



MARK H. LUDWIG  
FINANCE DIRECTOR

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TAX ADMINISTRATOR/  
ASSISTANT FINANCE DIRECTOR

WILLIAM J. ROTH, JR.  
MAYOR

# CITY OF FAIRLAWN

## MEMORANDUM

To: William J. Roth, Jr., Mayor

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

Date: January 5, 2022

Subject: 2021 Finance/Tax Annual Report

Cc: Mark Ludwig, Finance Director

The City's unencumbered cash balances serve as useful measures of net resources available for spending at year-end and provide insight into the overall financial strength of the City. Included below is a comparison of the unencumbered cash balances of the City's funds at December 31, 2020 and 2021 followed by an analysis of the City's most significant funds:

Unencumbered Cash Balances	2020	2021	Increase/(Decrease)	
			Amount	Percentage
General Fund	\$ 7,029,719	\$ 7,959,441	\$ 929,722	13.2%
Income Tax Fund	6,270,467	7,732,450	1,461,983	23.3%
Capital Improvement Fund	1,361,052	2,107,267	746,215	54.8%
Federal Capital Grants Fund	(6,185,649)	(1,778,704)	4,406,945	-71.2%
Broadband Fund	788,079	937,488	149,409	19.0%
All Other Funds	3,548,520	3,623,300	74,780	2.1%
Total All Funds	\$ 12,812,188	\$ 20,581,242	\$ 7,769,054	60.6%

### General Fund

The general fund is the primary operating fund of the City and accounts for nearly every City department. It is essential that adequate fund balances be maintained for tax rate stability and to mitigate current and future risks. The unencumbered cash balance in the general fund increased 13.2% to \$7,959,441 during 2021. At this level, it provides the City with a strong reserve balance equal to 53.4% of the fund's 2021 expenditure budget. For comparison, the Government Finance Officers Association (GFOA) recommends that governments, at a minimum, maintain an unrestricted general fund balance of no less than 16.7% of regular operating expenditures.

The table below provides a comparison of general fund revenues by source for 2020 and 2021:

Revenues by Source	2020	2021	Increase/(Decrease)	
			Amount	Percentage
Income tax transfers-in	\$ 8,632,676	\$ 8,372,965	\$ (259,711)	-3.0%
JEDD revenues	3,803,405	3,467,480	(335,925)	-8.8%
Real and other taxes	754,403	885,872	131,469	17.4%
Charges for services	402,533	455,034	52,501	13.0%
Intergovernmental	1,009,612	418,320	(591,292)	-58.6%
Advances-in	152,966	566,743	413,777	270.5%
All other revenues	904,089	485,724	(418,365)	-46.3%
Total	\$ 15,659,684	\$ 14,652,138	\$ (1,007,546)	-6.4%

Seventy-five percent of income tax revenues, net of refunds and collection costs, are required to be allocated to the general fund. This income tax allocation, included in the table above as “Income tax transfers-in,” is calculated on a trailing 12 months basis coinciding with the calendar year, meaning the amounts allocated to the fund in 2021 are based on the actual net collections in 2020. Net income tax revenues decreased by 4.6% in 2020, resulting in a reduced income tax allocation to the general fund in 2021. Please refer to the **Income Tax Fund** section for an analysis of actual income tax revenue collections in 2021.

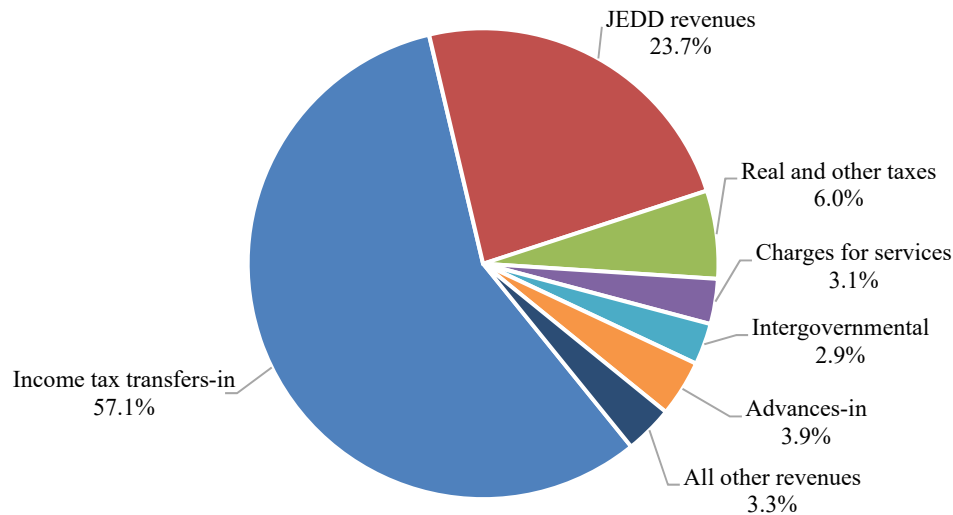
The City receives additional income tax monies, reported as Joint Economic Development District (JEDD) revenues, as the result of its participation in the Bath-Akron-Fairlawn JEDD. Akron is responsible for the administration, collection, and enforcement of the JEDD income tax. The City is entitled to 46.67% of the income tax proceeds from the JEDD, net of collection expenditures. The City’s share of JEDD revenues decreased by 8.8% to \$3,467,480 in 2021, after increasing by roughly the same percentage in 2020. The decrease likely resulted from the City receiving only 10 monthly payments during 2021.

The following other significant fluctuations were noted during 2021:

- Taxable property values within the City appreciated 12.3% for the 2021 tax collection year, resulting in an increase of \$103,963 to real and other taxes.
- Intergovernmental revenues decreased by \$591,292 or 58.6%, due, in part, to the prior year receipt of \$617,038 in dividends from the Ohio Bureau of Workers’ Compensation in an attempt to ease the impact of COVID-19 on the state’s business community and economy.
- Advances-in increased by \$413,777, due to the repayment of funds advanced (loaned) to the permissive tax fund and federal capital grants fund for costs incurred, and subsequently reimbursed, on the Cleveland-Massillon Road widening project and Assistance to Firefighters grant.
- Other revenues decreased by 46.3% or \$418,365, due, in part, to the prior year receipt of excess proceeds from the buyout of a ground lease between Stemco Products, Inc and the Community Improvement Corporation of Fairlawn (CIC). Section 1724.10(B)(3) of the Ohio Revised Code provides that the excess proceeds from real property sold by a community improvement corporation shall be paid back to the political subdivision from whom the property was originally conveyed.

As shown below, the general fund continues to be heavily reliant upon income taxes and JEDD revenues, which accounted for 80.8% of the fund's revenues in 2021:

**Revenues by Source 2021**



The following table provides a comparison of general fund expenditures by function for 2020 and 2021:

Expenditures by Function	2020	2021	Increase/(Decrease)	
			Amount	Percentage
General government	\$ 2,351,057	\$ 2,924,300	\$ 573,243	24.4%
Security of persons and property	6,601,283	6,903,003	301,720	4.6%
Transportation	2,609,493	2,594,322	(15,171)	-0.6%
Community environment	323,811	330,182	6,371	2.0%
Transfers/Advances-out	1,240,059	380,000	(860,059)	-69.4%
All other expenditures	729,707	883,337	153,630	21.1%
<b>Total</b>	<b>\$ 13,855,410</b>	<b>\$ 14,015,144</b>	<b>\$ 159,734</b>	<b>1.2%</b>

Increases to employee wages and health insurance costs impacted nearly every expenditure function in 2021. Salaries and wages were increased 2.5% for all employees, in accordance with various collective bargaining agreements and City ordinances. Furthermore, medical insurance rates increased 7.0%, while dental insurance rates were unchanged.

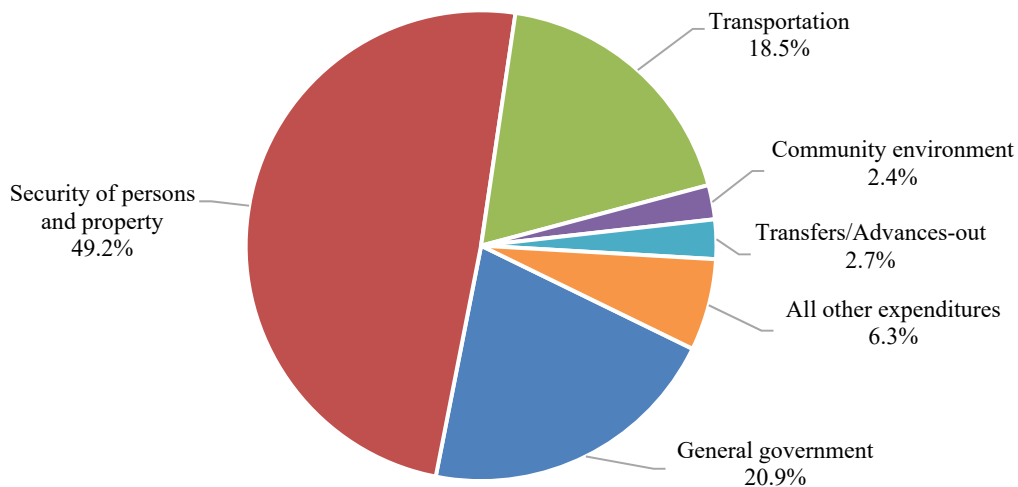
General government expenditures include the activities of the Mayor's administration and all other City departments not otherwise classified under another expenditure function. The 24.4% increase in general government expenditures resulted, in part, from the installation of access control systems in various City-owned buildings.

The activities of the Police, Dispatch, and Fire & EMS Departments are reported as security of persons and property expenditures. These expenditures increased by \$301,720 or 4.6%, due to the partial allocation personnel costs to two restricted grant funds in the prior year. In 2020, the City was awarded federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding through both the State of Ohio and Summit County. In accordance with guidance issued by the U.S. Treasury Department, a portion of the City's public safety personnel costs were allocated to two funds created to separately track these grant awards.

Interfund transfers/advances-out of the general fund decreased by \$860,059 or 69.4%. The decrease resulted, in part, from the following significant prior year interfund transactions: advances (loans) for the Cleveland-Massillon Road widening project, Assistant to Firefighters grant, and glacier's edge stream and wetland restoration project; and transfers to subsidize fire pension costs and replenish funds used to purchase the former Riviera Townhomes property.

The general fund's resources were primarily used for general government, security of persons and property, and transportation purposes, which accounted for 88.6% of the fund's expenditures in 2021, as illustrated below:

**Expenditures by Function 2021**



### Income Tax Fund

The income tax fund was established for the administration and collection of the City's 2% income tax. Income taxes, the City's largest revenue source, are collected to provide funds for the general operations of the City and the acquisition, construction, and improvement of the City's capital assets. Seventy-five percent of income tax revenues, net of refunds and collection costs, are required to be allocated to the general fund, while the remaining 25% is required to be allocated to the capital improvement fund. The unencumbered cash balance in the income tax fund, increased \$1,461,983 or 23.3% during the year.

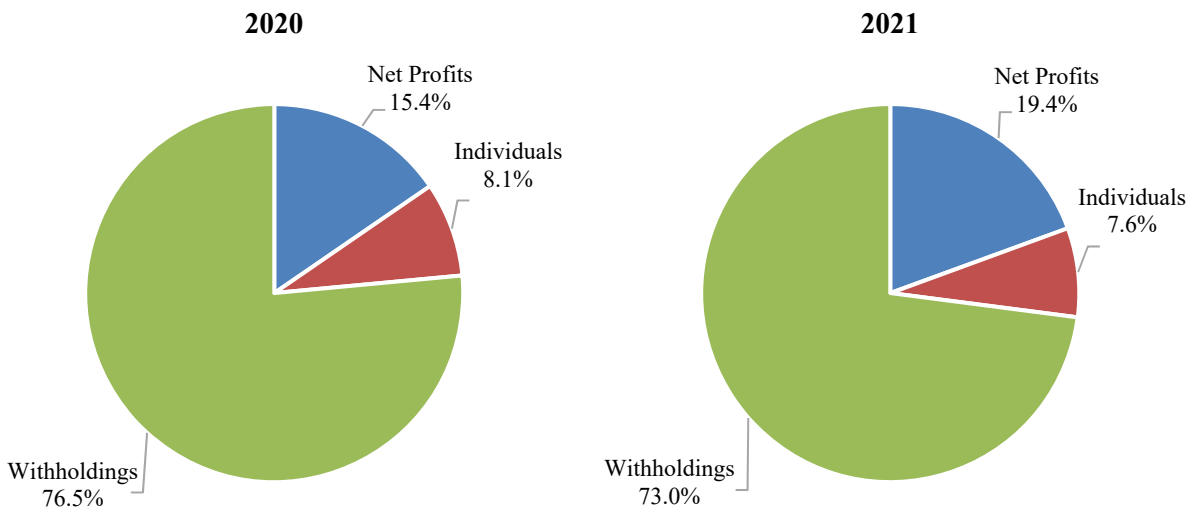
The following table provides a comparison of income tax revenues collected in 2020 and 2021:

	2020	2021	Increase/(Decrease)	
			Amount	Percentage
Income Tax Revenue	\$ 13,383,443	\$ 14,852,712	\$ 1,469,269	11.0%
Less: Shared Tax Paid to Akron	(1,453,280)	(1,568,007)	(114,727)	7.9%
Net Income Tax Revenue	\$ 11,930,163	\$ 13,284,705	\$ 1,354,542	11.4%

Income tax revenues increased by 11.0% in 2021 to \$14,852,712. The City collected \$3,334,620 from businesses located in shared tax districts, \$1,568,007 of which was sent to Akron in accordance with various tax sharing agreements. Net income tax revenues (excluding shared tax revenues remitted to Akron) amounted to \$13,284,705, or 11.4% greater than the prior year. The reopening of the local economy, following temporary business shutdowns and other restrictions in response to the COVID-19 pandemic, and a competitive labor market resulted in an overall increase of 5.8% in withholding taxes and 39.8% in net profit taxes.

As shown in the following chart, the composition of the City’s income tax revenues remained consistent, with 76.5% and 73.0% of revenues coming from withholding taxes in 2020 and 2021, respectively.

**Income Tax Collections by Type**

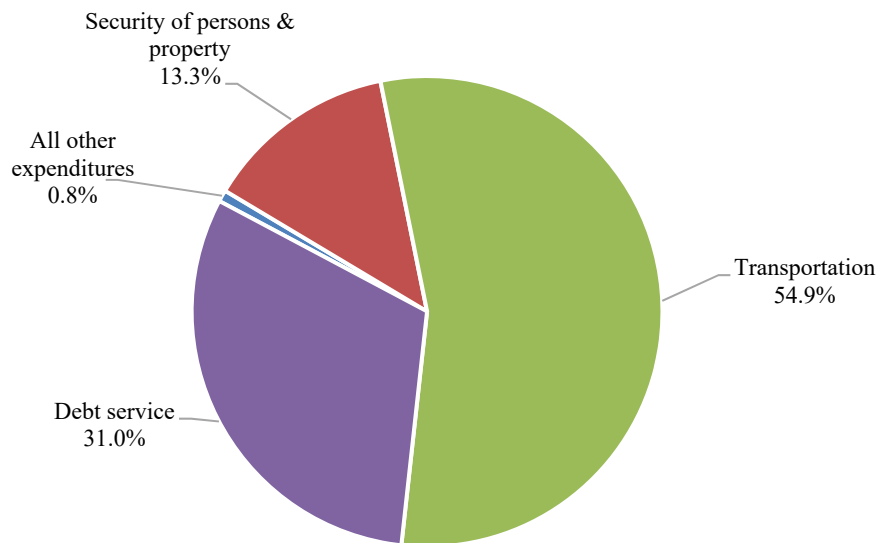


**Capital Improvement Fund**

The capital improvement fund accounts for the acquisition, construction, and improvement of the City’s capital assets. The fund’s unencumbered cash balance increased by \$746,215 or 54.8% in 2021 due, in part, to the City using local fiscal recovery fund resources, instead of capital improvement fund resources, to pay for the annual street repair program.

In addition to servicing the City's outstanding capital debt issues, the capital improvement fund's resources were primarily used for security of persons and property and transportation purposes, which accounted for 68.2% of the fund's expenditures in 2021, as illustrated below:

### Expenditures by Function 2021



The following major capital acquisitions and improvements occurred in 2021:

- Purchase of 5 Police Vehicles and Upfitting of 2 (\$249,013)
- Fire Chief Vehicle (\$38,699)
- PLYMOVENT Vehicle Exhaust Extraction System (\$49,850)
- Fairlawn Corporate Parkway Extension (\$520,513, including \$129,147 in grant funding)
- Cleveland-Massillon Road Widening - ROW Acquisition & Construction (\$1,266,700 local share)

### Federal Capital Grants Fund

The federal capital grants fund was established to separately track federal financial assistance awarded for the acquisition, construction, maintenance, and improvement of capital items. The City has been awarded federal funding through the Highway Safety, Congestion Mitigation Air Quality Improvement, and Surface Transportation Block Grant programs for the widening of Cleveland-Massillon Road. During the year, \$4,796,644 in federal funding was expended for construction and right-of-way acquisition.

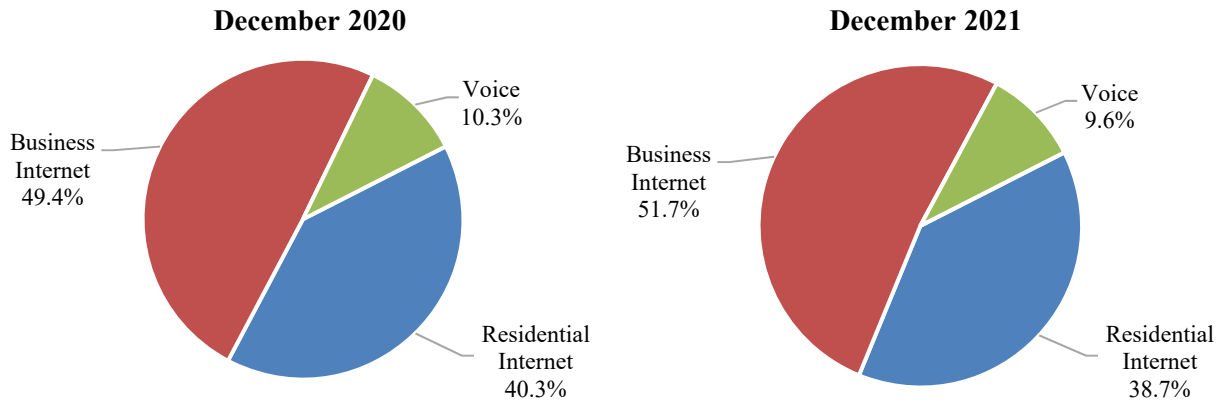
**Broadband Fund**

The broadband fund was created to account for the activities of the FairlawnGig utility. The unencumbered cash balance in the broadband fund increased 19.0% to \$937,488 during the year, thanks, in part, to cost cutting measures and growth in the utility’s customer base and service offerings. The following table further details FairlawnGig’s year-over-year growth in terms of active customers and monthly recurring revenues:

	December 2020	December 2021	Increase/(Decrease)	
			Amount	Percentage
Active Customers	2,086	2,190	104	5.0%
Monthly Recurring Revenues	\$ 225,818	\$ 248,006	\$ 22,188	9.8%
Average Revenue per User	\$ 108.25	\$ 113.24	\$ 4.99	4.6%

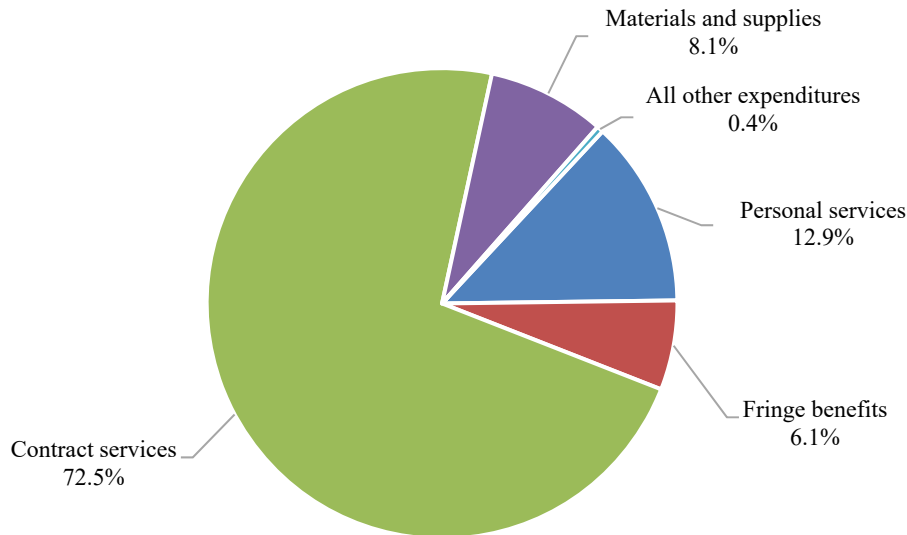
As shown in the following chart, the composition of FairlawnGig’s monthly recurring revenues shifted slightly, with internet services comprising 90.4% of revenues in 2021, up from 89.7% in 2020.

**Monthly Recurring Revenues by Source**



FairlawnGig’s resources were primarily used for contract services pertaining to customer installations, the provisioning of services, and maintenance of the system, which accounted for 72.5% of the utility’s expenditures in 2021, as illustrated below:

**Expenditures by Function 2021**



**Other Federal Grants**

**Local Fiscal Recovery Fund**

The City was awarded \$787,099 in American Rescue Plan (ARP) funding by the U.S. Treasury Department, which will be distributed in two equal tranches, occurring in 2021 and 2022. The local fiscal recovery fund was created to account for ARP funding awarded to the City. Guidance from the U.S. Treasury Department indicates the funding may be used to pay for the provision of government services (including the maintenance of public roadways) to the extent that the government experienced a reduction in revenue due to the COVID-19 public health emergency. Using the U.S. Treasury Department’s prescribed formula, the City experienced a \$1,693,296 reduction in revenue during 2020. Since the reduction in revenue exceeds the amount awarded, the City’s ARP funding will be used for the provision of the 2021 and 2022 street repair programs. During the year, \$386,381 in federal ARP funding was expended for this purpose.

**Summit County Criminal Justice Technology Fund**

Summit County used federal CARES Act funding to award the City a grant to design and construct a new fiber-optic network to connect the county jail with a number of courthouses and other law enforcement/social services agencies in order to allow for improved and secure communications, video arraignments, and other remote communications. The Summit County criminal justice technology fund was created to account for revenues and expenditures associated with this grant and the ensuing project. During the year, \$2,182,686 in federal CARES funding was expended for the construction of the network. In addition, the City completed the project for less than the budgeted amount, so \$884,935 in unspent grant funds were refunded to Summit County.



## Independent Audit

The City's Basic Financial Statements for the year ended December 31, 2020 were compiled by Julian & Grube, Inc. The State Auditor's Office conducted the annual independent audit of the City's financial statements and issued their report on October 19, 2021. The City received an unmodified audit opinion (the highest level possible), which is a testament to the diligence and professionalism of the Finance/Tax Department staff.

## Next Year's Outlook

On December 20, 2021, Council approved the 2022 temporary appropriations. Overall, the total 2022 temporary appropriations for all City funds (net of interfund activity) are \$1,747,168 or 7.1% greater than the 2021 permanent appropriations. The table below provides a comparison of the City's total appropriations, net of interfund activity, for 2021 and 2022:

Total Appropriations (net of interfund activity)	2021		2022		Increase/(Decrease)	
	Permanent	Temporary	Amount	Percentage		
General Fund	\$ 14,777,478	\$ 15,601,153	\$ 823,675	5.6%		
Income Tax Fund	2,287,272	2,428,698	141,426	6.2%		
Capital Improvement Fund	2,543,120	2,413,852	(129,268)	-5.1%		
Federal Capital Grants Fund	61,728	576,000	514,272	833.1%		
Broadband Fund	2,249,910	2,530,720	280,810	12.5%		
All Other Funds	2,647,687	2,763,940	116,253	4.4%		
Total All Funds	\$ 24,567,195	\$ 26,314,363	\$ 1,747,168	7.1%		

The general fund's appropriations increased \$823,675, or 5.6% over the 2021 permanent appropriations. Salaries and wages were increased by 2.5% for all employees and adjusted for anticipated personnel changes, while medical and dental insurance premiums increased 7.9% and 2.3%, respectively.

The appropriations for the income tax fund are \$141,426 or 6.2% greater than the 2021 permanent appropriations. The amount budgeted for shared tax revenue payments to the City of Akron has been increased to account for anticipated growth and the opening of the new Crystal Clinic facility on Embassy Parkway. Additionally, the refunds budget has been increased in anticipation of an influx of requests by non-resident individuals who worked remotely in 2021.

Appropriations in the capital improvement fund decreased by \$129,268 or 5.1%. In part, this decrease resulted from the City's intention to use local fiscal recovery fund resources, instead of capital improvement fund resources, to pay for the annual street repair program.

The federal capital grants fund budget of \$576,000 represents the federal-share for the final stages of the project including lighting modifications, right-of-way restorations, and other contingencies.

Finally, the broadband fund's appropriations increased by \$280,810 or 12.5% over the 2021 permanent appropriations. The planned upgrade of customer ONTs and the aforementioned adjustments to salaries/wages and health insurance accounted for the overall increase.

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



## YTD Fund Report for Year 2021 Month 12 - City of Fairlawn

Fund	Description	Beg Yr Bal	YTD Rec	YTD Exp	Unexp	Enc	Unenc
101	GENERAL	8,247,970.44	14,652,138.25	14,015,148.35	8,884,960.34	925,519.75	7,959,440.59
211	STREET CONSTR. & MAINTENANCE	474,733.11	398,102.74	229,805.91	643,029.94	2,649.99	640,379.95
212	PERMISSIVE TAX	18,194.70	159,674.44	176,248.80	1,620.34	0.00	1,620.34
213	STATE HIGHWAY IMPROVEMENT	53,095.91	32,285.81	22,152.53	63,229.19	0.00	63,229.19
216	INCOME TAX	6,505,307.09	14,856,697.86	13,448,757.25	7,913,247.70	180,797.41	7,732,450.29
221	ENFORCE & EDUCATION (DUI)	14,737.06	660.00	404.61	14,992.45	0.00	14,992.45
222	SEWER MAINTENANCE & REPAIR	436,089.00	137,573.27	184,700.92	388,961.35	44,360.08	344,601.27
225	STEMCO URBAN REDEV TIF	0.00	32,514.62	32,514.62	0.00	0.00	0.00
226	ENERGY SID	0.00	55,524.25	55,524.25	0.00	0.00	0.00
227	CRYSTAL CLINIC URBAN REDEV TIF	0.00	0.00	0.00	0.00	0.00	0.00
228	COURT COMPUTERIZATION	6,851.00	3,510.00	5,899.37	4,461.63	292.39	4,169.24
229	ROSEMONT GREENS PUBLIC IMP TIF	0.00	0.00	0.00	0.00	0.00	0.00
242	LOCAL FISCAL RECOVERY	0.00	393,549.73	386,380.65	7,169.08	0.00	7,169.08
331	CAPITAL IMPROVEMENT	2,690,880.71	3,101,512.98	3,354,317.09	2,438,076.60	330,809.79	2,107,266.81
336	CAPITAL RESERVE	2,026,459.63	0.00	0.00	2,026,459.63	0.00	2,026,459.63
340	FEDERAL CAPITAL GRANTS	186,673.04	5,115,386.67	5,311,059.71	(9,000.00)	1,769,704.16	(1,778,704.16)
510	BROADBAND	1,066,437.56	2,696,008.49	2,563,164.98	1,199,281.07	261,792.93	937,488.14
511	SUMMIT CO CRIMINAL JUSTICE TCH	3,067,620.69	0.00	3,067,620.69	0.00	0.00	0.00
780	UNCLAIMED	19,638.00	6,219.33	2,250.09	23,607.24	0.00	23,607.24
782	STREET OPENING DEPOSIT	102,125.00	24,000.00	81,525.00	44,600.00	0.00	44,600.00
783	PERFORM/LANDSC DEPOSIT	61,660.00	161,417.77	92,052.77	131,025.00	0.00	131,025.00
784	POLICE PENSION	234,038.21	396,290.75	408,444.08	221,884.88	44,502.87	177,382.01
785	FIRE PENSION	277,998.90	215,184.42	323,726.60	169,456.72	95,385.05	74,071.67
786	LAW ENFORCEMENT TRUST	0.00	0.00	0.00	0.00	0.00	0.00
787	DRUG LAW ENFORCEMENT	64,669.55	634.00	310.00	64,993.55	0.00	64,993.55
788	FURTHERANCE OF JUSTICE	5,000.00	0.00	0.00	5,000.00	0.00	5,000.00
<b>26 Funds</b>		<b>25,560,179.60</b>	<b>42,438,885.38</b>	<b>43,762,008.27</b>	<b>24,237,056.71</b>	<b>3,655,814.42</b>	<b>20,581,242.29</b>



**City of Fairlawn, Ohio**  
**Income Tax Receipts**  
**December 31, 2021**

<b>Type</b>		<b>YTD</b>	<b>Increase/(Decrease)</b>		<b>YTD</b>	<b>Increase/(Decrease)</b>	
<b>Tax District (% shared)</b>	<b>YTD</b>	<b>Last Year</b>	<b>Vs. YTD Last Year</b>		<b>2 Years Ago</b>	<b>Vs. YTD 2 Years Ago</b>	
Business Net Profit	\$ 2,308,543.12	\$ 1,543,438.58	\$ 765,104.54	49.6%	\$ 1,578,645.13	\$ 729,897.99	46.2%
Rosemont (33.3%)	109,105.45	85,230.54	23,874.91	28.0%	170,233.67	(61,128.22)	-35.9%
Link (40%)	650.00	-	650.00	-	-	650.00	-
Embassy Parkway (50%)	465,631.51	430,876.93	34,754.58	8.1%	470,819.65	(5,188.14)	-1.1%
Shared Boundaries (50%)	1,000.00	4,358.00	(3,358.00)	-77.1%	5,629.00	(4,629.00)	-82.2%
Subtotal	<u>\$ 2,884,930.08</u>	<u>\$ 2,063,904.05</u>	<u>\$ 821,026.03</u>	39.8%	<u>\$ 2,225,327.45</u>	<u>\$ 659,602.63</u>	29.6%
Individuals							
Resident	807,157.36	685,947.21	121,210.15	17.7%	723,433.65	83,723.71	11.6%
Non-resident	325,111.07	395,972.43	(70,861.36)	-17.9%	398,733.69	(73,622.62)	-18.5%
Subtotal	<u>\$ 1,132,268.43</u>	<u>\$ 1,081,919.64</u>	<u>\$ 50,348.79</u>	4.7%	<u>\$ 1,122,167.34</u>	<u>\$ 10,101.09</u>	0.9%
Withholding	8,077,280.05	7,674,690.23	402,589.82	5.2%	8,101,509.64	(24,229.59)	-0.3%
Rosemont (33.3%)	486,204.91	444,532.70	41,672.21	9.4%	422,598.57	63,606.34	15.1%
Link (40%)	-	1,060.29	(1,060.29)	-100.0%	13,856.38	(13,856.38)	-100.0%
Embassy Parkway (50%)	2,264,479.86	2,110,649.53	153,830.33	7.3%	2,109,445.35	155,034.51	7.3%
Shared Boundaries (50%)	7,548.21	6,686.84	861.37	12.9%	7,720.29	(172.08)	-2.2%
Subtotal	<u>\$ 10,835,513.03</u>	<u>\$ 10,237,619.59</u>	<u>\$ 597,893.44</u>	5.8%	<u>\$ 10,655,130.23</u>	<u>\$ 180,382.80</u>	1.7%
Total Receipts	<u>\$ 14,852,711.54</u>	<u>\$ 13,383,443.28</u>	<u>\$ 1,469,268.26</u>	11.0%	<u>\$ 14,002,625.02</u>	<u>\$ 850,086.52</u>	6.1%
Less: Shared Tax Due Akron	(1,568,006.73)	(1,453,279.85)	(114,726.88)	7.9%	(1,499,940.68)	(68,066.05)	4.5%
<b>Total Net Receipts</b>	<u><b>\$ 13,284,704.81</b></u>	<u><b>\$ 11,930,163.43</b></u>	<u><b>\$ 1,354,541.38</b></u>	<b>11.4%</b>	<u><b>\$ 12,502,684.34</b></u>	<u><b>\$ 782,020.47</b></u>	<b>6.3%</b>