the ability for the county not to continue to borrow. We believe that there is additional capacity to borrow. The issue has changed and the subject to the ability to pay that debt back, the cash flow component of the borrowing.

It's a great analogy positioned to me when I was asked why was this an issue, and the response was very similar to someone saying, well, the ability to borrow money should coincide with the ability to pay it back. Well, that's not always the case. The analogy was, well, I get offers for credit cards all the time at home, and I can borrow up to $10,000 on a credit card. Yes, that's true, but the ability to pay it back is where the challenge lies. And that's the analogy that's closely similar to the position we're in. It's not the ability to get the credit to do the projects. It's the capacity to pay the debt back.

So, Mr. Murray, I will turn it over

to you. The questions before us under topic 4, it's also reiterated in Exhibit 1. And if you would go ahead and begin your presentation.

MR. MURRAY: Thank you.

MR. GREENSPAN: I must say, this document is -- this is already an exhibit to us, correct?

MR. MURRAY: I believe it probably is, yes. It should be the 3200, yes.

MR. GREENSPAN: Just for my colleagues' reference, it's in our packages already as Exhibit 10.

MR. MURRAY: Thank you, Councilman Greenspan.

I think before we delve into the parameters and the logic of the report, I'd just like to take you back briefly to the beginning of these discussions with Council, and since I was in this particular chair as of January, I'm going to go back to maybe the June time frame.

There was continual discussion with Council, and one of the things that you asked the Administration to provide was how much, what is our debt capacity, how much does that allow, what kind of room does that allow us to work with in terms of additional debt projects. And the answer at the time and, Brad, step in if I walk into a ditch here, but the two issues were one of where really what's your legal capacity, which is tied to our evaluations. And just to summarize, because of the assess evaluation drop that we experienced within the county, we no longer have inside millage. We only have room under the unvoted debt or general obligation debt to issue any additional bonds until multiple years into the future.

So what we've -- we talked to our financial advisers who are in the room, municipal advisers, and what we decided to do was take a, build a long-term planning, long-term planning model based on the debt schedules that OBM has maintained for at least 20 years.

So what we did was we tried to take our -- we isolated, you know, what our operating expenditures are, what our operating revenues, which traditionally tend to grow between 1 and 2 percent, depending on the year, and then we isolated some of the major expenses of the county, such as the headquarters lease, our 9GO debt, our self-supporting revenue, and we laid it all out in a spreadsheet document that I believe we discussed prior to November, which would have been right around the bond legislation coming before Council.

And then we would also show the impact of our revenue assumptions and our operating expenses and then those fixed expenses, like what does that really mean to our ongoing general fund balance? Being cognizant of the fact that we have a policy limit which no one really wants to see changed, at least not at this point.

And then we also showed you what the assumptions would be on that general fund balance if we layered in the debt projects that we originally proposed to you late last year.

That model is what you received -- I have it as November 6th. I'm hoping my date is pretty close. There's multiple reiterations of this document, but this is sort of the basis, this is where we started in terms of our discussion of debt. And so each year -- not each year. So the assumptions on the 2014 debt model were a couple of different things. One, it was 3 percent increase on sales tax. That was based on our year-to-year growth and sales tax over the last four to five years. Well, it was a little under 4 percent each year.

So that was our -- that was the original estimates that we used in the model, and then for all other expenses, which would be property taxes, governmental, local government, those we only increased at a quarter percent, and then expenses were increased at 2 percent.

Now, in that particular model, we carried out those revenue assumptions clear out into 2044. And as he's just reminded me, Councilman Schron has indicated that might not be the -- we know there's going to be a dip somewhere. So that might not be the best way to move forward in terms of a planning document. So we've made some modifications to that.

This model also -- I'm still on the 11/14 model. This model also assumed that the quarter percent sales tax continued. Now, that is an assumption. It's baked into the model, but in terms of public policy, that decision has not been made so you will see in the new iterations of the model that I just have given you, we've made some adjustments to that model as well, to that portion of the model as well.

MR. GREENSPAN: So just to be clear, that's Exhibit 8, which was the document dated 11/13/2014 which was presented to us at the Finance and Budget meeting on November 10th. That model included the quarter percent and included effectively an assumption, premature assumption, and I would argue a wrong assumption that the quarter percent sales tax would be continued through 2028 and beyond.

MR. MURRAY: So, moving to the March 2015 model and, of course, with models such as these, they are not budgets but they are a planning tool, for want of a better term, to allow you to see based on a certain set of assumptions how much debt can we reasonably afford to take on, how are we doing with our existing debt, and do we have, are all the variables the same, are we looking at the variables correctly.

If you look at the two models that I have given you today, and they are in the exhibits, there's two sets of assumptions. There are two major assumptions to the model. Now I'm going to go back to the 2007 sales tax that was passed by the County Commissioners. As part of the financing plan for the structures, for the three structures that way -- my directions are bad. The financing plan included, for want of a better term, a virtual box around the debt service for the Medical Mart, the debt service for the Convention Center, the hotel as well. Those three structures were -- the financing plan and those three structures were designed so that they were going to be covered by a certain, by a specific set of revenues that the county is currently receiving and depositing into the general fund. So that number, if we include the quarter percent sales tax, the Convention Visitor's Bureau, bed tax, and the increase in hotel revenue based on the hotel building activity that we've experienced in the community, those -- and, well, one other thing. And the operating payments or operating revenue from the hotel operator, if you take all of those revenues, they are expected to cover the debt service for the Medical Mart and Convention Center, the debt service on the hotel construction and the operating payment to Medical Mart. There is an operating payment to the Medical Mart that is within our general fund budget at this time, and it has been since we've been making this subsidy payment.

So the assumptions that we -- so that box, for want of a better term, has been pulled out of the revenue estimates and expense estimates that you see currently before you. So that's -- again, that's about $52 million in expenses, and to date, about $36 million in expenses. Now, that's going to grow. That's going to grow because at this point, the impact of the hotel is not reflected in 2015's budget. We won't see the impact until 2016. So, again, when you pull out this revenue, that's $52 million in revenue that comes out of the model, and at this point, $36 million in expenses. The deference between the 52 and the 36 is the basis for the ongoing operating issue that you see under operating surplus slash deficit column.

Now, what this model, which both models show again is also the revenue and expense growth assumptions have changed. And they are labeled -- there's a small box underneath the long table. The assumption growth rates are listed. In one version of the model, the sales tax does increase by 3 percent continuously, and then the expenses increase by 2 percent.

And then in the second iteration of the model, you have zero percent growth on revenues and expenses. Now, the three green lines at the top of the report, those numbers are based on the operating budgets of the county that were passed. So the $389 million in expenses that the county -- you know, that's part of our county budget. That's been reduced by the $36 million in obligations for 2015. The revenue of $389 million has been reduced by $52.5 million because again, if you go back to the original financing plan, the three structures are to be supported by the revenue sources that I've outlined.

So when you do that, you can certainly see there's an operating issue of about 5 percent if you compare our operating deficit to what we're spending. So if you take the $15 million dividing by the 389 million, we're essentially talking about around 5 percent in terms of a structural imbalance.

Now, what I also wanted to let you know that if you look in the second -- you look in the long box and then there's the second box in each iteration. That second box shows the impact of additional borrowing on your general fund balance. I don't think I have provided that. I can give you how the debt has been laid out in terms of potential debt payments, but that includes, just for the sake of example, that includes the part two of the sales tax bonds that were moved into 2015. It also includes $78 million in additional borrowing for Western Reserve and there's a couple other projects. I can certainly provide the detail for you, but those are the basic assumptions. Those are the basic assumptions that were laid out for this particular iteration of these two models.

Now, I would also like to make this statement: Traditionally the county has looked at our current year and maybe the first, the two years afterward, the two future years after, maybe three, but this planning tool that you are looking at, this is really the first -- last year was really the first time we took a look at our operations over the next 30 years, just to give us a base line as to how we need to move forward with our public services and the resources that we have.

I also want to make a couple of comments about the $14 million. The $14 million is, that estimate -- sorry. 14.8. The $14.8 million is a function of budgeted expenses and budgeted revenue irrespective of the quarter percent sales tax and the associated revenues and the debt service for the three structures. So, keeping that totally separate, the $15 million reflects the budget as passed.

Now, we know that there's a couple of caveats to this number. There are -- I've identified approximately $6 million of one-time expenses in the 2015 budget that once they are completed, those are not ongoing expenses.

There's also --

MR. GREENSPAN: Wait. I can't leave you at that. What are those?

MR. MURRAY: They are -- there's a couple of different things. I have to have go from memory.

MR. GREENSPAN: Were they budgeted?

MR. MURRAY: They were budgeted. Oh, no, no, they were budgeted. $1.7 million for the 911 consolidation plan. This is --

MR. GREENSPAN: If they're budgeted included in these numbers, we don't need to go -- continue.

MR. MURRAY: They are in these numbers.

Also, as a historical precedent, we know that the county traditionally under spends its appropriation measure. And then this operating deficit is also reflective of my revenue estimates, which at this point, the revenue estimates for the budget are based on third quarter's projection. So, again, I have to do a deep dive into our revenues for 2015. I know that there's always going to be differences in timing of vacancies being filled, contract payments. There's always a difference between what I think is going to be filled as opposed to what actually the vacancies that actually occur. We always have people coming on and off is what I -- coming off our payroll.

So, I think the message that I want to give you is this is manageable, but the assumptions that we used at this point have to be based on the budget as passed. I will tell you I will incorporate the quarter estimates into this model just so we can see how well we are performing, but for the purposes of a

February or early March meeting before we get a chance to do the first quarter report, I think the best most verifiable numbers is the 2015 budget as passed.

MR. GREENSPAN: Let me ask you some questions about some expense items.

MR. MURRAY: Uh-huh.

MR. GREENSPAN: In the numbers you are using on the March 25th documents, regardless of the three two, just the '15 numbers, those expenses, that's 100 percent spend, that assumes 100 percent spend?

MR. MURRAY: Yes.

MR. GREENSPAN: Does that include any modifications to collecting bargaining agreement increases? Is it a live number that's been modified as we've, as the county has renegotiated those types of contracts or amended other contracts?

MR. MURRAY: That's an excellent question, Councilman. This number includes known union increases as of the budget passage.

MR. GREENSPAN: As of '13, December of 13.

MR. MURRAY: No. We update these numbers for '15. So as of October, November of 2014, all known budget, all known budgeted increases are there. So if we knew there was a union increase forthcoming for next year, it's included in the base.

MR. GREENSPAN: It's included. And --

MR. MURRAY: And in this number.

MR. GREENSPAN: And was there an inflation factor? That's your 2 percent expense increase?

MR. MURRAY: Yes. In the budget, there's a 2 percent increase on some contract lines, some other expense lines. If an agency has significant contractual expenditures, say abortant care in Children and Family Services, normally we wouldn't provide a 2 percent increase there. Those tend to be negotiated.

MR. GREENSPAN: Okay. You touched on -- it's clearly worth noting when we talk about just round up and be consistent with the Executive statement of a 15 million surplus -- I'm sorry -- deficit. With the expenses budgeted 100 percent, we know, and Exhibit 7 points this out. Over the last four years, we did an analysis of budget to actual to come up with budgeting tool, so to speak, as to what can be anticipated as far as the county's annual spend percentage of total budgeted expenditures.

The average expenditure percentage is 92.6 percent, 92 and-a-half percent of what's budgeted. If we use that as a model based on the budget that was approved at 334 million in expenditures, and it looks like you are using a 329 number, that's almost nearly $25 million in expense, in unspent expenses that were budgeted. And I agree you should budget 100 percent. Don't get me wrong. Where I think we've -- and I've had discussions with the Administration about had this the past, putting a budget together is one thing. To modify it along the way, those are typically referred to as projections which deviate from the original budget so you can see what you thought versus where you are. We don't necessarily do that. And I think it would be useful planning tool.

But if you were to take that assumption at 90, take $25 million away, based on historical, if you are looking at purely a projection on expenses, you can keep your revenue the three and zero and expenses at two and zero, it's irrelevant. The actual spend to the budget is about $25 million less than what's in there.

With that said, if you take the 15 million deficit that's been reflected here, it puts us at about $10 million surplus on a projected basis. If you take the 8 and-a-half or 11, whatever the 27th pay is, into account on top of that, because I'm assuming it's not included in this 15 million. It's --

MR. MURRAY: It's not in the 15 million, but it's reflected in the total general fund balance column.

MR. GREENSPAN: It is?

MR. MURRAY: It is.

MR. GREENSPAN: Then it further bolsters my position that the county, in essence, from a projection standpoint, based on historical expense spend, with the zero percent growth in revenue, could finish the year with the $10 million surplus, assuming a 92 percent expense spend. Look, talking projections. We're all making hypotheses is.

MR. MURRAY: We're making hypotheses at this point.

MR. GREENSPAN: But it's fair to say we're not going to spend $329 million. We're going to spend less.

MR. MURRAY: We may not. But I think the issue is --

MR. GREENSPAN: Well, we never have. In the last four years, we have never.

MR. MURRAY: We haven't, right.

MR. GREENSPAN: The highest we've ever come is 96.6 percent in 2012.

MR. MURRAY: Councilman, do you know if this is the original -- in your Exhibit 7, is that the original budget or is that the current budget?

MR. GREENSPAN: These are the revised final budget expenditures versus actual. So we have Exhibits 14, 15, 16 and 3 presented in here to show where we pulled these numbers from.

MR. MURRAY: I guess my only point would be that if I would show, we would show I guess the actual expenses to the original budget because --

MR. GREENSPAN: The current budget.

MR. MURRAY: It's modified fight.

MR. GREENSPAN: That's what we've done.

MR. MURRAY: Carryovers and any program expansions that occurred between budget processes which does occur --

MR. GREENSPAN: That's what we've done. If you look at Exhibit 14 which is on page 33 which is the 2011 actual spend to the 2011 budget, that's 92.3 percent of what was spent, which is indicative of the four-year trend.

So my point is, if you are looking at it from a projection -- I get it. The budget -- if you are looking purely at a budget, all in revenue, all in expenses, doesn't matter if you are three two, zero

zero, you are still talking about unspent budget expenses. And if you look at that on a projected basis, we traditionally spend 92.6 percent of what the budget is, which leaves -- in my example, it's a little different because you are using a little lower number, but roughly a 25 million, $24 million unspent expense favorable variance to the profitability of the general fund in that year.

And if what you are telling me is is that the 27th pay is included in there --

MR. MURRAY: In the calculation of the ending balance, yes.

MR. GREENSPAN: So if it's included in there, then we could be looking at a high single digit surplus. Million dollar surplus.

MR. MURRAY: Are we backing out some of the one-time expenses?

MR. GREENSPAN: Whatever you are presenting here as your operating expenses is what we are using in our example.

MR. MURRAY: Then I'm with you. Okay.

MR. GREENSPAN: Okay. So at least are we on same page in understanding the strategy of this projection --

MR. MURRAY: Yes.

MR. GREENSPAN: -- as it relates --

MR. MURRAY: I mean, the assumption is that we will spend under the appropriation, yes.

MR. GREENSPAN: Correct. And with that assumption, based on our last four-year circle number, it will be in the mid to low $20 million dollar range.

The other analysis that we did when we talked about revenue assumptions, whether it's zero zero or three two or three or two or somewhere in between, is we did another analysis just to kind of get a trending to see where we are -- it's on Exhibit 11 -- insofar as judging our sales tax collections. This model on page 28, we did a 30-year sales tax trend. Obviously -- it's been rumored that I'm a little bit on the conservative side so I wouldn't use the last four numbers as a -- last four years or five years as a number to continue to forecast because we have had strong sales tax collections, and these have been adjusted to a million dollars, understanding -- to one percent. Understanding the increase in the quarter percent happened in 2007. But if you -- historically over the last 30 years, the county has realized a 3.1 percent year every year increase in sales tax collections. So that in itself is an average, but it trends heavily in the last five years at 4.9 percent.

You know, we talked earlier in November about, you know, RTA and their economists using 2.2 to 2.5, which is conservative based on historical, not only the near term but the 30-year circle averages.

To assume that we're going to have zero growth is nowhere near even historically representative of what we can expect in the future. To Mr. Schron's point, if you look, you see dips in sales tax growth and dips as we reflect on recessions and you can look at there are at least five years over the last 30, one in six that you see, although not trending one in six, but one out of every six years you see a dip in the economy.

But with that being said, even that, over 30-year model or a 20-year -- this is a 30-year model here as well, to assume zero on sales tax alone, I mean, even from my conservative perspective, it's safe to say this will never happen. Even on the expense side, if we are saying we have some gross ups in here already on the expenses factoring inflation or where you know there are contract increases on the expenses to assume zero on the expenses is not representative of what we can expect going forward.

Now, who knows as Mr. Schron said what the crystal ball is going to tell on either side realistically, but you must use -- maybe this is where Mr. Sprague comes in. You must use some type of guidance when coming up with projections.

MR. SPRAGUE: Thank you. I guess the direct question you would like to me to address is concerning the advisability of using zero percent growth assumption as a --

MR. GREENSPAN: Well, Ms. Simon.

MS. SIMON: It's not so much

the advisability, Mr. Chair, it's the assumptions by which we would -- that we're carrying further with zero. I mean, that's just -- based historically, there's no basis upon which I, as a council person would think that's a realistic number.

What are the assumptions? And then you can get into advisability based upon these assumptions that we go from a model in November to this model because we can have a range but why -- what assumptions are we basing this on? I'm sorry. If that helps.

MR. GREENSPAN: No. That's fine.

MR. SPRAGUE: Well, I think it's safe to say that a variety of different scenarios were run under the guidance of the new executive that he's requested and things that he wanted to see. And one of those scenarios was to assume no growth, no growth in revenues, no growth in expenses.

MS. SIMON: Mr. Chair, but why no growth? I know you were told to run a number at zero, which is fine. We can project out at zero, but what are the realistic assumptions that would corroborate or support such an assumption? I know what you were told. Somebody was told to give us this model, but there has to be based on some assumption upon which this model would be based in reality aside -- go ahead.

MR. SPRAGUE: I think the assumption was that since under that scenario, that if total expenses and total revenues were growing by the same amount, it didn't matter what kind of assumption you put in, whether it be 1 percent or 2 percent or 3 percent. They are all growing at the same rate. So zero works as well as one or two.

I think the reason that the second scenario is shown, though, is to say, what happens if that's not the case. What happens if we put in something that's more historically reflective of what actually happens with sales tax and that's why the 3 percent model was incorporated.

In terms of whether there's a belief, I don't think that the executive expects there to be zero growth over the next 10 or 15 years. I think as that's a starting point he wanted to set that benchmark. I think that's as far as it goes. Let's just what if, what if, that's all. At least that's what I've been hearing. And that the ultimate projections we buy into over time are going to continue to evolve, I believe.

MS. SIMON: So we were given a number as a hypothetical that I have no evidence and there's no information that would support this assumption of zero growth. Then there's a press conference saying that there's a serious financial situation based -- am I correct that the serious financial situation is based on zero growth? And maybe you two aren't the people who can answer that. Because right now we have this assumption out into the county and the residents that we're in a serious financial situation and if that situation is based on zero growth, which we are now hearing is a hypothetical without any basis in reality, then I want to understand what -- explain to me, is this the basis for the serious financial situation, zero growth?

MR. SPRAGUE: I think, if we step back for a minute, number one, I was not at the press conference. Number two, I didn't participate in at all. But the message that I think is being delivered is that there's a lot of projects that are on the board moving forward. Some of them we know about. Some of them have been incorporated into the model, whether it be last November or whether it be now.

There's a lot of other things that are surfacing on the drawing board, whether it be for Metro, whether it be for the Q, whether it be for -- whatever the other projects might be. And I think when you look at something like these spreadsheets, I never want anybody to read too much into what they say. And the reason I say that is because when you take something and go out 20 and 30 years, it almost -- there's a couple of conclusions you can draw from looking at that information. Number one is, does it look like there's a couple of years out there where we got a problem, and if we do when we're issuing new debt for whatever project it might be, we ought to structure that new debt to avoid those years that we see as being problem years.

In terms of the accuracy of information once you go out 20 years, to me it almost becomes meaningless because we don't exist in an economy that's going to exist in 20 years. If this is a tool, I think you can have a lot of confidence in the first three or five years because they're based upon labor contracts that have been negotiated, they're based upon some level of comfort that you can have in what recent history has done and that it's going to repeat in the short run, but to project that out for a 20- or 30-year period is -- mistake should not made and you shouldn't put too much weight on that. That's all.

MS. SIMON: Mr. Chair, if I can continue, however, there was a press conference that said we're in a serious financial situation that rested on a zero growth assumption. And that's the issue. I understand that we can look out 30 years and we're not going to have a crystal ball. We can have realistic projections based upon history, and we have a history right now that tells us at least liberally that it's a 3.1 growth, and then to come at this with a zero with no assumption, you are telling me there's no assumptions in reality and history that would justify us resting or a press conference resting on a zero growth. That's the issue.

So I want to know from either of you or whoever is in the room is zero growth rate a realistic projection in the next -- you gave us 30 years. Is that realistic that we're going to have a flat -- zero. Less than. Less than flat. I just want a yes or no. Is that a realistic projection?

MR. MURRAY: For zero for 30 years?

MS. SIMON: Yes.

MR. MURRAY: No. But the point of the model is this: We are -- the first three lines of both models assume the near future and it assumes the basis of revenue growth and expenditure growth taken straight out of the budget. The question becomes, in the future, will you grow at two and two? Will you grow at one and one? Whether you grow at three and three? Will you grow at zero or zero? The further we get out from -- I think from Brad's point, the further we get out from 2017, it does become speculative at this point, and the issue -- the growth impacts -- it does. It impacts our capacity. The assumption on growth does impact our capacity for new projects, but the key here and I believe what the Executive is, the point the Executive is making is that there are some -- if you take the budget as was passed, there are some issues if we continue to increase the budget without corresponding revenue offsets.

The $14 million is reflective of at least, let's be conservative, at least $6 million in one-time expenses. Those one-time expenses are not -- they don't -- by definition they're not going to be an issue going forward. They are here. They are in these revenue numbers. They are in these budget numbers. They are real. The expenses are real, but they are one time.

So, the model is trying to isolate a static picture of expenses and revenues, how does the county operate going forward with a certain set of revenue assumptions and revenue is always the driver of what we should be budgeting.

MS. SIMON: I will let you take over the rest of the committee. I understand you gave us a range. I said and this committee said we need a capital improvement expenditure plan for the next 20 to 30 years. I said it. We all say we need that, but when we rest assumption that we're in serious financial situation, do you believe that, based on the current budget numbers?

MR. MURRAY: I believe that we can prudently manage this particular issue. I believe we can manage it so that there is little to no impact on the operations. Yes, I do.

MS. SIMON: You think --

MR. MURRAY: Because I know that my -- that the projected expenses, what we actually are going to pay out is going to be lower than the $352 million number that you see here.

MS. SIMON: I thought Mr. Greenspan took you through the expense.

And I will let you take over from there. But to say we are in serious financial situation resting on zero growth, resting on a calculated 27th payroll. So now you are saying the serious financial situation is only because of the expenditures going out and we don't have the revenue to cover those that we've already budgeted? I will let Mr. Greenspan take over, but this is making no sense to me.

MR. MILLER: Mr. Chairman.

MR. GREENSPAN: One second, Mr. Miller. Then I will come to you.

Let's take the growth on the revenue expense out. The primary difference between these documents dated March 25th and November 3rd is primarily due to the fact of the segregation of the quarter percent sales tax and related expenses.

MR. MURRAY: Correct.

MR. GREENSPAN: When you put that in a separate bucket, this is what's reflected. Here's the challenge, the challenge is is that when whomever stands at that podium and presents information to this

Council or presents information to the Executive, we rely on that information to make our decisions. It's not only in the financial world. It's on every committee we hear people come and make statements that we challenge all the time.

This is a very critical component of what we do in the county, is provide the financial resources to meet the fundamental obligations of county.

We made decisions based on a document that was presented to us in November which had a couple of assumptions that are no longer present, which if they were present at the time, may or may not have changed the direction in which this county voted to adopt that budget. Well, I can say this: It would have changed the way we adopted it. One way or another, there would have been changes.

The assumption of the quarter percent sale tax continuing on was a failure in judgment to continue with that assumption.

Mr. Sprague, you said something to me that is very concerning, and it's concerning because of the fact that, as I just said, this council and the Administration rely on information to make their decisions. The Executive made his statements relying upon information. And you said that no one, that we should not read too much into these reports. That's a challenge when this is what's relying, what we're relying upon to make decisions to help manage this county.

MR. SPRAGUE: Let me try to clarify.

What I mean, what I believe, is that when you get out beyond a certain time horizon, the veracity of the information, you begin to question. I think that's true of any projection that goes out more than ten years because the world changes so dramatically.

To want to see it, to reach some general conclusions about areas where we may be hitting a pinch point, areas where we may be able to avoid issuing a future debt, yes. But all I was suggesting, and I do believe this, that once you get out past a ten year and -- five to ten-year time horizon, the value projections becomes less and less.

MR. GREENSPAN: And I don't

think anyone would disagree with that.

My interpretation of your statement had to do with the document which was before you which was what the question was relating to which had to relate back to the $15 million loss and the serious situation the county is in based on a report that was presented to the Administration to which the Executive made statements which have raised concern in the region, not only in the county, in the region.

When you look at the seriousness and the role in which Cuyahoga County, the 29th largest county in the country, plays in Northeast Ohio.

And so when a statement is made that we shouldn't rely too heavily upon this, it calls to question, then what should we rely heavily upon?

MR. SPRAGUE: I hope I've clarified that because if I, if what I said earlier was incorrect, it was incorrect, but what I meant to say and what I believe is that the farther you go out on this time horizon, the less faith you can put in something at 15, 20 years out than certainly what you can do in the five- to ten-year time horizon.

Is zero percent what's going to happen over the next 30 years? No. No.

MR. GREENSPAN: I'm just looking -- to be candid with you, I'm just looking over the next three to five years.

MR. SPRAGUE: I would answer that question and also say from my personal seat, no.

I don't think there is anything wrong with the Executive requesting that somebody take a look at a zero growth assumption if that's what he wants to see. And that is what he wanted to see. And whether -- I don't think that he would say that at the end of five years when I look back, I'm going to see zero. I don't think he would say that. But I think what he was trying to -- from where he sits, he wanted to see that as a starting point and that's what we provided to him.

MR. GREENSPAN: Mr. Miller. Then Mr. Brady.

MR. MILLER: Mr. Chairman, Director, I want to get back to what you were saying about the virtual wall around the quarter percent sales tax. And if you look at Exhibit 3 where it has Global Center operating reserve, $11 million and a little more, and then on Exhibit 4 it has various numbers ranging from 11 to 19 million. Do those numbers represent the difference between the revenue and the expenses on the quarter percent sales tax or do those numbers represent something else?

MR. MURRAY: The Global Center operating reserve reflects the difference between the quarter percent sales tax, the one percent bed tax, and the Convention and Visitors Bureau revenue compared to the uses of the quarter percent sales tax, which are the Global Center, the Convention Center, the operating payments to the Medical Mart -- the Global Center and the hotel debt service.

So that number is fluctuating but that's -- I can show you the basic accounting to that, and what we're doing now is -- the original plan was keep it in the general fund. I think where we're moving toward now is separating those dollars so that they can't be used for another purpose.

MR. MILLER: Mr. Chairman, Director, we asked about this particular reserve specifically during the last budget hearings in November, and there was no suggestion at that time that it would be imprudent to consider those revenues that were left over as part of balancing the budget. What has changed?

MR. MURRAY: Well, I can tell you what I -- the situation I inherited was -- the original plan was to leave these dollars in the general fund and try to segregate them virtually. Again, I think where the county executive would like to move to is we segregate those dollars so that, again, we don't get ourselves into a situation where we are accounting -- we're counting on dollars that are earmarked or segregated for the purposes of the three structures.

So I think once we've made that segregation, we have an operating issue but, again, I will say again, the operating issue also includes the assumption of one-time expenses.

MR. MILLER: Director, on Exhibit 4, again the Global Center operating reserve, these numbers ranging from 11 to 19 million, do those represent cumulative collections of the difference between the receipts and the obligations, or do those numbers represent the difference between the expenses and the revenues in a single year?

MR. MURRAY: In a single year.

MR. MILLER: So you're saying then that for 2015, am I reading Exhibit 4 correctly that we're expected to have $19 million more in revenue from the quarter percent sales tax than we need to meet the obligations?

MR. MURRAY: Yes.

MR. MILLER: For 2015.

MR. MURRAY: Yes. Assuming these basic revenue assumptions, assuming we collect based on these revenue assumptions, the answer is yes.

MR. MILLER: Well, that's a large amount of money. Why would we not model this that some reasonable amount of that 5 million would be held in reserve -- of that 19 million would be held in reserve, perhaps 5 or even 10 million of it, but that the remainder could be used to help pay our other debt service requirements? I mean, why are we all of a sudden regenerating anywhere from $11 to $19 million of excess reserve? It's just going to pile up somewhere. What are we planning to do with it?

MR. MURRAY: Councilman, I would refer you back to the original financing plan for the hotel. That original financing plan assumed approximately $43 million in general fund contribution. That general fund contribution is going to come from this excess that we're currently accumulating. So there is a -- so, this reserve, it's an attempt to accumulate enough cash to cover that $43 million, but there's also -- we also have a capital reserve that we feel that we should start making formal plans for so that those excess cash dollars at this point, that's where we feel that we should be using those dollars to cover those obligations.

MR. MILLER: Mr. Chairman,

Director, how much money is currently sitting? If we had it segregated out today, how much money would there be sitting in the one quarter percent sales tax that we have not had to spend on ongoing obligations that we have set aside toward that future obligation?

MR. MURRAY: I only have 2011 through '14 in front of me, but that's $25 million currently sitting in the balance. Now I would have to go back and pull the preceding years but, again, that money --

MR. MILLER: I would --

MR. MURRAY: -- has to go to the -- it's part of a use, a source for the hotel project.

MR. MILLER: Okay. Well, I would like two things. Number one is that I would like you to go back to 2007 through 2010 and figure out how much is generating in those years and to find out cumulatively how much we've obtained and set aside toward our obligation.

The second thing is that I would like you to take just a quarter percent sales tax segregated out since that's what we're going to do. I'd like to segregate it out and see a projection from now through 2027 as to what its projected revenues will be and what its projected expense requirements will be. And you can use any growth assumption you want, but just tell us what it is.

MR. GREENSPAN: Mr. Brady. Mr. Miller, were you done?

MR. MILLER: I am.

MR. GREENSPAN: Mr. Brady.

MR. BRADY: I am going to partly take a pass because it would be sort of out of context from what I was thinking before the councilman's questions. But let me say quickly following up on what Councilman Miller said. Segregating out these numbers are -- I don't think anybody has an objection to that. The point is that by focussing on this, like the 27th pay, one of the few points that are focused on as if this is some shocking revelation to the Council about its budget. It's not. Members of the council know even if they didn't segregate the money out, and we have no objection to that, we're not confused about it. And there's an impression left that somehow this is something that upsets the balance, the budget, the apple cart here in a significant way. And like the 27th pay, it does not. It doesn't.

And so let me just say beyond that, because I'm out of context now, is that we've appreciated the advice that we've gotten from both of you gentlemen, I'm talking particularly Mr. Sprague because we haven't seen that much of you for obvious reasons, as we would our employee here, but when either of you tries to characterize what you think the county executive is thinking, when you are interpreting what you think the county executive means, well, that's helpful but I don't know if you are qualified to do that or not or if I'm qualified to do that or not because we're trying to just determine what the facts are here, and if we get too much into speculative, you know, conversations about what we think people mean by what they said or what they think they said, I'm just going by the information that I believe is not in question. Because, I mean, I can sit here and speculate about these things as well and I don't think it would be very helpful.

So, I will pass on some of the other things I had in mind and try to help expedite the process here.

MR. GREENSPAN: And I will draw back to Mr. Miller's point. There was a statement made a part of The Plain Dealer regarding the quote as a one-time mistake last year in the use of sales tax money earmarked for capital construction to pay unrelated bills. That was made by the Executive. And I believe what he is saying is that of the quarter percent, the county spent some of the excess, the surplus of that revenue over related expenses on operating expenditures; however -- well, was that statement true, Mr. Murray?

MR. MURRAY: So you are asking me if I can comment on the statement made by the Executive?

MR. GREENSPAN: Well, did we use excess quarter percent, which is not impermissible, by the way. The previous county commissioner enacted that legislation so there were no wrongdoing. I think we prefer to see it the way it's being currently proposed, but the statement being made that part of that quarter percent surplus was spent on unrelated expenses when there are reserves in here for the Global Center, and it looks like our reserve went up during that same period from 187 million at the beginning of the year to 200 million at the end of the year.

So, did we use any of that quarter percent to handle unrelated hotel, Convention Center, or Med Mart or Global Center expenses?

MR. MURRAY: I guess it depends on the way you look at it, Councilman. We can -- the operating budget, the operating budget for 2015 and 2016 --

MR. GREENSPAN: Wait. Coming back up. This says last year. It was specific. Last year the use of sales tax money earmarked for capital construction to pay unrelated debts.

So the statement was very clear. Last year in 2014, the statement was, that a portion of the quarter percent sales tax was, not inappropriately used, it could be used in this fashion, but was used to cover other expenses outside of the -- I'll call it the three buildings. Because if that's the case, then I would expect reserves to go down, something to go down, and according to this, reserves went up.

MR. MURRAY: The reserves did go up because we collected revenue in excess of what was projected.

MR. GREENSPAN: Okay.

MR. MURRAY: And we've got the issue with cutting off financial processings. So, again, expenditures are lower than we -- so, in terms of what was used -- are you talking about the general fund? There's a virtual box, but there's no physical box with these revenues.

So, property taxes, all of our revenue sources inevitably pay for what we expended in 2014. I can certainly show you that the quarter percent for what it's earmarked for, revenues, exceeded expenses in our preceding years. That money is sitting in the cash balance.

MR. GREENSPAN: So, whatever was

collected --

MR. MURRAY: We need to move it though, but --

MR. GREENSPAN: Whatever was collected, less what was paid out for the quarter percent was paid for the three facilities is still available?

MR. MURRAY: Yes.

MR. GREENSPAN: Okay. Then the answer is the statement is not true. We did not use money last year for other projects because the money is still there. It's in error.

MR. MILLER: Mr. Chairman.

MR. GREENSPAN: Mr. Miller.

MR. MILLER: After you segregate this out, you said currently we've set aside 25 million and we're going to add 27 to 2007 through 2010 and see what the total number is.

MR. MURRAY: Correct.

MR. MILLER: Once you segregate that out, is that going to reduce our general fund reserve balance by that amount and put us less ahead of our reserve targets?

MR. MURRAY: Well, I think by definition, if you moved out a significant portion of the cash in the general fund balance into, maybe even a separate fund for the purpose of segregation, it will reduce your general fund balance.

The question is, are you bumping up against your policy limits? And I don't believe that we would be close to them.

MR. MILLER: No, but it would reduce the cushion.

MR. MURRAY: It would reduce the cushion not in the general fund total, but there's actually three general fund buckets. If we created another bucket for financial purpose, for financial reporting purposes, it's still the general fund. We're going to segregate it in our reporting so that the checkbook that we use for normal operations is not impacted or we don't --

MR. MILLER: It's still going to be part of the general fund reserve, but it's just going to be a different subcategory in a segregated account.

MR. MURRAY: It's a different subcategory. As a matter of fact, some of the reserves that you see on our reports, they actually are in a second, they're appropriated in second general fund bucket. I'm assuming this would be the type of purpose we would move forward with for the purposes of segregating the quarter percent.

MR. GREENSPAN: Very good. Any other questions? If there are no questions, actually topic 3 was kind of rolled into this topic. I'm not sure we need to rehash unless -- it had to do with quarter percent sales tax. Unless there are questions on that in particular, or if any other committee members or members of counsel have any further questions, I will just read a closing kind of a concluding statement that I have.

MS. SIMON: Mr. Chair, before you close.

MR. GREENSPAN: Yes, Ms. Simon.

MS. SIMON: I just want to say that based upon what I heard today, the reasons given originally for the statement that we're in serious financial situation had been dismantled during this process. The first was that that statement was rest on an assumption of zero growth on sales tax revenue.

The second one was that we didn't consider the 27th payroll in discussing our budgeting.

Third, I think what I heard as well is that the one-fourth sales tax -- I am going to come back, but I think there were three reasons given, and I think we dismantled all three. I don't believe we're in serious financial situation. I think that statement had a negative impact, as the Chair stated, not only on the county but regionally and everything that we worked for as council to just project a stable financial situation with our new county government and all the hard worked we put into this is undermined when we recklessly make statements like that.

I understand that we don't have money right now to do everything we need to do, and I think Council wanted a plan to be able to handle the Justice Center and handle Metro and handle everything we had in a very methodical way, but when we do that, we need to base that on an assumption that's realistic and be able to work together to come up with a plan, a capital expenditure plan. We need to be creative. It's going to be challenging, but I think we can do it. We have to do.

Metro is important. The Justice Center is important. All of these projects are important to the county, and we all understand that this can't be done with a flip of a switch where we can just go ahead and budget recklessly. That's not what this council is about, and I don't think this administration is about that either.

So, this was a very helpful hearing today because I'm relieved. What I heard is that we really aren't in a serious financial situation, which I don't think we were to begin with, but this just validates that.

I appreciate all the time everybody put into this.

MR. GREENSPAN: Thank you. Mr. Brady.

MR. BRADY: Thank you. Mr. Chairman, I will be quick since we're making some closing remarks here.

I appreciate the job that the Council, the chairman and the staff and others that have been involved have put into this work over the last 12 days. It was important I think that the council respond to the press conference, to the comments made by the Executive. Having said that, we obviously know we need to work very closely with the Executive going forward to meet the challenges that we have. I think that Council has a record of doing that. When we learned not too long ago that we were going to be short on our projections of property taxes coming in and we weren't that surprised by it, but Councilman Miller, as chairman in those days, had to really push quite hard for several months to get the Administration to admit that we were going to have a shortfall and then to admit they had no plan to deal with the shortfall.

This Council unanimously faced that issue you and did something about it. That was, I think, an appropriate response to that particular problem. What our challenges are going to be in terms of all these projects that maybe people didn't want to have to face six months ago, even though they were obvious to everybody in the council that they were there is a different issue, but we have the courage and we are secure enough in the experience that we've gained to be able to help the Executive and work to meet any challenge that this county has. We are not afraid of the truth. Our issue, our problem is wanting to know exactly what the truth is and not a version of it.

And I know when we are doing financial projections, this is not, you know, a perfect science, but we know some things, and we know that some of the assumptions that had been, that are made or that we're looking at are ones that I don't personally agree with. I don't think that it's a great radical difference between what I think and what's being presented, really. But there are some assumptions here, obviously the zero growth is one of them that no one agrees with, and so it is an exercise to use something that no one believes is a fact. It's not a conservative or liberal assumption. It's not a conservative or liberal approach to budgeting we're looking for. We're looking to do this in a way where we can rely on the facts and rely on the advice we get about what our borrowing capacity is and then realistically make the decisions that we need to make and prioritize what we need to prioritize and we will be on this job for the rest of this year and into the budget season.

I just want to thank both the chairman and the former chairman, the other members of council and the staff the work we've put into this. We are serious about this stuff. So, in the future, you know, maybe we should give some -- people should give some greater thought to what they have to say to the public. Because we will respond. Thank you.

MR. GREENSPAN: Mr. Schron and Mr. Germana.

MR. SCHRON: I would like to reiterate both of my colleagues' comments because I think we've rolled up our sleeves in he last four years and demonstrated a desire to build in reserves into both the operating side and health and human services. We even went so far when the new found money that was going to come in from the casino revenue, this was a tough room. This Council wrestled with some tough issues, and we said, no, we're not in favor of spending it immediately.

We were in favor of building reserves and looking at it. We said if exigencies and circumstances caused it to accelerate and guess what? The Administration chose to do that and draw down as opposed to letting it build up so we could have some impact. While we are faced with that again -- and I know I had a conversation with then the county executive elect and suggested, we got another round coming in, let's at least look at it and fortunately we is still have -- that round is still in existence. It did not get spent even though there was a desire to move that on an accelerated pace.

So, I think if you look at our track record all the way through from the fiscal side of it, from the economic development side, we've tried our best to be good watch dogs and stewards for the funds. So when we hear that the things are coming off the track, I can understand where all 11 of us, and that includes our predecessors who were there on our first four years, it's a sensitive issue to all of us.

MR. GREENSPAN: Mr. Germana.

MR. GERMANA: Thank you, Mr. Chairman.

Just in general, I would like to say that, you know, the reason I'm here, I'm not on the finance committee, but of course I voted for all these issues, and I'm here to find out if we made some, we, as a council, made some bad decisions. And I think really in my eyes what I'm finding out today is the county executive, new executive, was having some fresh eyes look at some projections just so he would have a comfort level with some fresh eyes, but I think what -- I am reassured that what we voted for was based on fact and information that was not fresh because this county council, and in particular the Finance Committee, gets into the weeds. I mean, there is great understanding of all these schedules and I have a comfort level that we're heading in the right direction.

And I understand that he, the County Executive, had some fresh eyes look at this. You know, before the next news conference, there probably should be some consultation with the Finance Committee. And that's all I want to say. I'm just relieved that -- you know, attending this meeting, I know we've made good decisions based on the information that we had in front of us.

MR. GREENSPAN: Thank you. I will just read this and then we will conclude.

I truly appreciate the county executives, genuine interests and thorough review of the financial status and debt capacity of the county. I believe this discussion will assist both branches of government in coming together to help craft a long-term strategy that will keep the county finances strong and healthy, all while keeping historical perspective as the information that was relied upon to help us make policy decisions over the past four years.

It's my expectation that a final report of this committee meeting will be compiled with the information that's been disclosed today, and we'll include questions that will be raised from this meeting, and the forthcoming answers will be included in that report.

It's my objective that an agreed upon financial model between Council and the Executive will be developed to strategically position the county to maximize its resources and allowing the county in such a manner as to best serve its residents.

Madam Clerk, is anyone else signed in for public comment?

MADAM CLERK: No. Mr. Chair, no one has signed in.

MR. GREENSPAN: I will make a motion to adjourn. Is there a second?

MS. SIMON: Second.

MR. GREENSPAN: All in favor signify by saying I. We are adjourned. Thank you.

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(The proceedings were adjourned.)

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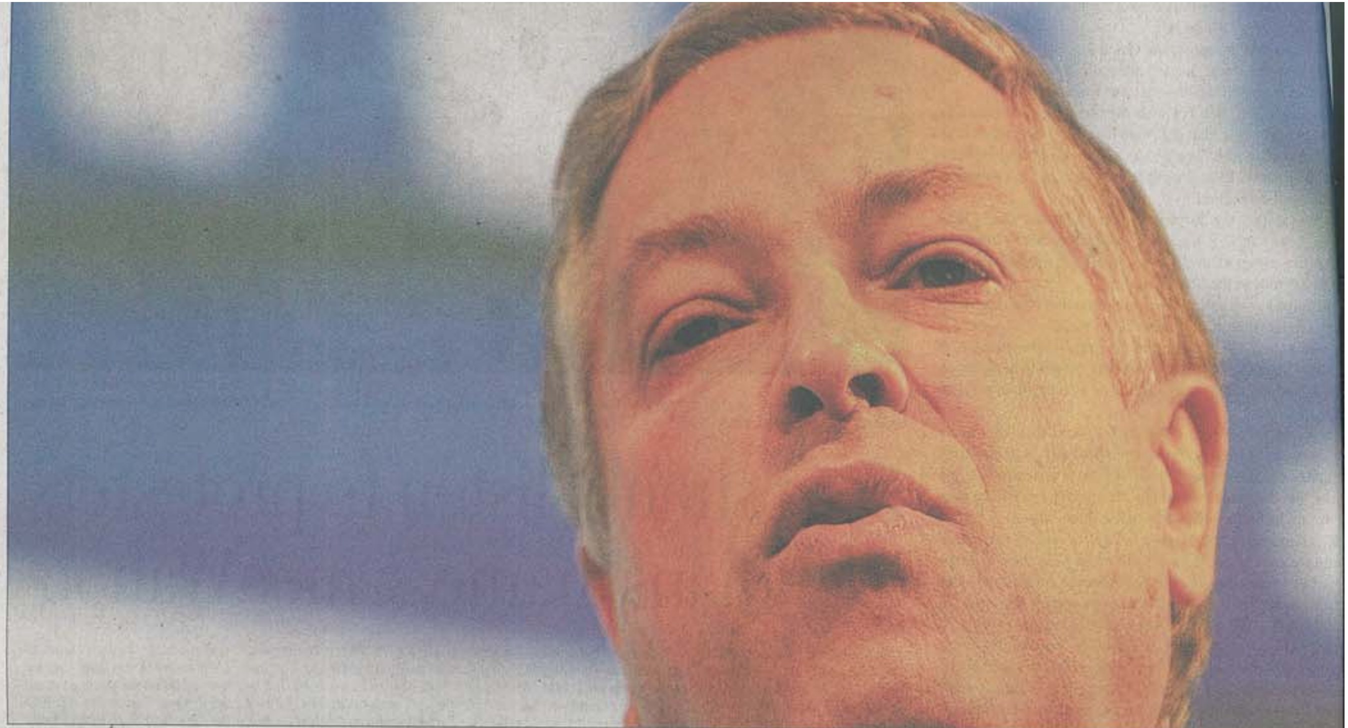
C E R T I F I C A T E

I, Susan M. Ottogalli, Official Court Reporter for the Court of Common Pleas, Cuyahoga County, Ohio, do hereby certify that as such reporter I took down in stenotype all of the proceedings from the audio/videotape in the above-entitled cause; that I have transcribed my said stenotype notes to the best of my ability into typewritten form, as appears in the foregoing Transcript of Proceedings; that said transcript is a complete record of the proceedings had in said cause and constitutes a true and correct Transcript of Proceedings had therein as the quality of the recording allowed.

____
Susan M. Ottogalli, RMR
Official Court Reporter
Cuyahoga County, Ohio



Cuyahoga County Executive Armond Budish gives his remarks during the United Way annual meeting on March 6.

GUS CHAN | THE PLAIN DEALER

Editorial

Cuyahoga County faces potentially big expenses, but don't look for any checks to be cut until ...

Budish counts the beans

New Cuyahoga County Executive Armond Budish may be a tax-and-spend liberal at heart, but he's signaling early on that frugality may be closer to his watchword in the face of a spate of big-money projects that could strain the county's ability to pay bonds back. ¶ **Good.** The county faces too many must-do, big-ticket projects, from overdue upgrades at the county-supported MetroHealth System to an urgent need to repair or replace the Justice Center, for anything less than clear-eyed policy regarding county debt.

Budish — who said the county has a $200 million cushion in its operating budget — wants to create a similar reserve fund for capital projects to avoid the current situation with too many due bills coming in at once, impeding the county's ability to plan the big projects.

All in all, Budish seems serious about the bottom line.

And — even more commendably — he shared his concerns with the voters who put him in office weeks before giving his State of the County speech.

Instead of a frisky, feel-good message, Budish offers a pragmatic we-might-not-be-able-to-do-everything message.

Who is this guy?

Budish to his credit has not (yet) backed off the important commitments the county made under his predecessor, Ed FitzGerald, to needed downtown upgrades already financed by new county debt: $460 million for the Global Center for Health Innovation and the makeover of the Cleveland Convention Center, another $270 million for a convention hotel and $80 million for a new county government headquarters downtown.

Nor did he suggest he was planning to cancel more recent obligations not yet finalized or bonded out, including a planned $50 million demolition fund, the county's $10 million share of a pedestrian bridge to the lake or the MetroHealth and Justice Center projects.

But he did warn that the financing of these projects would need to be carefully assessed to avoid contracting so much debt that county revenues could not sustain the payoffs.

Budish also flagged a troubling habit within the county of routinely approving spending projects outside the confines of the budget process — and said he intended to kick any such matters except clear emergencies to later this year when he begins writing his first budget as county executive.

"Nobody's pressing panic buttons," Budish reassured reporters and editors at the Northeast Ohio Media Group and The Plain Dealer in a meeting last week. Yet he also warned he could not yet commit to $15 million sought this year for a new critical-care pavilion at MetroHealth.

"I think there will be opportunities for us to find additional funds in the budget," he said.

The concern over the county's capacity to pay back its debt was triggered by several events — none of which involved accounting errors, Budish said.

However, one mistake last year was the use of sales-tax money earmarked for capital construction to pay unrelated bills.

Budish said that glitch had been corrected. He also said he was forming a volunteer task force of financial experts to recommend more stringent oversight on the budget.

Budish also pooh-poohed the necessity of a tax increase — for now.

County Council plans to take a close look at Budish's concerns on county debt at its meeting on Monday.

However, Democrat Budish has found an ally across the aisle in Republican Councilman Dave Greenspan, who chairs County Council's Finance and Budgeting Committee and has long raised concerns about county debt.

"We are aligned, as far as the ideology Armond has adopted on finances," Greenspan said for this editorial.

High praise indeed.

Budish to his credit **has not (yet) backed off** the important commitments the county made under his predecessor to needed downtown upgrades already financed by new county debt. **But he did warn** that the financing of these projects would need to be carefully assessed to avoid contracting so much debt that county revenues could not sustain the payoffs.

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:
Cuyahoga County, Ohio; Sales Tax

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Summary:

Cuyahoga County, Ohio; Sales Tax

Credit Profile		
US$173.435 mil various purp sales tax rev bnds ser 2014 due 12/01/2038		
Long Term Rating	AAA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating to Cuyahoga County, Ohio's series 2014 various purpose sales tax revenue bonds. The outlook is stable.

Cuyahoga County will use bonds proceeds to finance various county building and other capital improvements and to refund the county's series 2000 and series 2005 limited tax general obligation (LTGO) sewer district improvement bonds and series 2009A various purpose LTGO bonds for interest savings.

The rating reflects the pledge of a 1% county-wide sales and use tax, and our view of:

- The fairly stable sales tax revenue stream;
- The deep and diverse Cuyahoga County regional economy;
- The very strong maximum annual debt service (MADS) coverage of about 11.8x;
- The good legal provisions, including a 3x MADS historical additional bonds test (ABT); and
- The remote possibility that the county will bond down to its ABT, owing to its reliance on sales tax revenues for general operations.

Should sales tax revenues be insufficient, the county has covenanted to fulfill any debt service shortfall with any legally available funds no less than two business days prior to the debt service payment date. Our rating is based on the county's sales tax pledge, which we view as stronger than the county's lawfully available funds pledge.

The county currently levies a 1.25% tax on all retail sales in the county and on the storage, use, or consumption in the county of tangible personal property, including automobiles. One percent of the county sales tax is continuous while the remaining 0.25% is in effect until 2027. Neither is subject to repeal. All sales tax revenues are pledged, but given that the bonds are structured to mature in 2038 and that MADS occurs beyond 2027, our coverage calculations are based on the 1% sales tax revenues.

Pursuant to resolutions and the trust agreement, sales tax revenues are deposited monthly by the State Tax Commissioner into the trustee held sales tax revenue fund. The trustee will deposit 25% of the amount that will be sufficient to pay interest on the bonds due in the next succeeding interest payment date and 10% of the amount sufficient to pay principal due on the next succeeding principal date. As a result, sufficient monies will be on hand in the sales tax bond fund two months prior to debt service due dates for payment on the bonds. Any remaining funds after paying debt service and trustee fee and expenses are remitted to the county. The series 2014 bonds will not have a debt service reserve.

Cuyahoga County serves a 2013 estimated population of 1.26 million in northeastern Ohio, on Lake Erie and anchored by the city of Cleveland. The city is a regional financial, health care, and services center that provides a wide variety of jobs to county residents. The county's 2013 median household and per capita effective buying incomes were 85% and 97%, respectively, of the national level. County per capita retail sales were 70% of the U.S. level in 2013. Leading sales taxpayer information is not available, but given the size of the county, we do not view concentration as an issue. County unemployment averaged 7.7% in 2013, up from 7.6% in 2012, and preliminary September 2014 unemployment averaged 6.4%. Cuyahoga County has codified economic development as a priority and has supported various projects to add and retain jobs and support housing in Cleveland and throughout the county in recent years. The Global Center for Health Innovation and Convention Center project was completed in 2013, and Cleveland was chosen to host the 2016 Republican National Convention. Various other large hotel, retail, and residential projects are also underway.

Using 1% sales tax revenues of $189.846 million in 2013, MADS coverage is 11.8x. MADS of $16.062 million occurs in 2036. Annual debt service is relatively level at about $7.5 million from 2015-2025 before it increases to a relatively level $16 million from 2026-2038. This structure wraps around the county's existing debt paid from other general fund revenues. The county currently has no other sales tax debt outstanding.

Sales tax revenues have shown consistent growth since 2010, averaging 5.25% annual growth. Revenues, however, fell 10.4% in 2009 due to the recession. While county sales taxes were somewhat volatile during the recession, we believe that sales tax coverage ratios are sufficiently strong to withstand potential future volatility. The county is projecting 3.1% sales tax growth for 2014, and its long-term financial and capital plans assume 3% annual growth going forward.

The ABT requires that the average annual 1% continuing county sales tax during the 24 consecutive calendar months prior to the issuance of additional bonds is greater than 3x MADS on all parity obligations and the additional bonds. Currently, the county expects to issue $50 million of additional sales tax bonds over the next two years to finance other capital improvements. It has no other formal plans to issue sales tax debt but indicated that it would likely issue additional sales tax debt over the longer term. The county is reliant on sales tax revenues to finance operations, which reduces the likelihood that it would bond down to its ABT. Sales taxes account for 60% of general fund revenues and 19.5% of total governmental fund revenues. It has chosen to structure its sales tax debt around other obligations paid from general fund revenues and plans to limit its debt burden to a level that would not weaken its general fund reserve position below its 25% target on a budgetary basis.

Outlook

The stable outlook reflects our expectation that sales tax revenues will continue to generate very strong coverage, supported by a broad and diverse base. While the county will likely issue additional sales tax debt, we do not think it will reduce coverage to a level incommensurate with the current rating level. However, if coverage significantly declines, we could lower the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Special Tax Bonds, June 13, 2007
- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Non Ad Valorem Bonds, Oct. 20, 2006
- USPF Criteria: Methodology: Rating Approach To Obligations With Multiple Revenue Streams, Nov. 29, 2011
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

U.S. State And Local Government Credit Conditions Forecast, Oct. 15, 2014

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

STANDARD & POOR'S
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Summary:

Cuyahoga County, Ohio; Appropriations; General Obligation; Miscellaneous Tax

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Summary:

Cuyahoga County, Ohio; Appropriations; General Obligation; Miscellaneous Tax

Credit Profile		
US$22.225 mil taxable econ dev rev bnds (Western Reserve Fund Proj) ser 2014B due 12/01/2025		
Long Term Rating	AA-/Stable	New
US$19.465 mil tax- exempt econ dev rfdg rev bnds (Medical Mart Convention Center Pro) ser 2014C due 12/01/2027		
Long Term Rating	AA-/Stable	New
Cuyahoga Cnty GO		
Long Term Rating	AA/Stable	Affirmed
Cleveland-Cuyahoga Cnty Port Auth, Ohio		
Cuyahoga Cnty, Ohio		
Cleveland-Cuyahoga Cnty Port Auth (Cuyahoga Cnty) COP (Convention Hotel Proj) (Cuyahoga Cnty) ser 2014 due 12/01/2044		
Long Term Rating	AA-/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AA-' rating to Cuyahoga County, Ohio's series 2014B taxable economic development revenue bonds (Western Reserve project) and series 2014C economic development refunding revenue bonds (Medical Mart/Convention Center project). At the same time, Standard & Poor's affirmed its 'AA' long-term ratings on the county's general obligation (GO) debt, and its 'AA-' long-term ratings on the nontax- and appropriation-secured bonds issued either by or for Cuyahoga County. The outlook is stable.

Securing the bonds is a pledge of the county's nontax revenues, on par with the county's existing nontax revenue bonds, which include charges for services; payments in lieu of taxes; fines and forfeitures; fees, licenses, and permits; investment earnings; proceeds from the sale of assets, rental income, federal grants, gifts and donations; and project revenues. The county will appropriate annually nontax revenues sufficient to pay all debt service in that year. Although bond documents require the county to appropriate nontax revenues, they do not prohibit it from using any other available revenues to make debt service. County 2013 nontax revenues of $78.6 million in 2013 provide 1.8x maximum annual debt service (MADS) coverage. The county projects fiscal 2014 nontax revenues will be $80.4 million. Cuyahoga Countywill use series 2014B proceeds to finance an economic development loan program while series 2014C proceeds will refinance the county's series 2010E Recovery Zone Economic Development revenue bonds, originally issued to support its medical mart and convention and exhibition center.

We rate the county's nontax revenue bonds one notch below the GO rating due to the limited nature of the security. The notched rating on the Cleveland-Cuyahoga County Port Authority's lease revenue bonds issued for the county and Cuyahoga County's other lease revenue bonds reflects the appropriation risk. Our notched rating on Gateway Economic Development Corp.'s series 2004A stadium revenue refunding bonds, issued for the county, reflects the security provided by a guaranty agreement among the county, the economic development authority, and trustee. The agreement outlines the county's backstop annual appropriation pledge to cover debt service on the stadium revenue bonds and replenish the reserve fund, if necessary. The rating on the 2014A taxable economic development revenue bonds reflects the county's guaranty of interest on and scheduled principal payments of the bonds subject to appropriation.

The GO rating reflects our assessment of the following factors for the county, specifically its:

- Very strong budgetary flexibility, with 2013 audited reserves at 69% of general fund expenditures plus debt service transfers;
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures;
- Very strong management conditions, with strong practices and policies in place;
- Strong budgetary performance, which takes into account balanced projections for fiscals 2014 and 2015;
- Weak economy, which benefits from participation in the broad and diverse economy of Cleveland but has recently lost population; and
- Weak debt and contingent liabilities position, mostly reflecting the county's net direct debt.

Very strong budget flexibility

In our opinion, the county's budgetary flexibility remains very strong, with reserves above 30% of expenditures for the past several years and no plans to significantly spend them down. Audited available fiscal 2013 reserves were $241.3 million, or 69.1% of general fund expenditures plus transfers to support debt service. As reported on a budgetary basis, the county expects to maintain reserve levels in fiscal 2014 but will likely draw on some fund balance to finance a 27th pay period in fiscal 2015. The county typically outperforms projections. Its policy is to maintain general fund reserves of at least 25% of expenditures on a budgetary basis, and because it is above this level, management indicated that it may draw on reserves in future years to support debt service or other obligations. However, we expect that overall flexibility will remain very strong.

Very strong liquidity

Supporting the county's finances is what we consider very strong liquidity, with total government available cash at 55% of total governmental fund expenditures and 5.4x debt service. We believe the county has exceptional access to external liquidity. It has issued bonds frequently, including GO, nontax revenue, and appropriation bonds and state loans.

Very strong management conditions

We view Cuyahoga County's management conditions as very strong, with strong financial practices. The county produces quarterly reports that include budget-to-actual results, investment portfolio performance, and shares updated five-year financial projections with the county council. Its biennial budget also includes a five-year capital improvement plan and debt policy. The county recently codified a reserve policy that set a minimum unreserved fund balance at 25% of expenditures on a budgetary basis.

Strong budgetary performance

Budgetary performance is strong, in our view. The county's operations have been at least balanced for the past two years, and management expects balanced results for fiscal years 2014 and 2015. Audited general fund results for fiscal 2013 reported an 8.4% surplus, but surpluses of this level are not likely to continue. The county's most recent general fund projection for fiscal 2014 is break-even, and after accounting for one-time expense related to an extra pay period, the county expects to post a slight surplus for fiscal 2015. Excluding unspent bond proceeds, total governmental funds posted a 1.6% surplus in fiscal 2013, and management's projections indicate at least break-even results for fiscal years 2014 and 2015.

Sales taxes account for the county's largest share of operating revenues (60%). At this time, based on our view of regional sales tax growth (for more information, see "U.S. State And Local Government Credit Conditions Forecast," published Oct. 15, 2014), we expect that sales tax growth will continue, supporting strong operations. Sales taxes decreased from 2008-2010, but recovered faster than property taxes and have increased over the three most recent consecutive years. Management reported 4.6% sales tax growth for 2013 and projects 3.1% growth for 2014.

Weak economy

We consider Cuyahoga County's economy weak. The county benefits from its participation in the broad and diverse economy of Cleveland. County unemployment averaged 7.7% in 2013, up from 7.6% in 2012. It has what we consider good per capita incomes, reflecting residents' access to jobs throughout the regional Cleveland economy. The projected per capita effective buying income is 96% of the U.S. average. However, Cuyahoga'saverage weighted population decline is 6.1% based on the past 10 years and projected 10-year change, with the largest decline in the city of Cleveland. Per capita market value for the county is $67,083. Assessed value (AV) decreased 7.1% in 2012, following a sexennial reappraisal, but was flat for 2014. The county has codified economic development as a priority and has supported various projects to add and retain jobs and support housing in Cleveland and throughout the county.

Weak debt and contingent liability profile

In our opinion, Cuyahoga County's debt and contingent liability profile is weak, with total governmental funds debt service at 9.9% of total governmental funds expenditures, and net direct debt at 88.1% of total governmental funds revenue in 2014. The county is issuing approximately $173 million in sales tax concurrently with the nontax revenue bonds. It will likely issue $50 million in additional sales tax debt in fiscal 2015, which would increase net direct debt to 91.7% of expenditures. The overall net debt burden, including overlapping debt, is at 3.1% of market value. Much of the county's debt is backed by the county's nontax or appropriation pledge. The general fund supports much of the nontax revenue debt, although some issues are supported by project revenues. The county has a strong history of supporting appropriation debt.

Eligible county employees participate in the Ohio Public Employees Retirement System (OPERS) or the State Teachers Retirement System (STRS), both multiple-employer, cost-sharing state retirement systems. Employees participate in a choice of a defined-benefit, defined-contribution, or a combined plan. In fiscal 2013, the county made its full annual required contributions, which totaled $49 million, or 4.1% of total governmental expenses. Required contributions are based on a percent of payroll. Other postemployment benefits, such as retiree health care, are included in total OPERS and STRS contributions.

Strong Institutional Framework

We consider the Institutional Framework score for Ohio counties strong. See Institutional Framework score for Ohio.

Outlook

The stable outlook reflects our view of Cuyahoga County's very strong budgetary flexibility and our expectation that budgetary performance will remain strong over the next two years. The county has a strong history of supporting appropriation debt and nontax revenue bonds. However, if intended repayment sources for supporting certain debt were to fall short of projections, county finances could be pressured. Also, the county is concurrently issuing $173 million of sales tax debt, which will come out of general fund revenues. Should rising debt service or a decline in economically sensitive revenues to weakened financial measures, we could consider a downgrade. In our view, this is unlikely in the next two years, given the recent growth in sales tax revenues and management's history of midyear budget adjustments. Upward rating potential would depend on improvement in the county's economic profile, which we do not expect in two years.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007
- USPF Criteria: Non Ad Valorem Bonds, Oct. 20, 2006

Related Research

- Institutional Framework Overview: Ohio Local Governments
- U.S. State And Local Government Credit Conditions Forecast, Oct. 15, 2014
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Ratings Detail (As Of November 21, 2014)		
Cuyahoga Cnty misc tax		
Long Term Rating	AA-/Stable	Affirmed
Cuyahoga Cnty taxable econ dev rev bnds (Flats East Dev LLC Proj)		
Long Term Rating	AA-/Stable	Affirmed
Cleveland-Cuyahoga Cnty Port Auth, Ohio		
Cuyahoga Cnty, Ohio		
Cleveland-Cuyahoga Cnty Port Auth (Cuyahoga Cnty) lse		
Long Term Rating	AA-/Stable	Affirmed

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MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa1 to Cuyahoga County, OH's $174M Sales Tax Revenue Bonds Ser. 2014; outlook stable

Global Credit Research - 21 Nov 2014

Assigns Aa2 to $22.2M and $19.5M Economic Development Revenue Bonds Ser. 2014B-C

CUYAHOGA (COUNTY OF) OH
Cities (including Towns, Villages and Townships)
OH

Moody's Rating

ISSUE		RATING
Tax-Exempt Economic Development Refunding Revenue Bonds, Series 2014C (Medical Mart/ Convention Center Project)		Aa2
Sale Amount	$19,465,000	
Expected Sale Date	12/03/14	
Rating Description	Revenue: Other	
Taxable Economic Development Revenue Bonds, Series 2014B (Western Reserve Fund Project)		Aa2
Sale Amount	$22,225,000	
Expected Sale Date	12/03/14	
Rating Description	Revenue: Other	
Various Purpose Sales Tax Revenue Bonds, Series 2014		Aa1
Sale Amount	$173,435,000	
Expected Sale Date	12/03/14	
Rating Description	Special Tax: Sales	

Moody's Outlook STA

Opinion

NEW YORK, November 21, 2014 --Moody's Investors Service has assigned a Aa1 rating to Cuyahoga County, OH's $174 million Various Purpose Sales Tax Revenue Bonds, Series 2014. Moody's has also assigned Aa2 ratings to the county's $22.2 million Taxable Economic Development Revenue Bonds, Series 2014B (Western Reserve Fund Project) and $19.5 million Tax-Exempt Economic Development Refunding Revenue Bonds, Series 2014C (Medical Mart/Convention Center Project). Concurrently, Moody's has affirmed the Aa2 ratings on the county's outstanding nontax revenue debt. The outlook on both securities is stable.

The Series 2014 sales tax bonds are secured by a senior lien on revenues collected pursuant to the county's current 1.25% sales tax. The county will use approximately $154 million of bond proceeds to finance various capital projects and will use the remainder of proceeds to advance refund outstanding Series 2000, 2005 and 2009A general obligation limited tax (GOLT) bonds.

The Series 2014B and 2014C economic development revenue bonds are secured by certain nontax revenues collected in the county's General Fund. The county will use proceeds of the 2014B bonds to make loans in support of certain economic development efforts including small business operations and employee training . The county will use proceeds of the 2014C bonds to refund its outstanding Series 2010E economic development revenue bonds for anticipated interest cost savings.

Moody's maintains a Aa1 rating on the county's outstanding GOLT debt, which is secured by the authorization to levy a tax within the statutory ten mill limitation available to Ohio local governments. Moody's maintains a Aa2 rating on the county's outstanding Series 2013 development lease revenue bonds, which are secured by annually appropriated lease payments from the county as well as a leasehold interest in the county's administration building. Moody's maintains a Aa3 rating on the county's outstanding Series 2014A economic development bonds, repayment of which is ultimately secured by an annually appropriated county guaranty. Moody's maintains a Aa3 rating on the county's Series 2014 certificates of participation (convention hotel project), which are secured by annually appropriated lease payments from the county as well as a leasehold interest in a county-owned hotel. For detailed information regarding these ratings and securities, please see our report published May 12, 2014.

SUMMARY RATING RATIONALE

The Aa1 rating assigned to the Series 2014 sales tax revenue bonds incorporates the large economic base on which the tax is levied, solid legal provisions that include direct transfer of pledged revenue from the State of Ohio (Aa1 stable) to the trustee and a strong 3.0 times additional bonds test, very healthy 11.8 times coverage of maximum annual debt service by pledged revenue, and a generally positive trend in annual sales tax collections.

The Aa2 rating on the county's non-tax revenue bonds is one notch below the county's Aa1 GOLT rating to account for the limited bond security relative to the GOLT pledge.

STRENGTHS (SALES TAX REVENUE)

- Legal provisions outlined in the sales tax bond trust indenture include direct transfer of pledged sales tax revenue from the State of Ohio (Aa1 stable) to the designated trustee and strong additional bonds test of 3.0 times debt service

- Fiscal 2013 pledged sales tax revenue provides a solid 11.8 times coverage of expected maximum annual debt service on the Series 2014 sales tax bonds

- Current year collections indicate a fifth consecutive year of sound growth in annual sales tax revenue

STRENGTHS (NONTAX REVENUE)

- Nontax revenue rating incorporates the county's solid general credit characteristics that include a very large tax base and healthy financial position

CHALLENGES (SALES TAX REVENUE)

- Lack of legally required debt service reserve fund to support sales tax security, though this is mitigated by very strong coverage of projected debt service and monthly set asides of pledged revenue required by the trust indenture

- Ten-year history of sales tax collections includes a sizeable 10.4% decline in 2009

- The county's economic profile, while improved since the recession, remains somewhat challenged relative to other highly rated local governments given weak trends in population and the labor market

CHALLENGES (NONTAX REVENUE)

- Given the current rating, the nontax revenue security carries a comparatively weak additional bonds test of 1.5 times debt service

- Relatively stagnant trend in collection of nontax revenues, which provided a satisfactory 1.7 times coverage of maximum annual debt service in fiscal 2013

DETAILED CREDIT DISCUSSION

SALES TAX SECURITY SUPPORTED BY STRONG INDENTURE PROVISIONS INCLUDING DIRECT TRANSFER OF PLEDGED REVENUE FROM THE STATE TO THE TRUSTEE

The Series 2014 sales tax revenue bonds are special obligations of the county, secured by revenue collected pursuant to the county's current 1.25% sales tax. The State of Ohio is responsible for collecting all sales taxes in the state and then remitting local portions to each respective county. Per the sales tax bond trust indenture, the county covenants that it will direct the tax commission of the State of Ohio, or another appropriate state official, to transfer the county's locally-generated sales tax revenue directly to the trustee for deposit in a designated bond retirement fund. The trustee, Huntington National Bank (A3 stable), accepts monthly remittances from the state and is required to deposit one-fourth of the next interest payment and one-tenth of the next principal payment in the bond retirement fund. Only after satisfaction of these deposits will the trustee transfer the excess monthly sales tax revenue to the county for general operating purposes. Both the size of the monthly deposits and the direct transfer of pledged revenue from the state are key credit strengths associated with the county's sales tax security.

A further notable strength of the legal provisions is the inclusion of an additional bonds test (ABT) sized at 3.0 times debt service on existing and proposed sales tax revenue debt and the application of the ABT specifically on the county's 1% continuing sales tax. To satisfy the ABT, the county will calculate the annual average of pledged sales tax revenue collected over a prior consecutive 24 month period. While the county's current sales tax is 1.25% and all associated revenue is pledged to repayment of the bonds, a 0.25% portion of that rate expires in 2027 while the current bonds do not mature until 2038. The county adopted the additional 0.25% in 2007 to support construction and operations of the Global Center for Health Innovation (GCHI) in downtown Cleveland.

While the bonds issued to finance the construction of the GCHI are secured by county nontax revenue, the county intends to continue to repay those Series 2010F-G bonds, as well as a portion of its Series 2014 certificates of participation, with revenue generated by the temporary 0.25% sales tax. In fiscal 2013, total sales tax revenue was $237.3 million, while that associated with the continuing 1% was $189.8 million. The security lacks a legally required debt service reserve requirement, but this weakness is mitigated by the strong coverage provided by pledged sales tax revenue and the flow of funds which insures that debt service funds for each payment date will be fully collected by the trustee two months before debt service is due.

PLEDGED SALES TAXES PROVIDE VERY STRONG COVERAGE OF ANNUAL DEBT SERVICE

The $189.8 million generated by the continuing sales tax in fiscal 2013 provides a very strong 11.8 times coverage of the anticipated $16.1 million maximum annual debt service (MADS) on the bonds, which is reached in 2026. This coverage calculation does not factor the temporary 0.25% sales tax rate, which is also pledged to these bonds until the rate sunsets in 2027. Debt service on the 2014 bonds, after the preliminary capitalized interest period, increases in 2021, 2024 and 2026.

MADS coverage may fall moderately in the coming years as the county intends to issue additional debt secured by sales tax revenue, including a likely issuance of $50 million in 2015 to finance further capital improvements. Continued growth in sales tax revenue will contribute to stabilization or even increased MADs coverage following issuance of the new debt. While the ABT is a strong 3.0 times debt service, we do not anticipate the county will leverage the security to this level given that sales taxes are the primary funding source of General Fund operations, comprising 60% of General Fund revenues in fiscal 2013.

COUNTY'S ECONOMIC PROFILE REMAINS SOMEHWAT CHALLENGED BUT SALES TAX REVENUE TREND IS POSITIVE

The economic profile of the county, while improved since the 2008-09 recession, remains characterized by relatively weak demographic trends. Population within the county, while sizeable at 1.3 million, has declined in each of the past four census periods and fell by 8% from 2000 to 2010. As of August 2014, the county's unemployment rate of 7% exceeded that of the state (5.3%) and nation (6.3%). The unemployment rate in the county is down from an annual peak of 9.5% in 2010, but this is partly due to a negative trend in the labor force. The total employment level in the county declined annually in the ten years through 2013, falling by a cumulative 10%. Positively, employment has grown modestly in 2014, indicating the potential for sustained reversal of the prior negative trend.

The trend of annual sales tax collections has remained generally positive over the past twenty years despite a few declines during downturns in the economic cycle. The largest single year decline of 10.4% occurred in 2009 as the recession had a large negative impact on economic activity and the generation of sales tax revenue. Year-to-date collections in 2014 indicate a fifth consecutive year of annual growth in collections since 2009. Should new downward pressure materialize on annual collections and stress coverage of annual debt service or the county's general operations, the county council has the authority to increase the general sales tax rate to a total of 1.5%. While such an increase does not require voter approval, it would be subject to repeal by voter referendum. Increasing the rate to 1.5% from the current 1.25% would generate approximately $47 million of additional revenue based on fiscal 2013 collections.

PLEDGED NONTAX REVENUES PROVIDE SATISFACTORY COVERAGE OF DEBT SERVICE; REPAYMENT OF BONDS ALSO BENEFITS FROM PLEDGED PROJECT REVENUES

The county's nontax revenues include certain charges for services, intergovernmental revenues, fines and forfeitures, and interest earnings collected in the General Fund. These revenues totaled $78.6 million in fiscal 2013 and provided 1.8 times coverage of MADS on all post-sale parity nontax revenue bonds. From fiscal 2007 through fiscal 2011, pledged nontax revenues fell by a cumulative 34%, primarily due to steady declines in annual investment earnings. Nontax revenues increased by 1% and 4.2% in fiscal years 2012 and 2013, respectively, with growth primarily associated with increases in annual charges for services revenue. Based on year-to-date collections, the county projects an additional 2.2% increase in nontax revenues in fiscal 2014.

The county's nontax revenue security carries a relatively weak additional bonds test of 1.5 times debt service. There are currently no plans to materially increase leverage of the nontax revenue security, as the county plans to utilize it only for support of moderate economic development projects. The nontax revenue bonds are also secured by certain net project revenues generated by the economic development projects wholly or partially financed by the debt. Combined pledged nontax and net project revenues provided a reported 2.0 times coverage of nontax revenue MADS in fiscal 2013.

NONTAX REVENUE RATING INCORPORATES THE COUNTY'S GENERAL CREDIT CHARACTERISTICS

The nontax revenue rating incorporates the credit characteristics that support the county's Aa1 GOLT rating, but is notched once below that rating to account for the more limited security on the bonds. The Aa1 GOLT rating reflects the county's a very large tax base, somewhat challenged demographic profile including a negative population trend, healthy financial position, above average direct debt burden, and exposure to underfunded cost-sharing retirement systems. Despite a cumulative 16% decline in the county's tax base from 2007 through 2013, the full valuation remains a sizeable $79.1 billion. Median family income in the county is estimated at 92% of the national figure.

The county closed fiscal 2013 with an available General Fund balance of $242 million, or a significant 61% of revenue. The county recorded a $29.5 million operating surplus in fiscal 2013. The county also maintains solid reserves in its major health and human services funds. Combined with the General Fund, total available operating fund balance was $435 million, or a healthy 44% of operating revenue at the close of fiscal 2013. On a cash-basis, the county closed fiscal 2013 with General Fund reserves of $187 million, or 52% of revenue. Despite budgeting for a drawdown in reserves in fiscal 2014, county management now anticipates balanced operations or a modest surplus due to favorable revenue and expenditure variances. The county's forthcoming two-year budget assumes a $6.4 million use of cash reserves in fiscal 2015 to absorb a 27th pay period and balanced operations in fiscal 2016.

Inclusive of the current offering, the county's direct debt burden is equivalent to 1.9% of full valuation and 1.6 times operating revenue. Absent renewed tax base growth, the debt burden will likely remain above average going forward as a below average 49% of post-sale principal is scheduled to be repaid within ten years. The county's three-year Moody's adjusted net pension liability (ANPL) through fiscal 2013 is $1.4 billion, equivalent to a moderate 1.8% of full valuation and 1.5 times operating revenue. The ANPL is based upon an allocation of the unfunded liabilities of two multi-employer cost-sharing pension plans to which the county contributes (Ohio Public Employees Retirement System and the State Teachers Retirement System), as well as our methodology for adjusting reported pension information. The state legislature adopted reforms for all cost-sharing plans in 2012 to control annual cost-of-living adjustments for retirees and increase employee contributions.

WHAT COULD MOVE THE SALES TAX RATING UP

- Strengthening of the county's economic profile, including improved labor market trends and socioeconomic indicators

- Improved legal provisions governing the sales tax security, such as an increased additional bonds test or inclusion of a debt service reserve requirement

- Continued positive trend in annual sales tax collections

WHAT COULD MOVE THE SALES TAX RATING DOWN

- A weakened economic profile within the county

- Declines in annual sales tax revenue and associated debt service coverage

- Weakened legal covenants

- Weakening of the county's general credit profile that leads to a downgrade of its general obligation limited tax rating

WHAT COULD MOVE THE NONTAX REVENUE RATING UP

- Upward movement in the county's general obligation limited tax rating

WHAT COULD MOVE THE NONTAX REVENUE RATING DOWN

- Downward movement in the county's general obligation rating

- Declines in pledged nontax revenue and coverage of annual debt service

KEY STATISTICS - SALES TAX

Fiscal 2013 sales tax revenue: $190 million net of temporary 0.25% county sales tax rate

Fiscal 2013 sales tax revenue MADS coverage: 11.8 times

Three-year average annual growth in sales tax collections (through projected fiscal 2014): 4.2%

Additional bonds test: 3.0 times debt service

KEY STATISTICS - NONTAX REVENUE

Fiscal 2013 pledged nontax revenue: $78.6 million

Fiscal 2013 pledged nontax revenue MADS coverage: 1.8 times

Three-year average annual growth in pledged nontax revenue collections (through projected fiscal 2014): 3.8%

Additional bonds test: 1.5 times debt service

KEY STATISTICS - GOLT PLEDGE

Estimated full valuation: $79.1 billion

Estimated full valuation per capita: $62,000

Estimated median family income as % of the US: 92%

Fiscal 2013 available operating fund balance / operating revenue: 44%

5-year change in available fund balance / operating revenue: 6%

Fiscal 2013 operating net cash / operating revenue: 44%

5-year change in net cash / operating revenue: 8%

Institutional framework score: A

5-year average operating revenue / operating expenditures: 1.00

Net direct debt burden: 1.9% of full valuation; 1.6 times operating revenue

3-year average Moody's adjusted net pension liability: 1.8% of full valuation; 1.5 times operating revenue

RATING METHODOLOGIES

The principal methodology used in rating the non-tax revenue bonds was US Local Government General Obligation Debt published in January 2014. The principal methodology used in rating the special-tax bonds was US Public Finance Special Tax Methodology published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

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1. Could you please provide clarification on the 2014 Prior Year Budget to Actuals Comparison (see attached) General Fund Operating rollup. Under the reserves on available balance there is $6,600,000 for the "Economic Development Reserve" and a $2,115,000 for the "Economic Bond Debt Service Reserve" under the 2014 budget lines. Could you please provide detail on what each line is for and when do we believe the money will be expended? **The $6.6 million Reserve for Economic Development includes the following: (1) the annual guaranty for the Flats at $1.45 million, (2) the last year of the Gateway guaranty at $3.47 million, (3) a discussed TIF project at $1 million, and (4) the balance was for the Steelyard and Westin debt service. If you will recall, that particular project (Steelyard and Westin) closed during 2014-15 budget deliberations in 2013. Therefore it is likely that the debt service funds weren't appropriated formally until 2014, thus the appropriation was established as a Reserve on Balance to include the obligation in the 2014-15 resolution.**

   However, it also appears that under the Economic Development Bond Debt Service reserve, the Flats, Steelyard, and Westin was appropriated again separately. I'm attempting to track down former county officials and legal counsel to confirm if this Economic Development Bond Reserve was intentional or an error.

2. On the same report, the 2014 Actual for Investment Earnings is $447,222 vs. the $3,550,087 under the 2014 original budget and current revised budget. That equates to a $3.1 million variance for 2014. Could you please explain the significant variance from what was budgeted vs. actual? **The variance between budget and actual reflects the amortization of the premium on investments purchased by the County in prior years. The County did not lose any earnings on these investments but the premium wasn't written off until 2013 and 2014. The $447,222 represents the difference between the investment earnings net of amortization in 2014. It is my understanding from the treasury that the County has changed its portfolio to avoid this occurrence in the future.**
3. Clarification/Comments on the March 25, 2015 Debt Cash Flow Model. The numbers don't seem to add up. If you take the Operating Expenses + Operating Transfers + Headquarters Lease + Plus Non-Go Debt – Less Estimated Self Supporting you don't get the Full Operating Expenses number for each year. It appears the Headquarters Lease number is not included in the Full Operating Expenses total for each year. This isn't the case on the November 3, 2014 Debt Cash Flow Model as all the columns including the Headquarters Lease is included in the Full Operating Expenses. Could you please review the 3/25/15 Debt Cash Flow Model and provide comment/clarification/etc. I attached both cash flow models if needed. **The model dated March 25, 2015 does include the headquarters lease in the column titled Operating Expenses. The debt spreadsheet was altered to align more closely with the2015 Budget Schedule I – General Fund Operating. The debt model total under the Operating Expenses ties back to the Total Operating Expenditures less the MMCC operating payments on the Schedule I – GF Operating. ($334,572,852 less $4,600,000) As you will recall, all sources and uses for the Global Center, Convention Center, and Hotel have been removed in the new debt model. The Headquarters column should have been hidden in the excel spreadsheet to avoid confusion but the operating expenditures total is correct.**
4. Could you please provide us with an excel copy of the March 25, 2015 Debt Cash Flow Model. Sharon did previously say we could get one. **I will forward the spreadsheet with my response.**