

**City of Toledo**  
**2020 Proposed Annual Operating Budget**

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**Community Profile**

**Public Utilities**

The City owns and operates a waterworks system (the Water System) as a self-supporting enterprise that in 2018 produced an average of 70.3 million gallons of potable water per day, with a peak flow of 99.6 million gallons per day. Water is drawn from Lake Erie, treated at the City's Collins Park Water Treatment Plant (the Plant), which has capacity to treat up to 120 million gallons of water per day, and then distributed through approximately 1,165 miles of water lines, over 50% of which were installed before 1930. The estimated replacement cost of the Water System is \$1.362 billion.

The Water System is operated by the Division of Water Treatment and the Division of Water Distribution of the City's Department of Public Utilities.

The Water System is a regional utility that provides water service for approximately 129,500 residential, commercial/institutional and industrial customers in the City and certain surrounding areas in Northwest Ohio and Southeast Michigan. The City estimates that approximately 500,000 people are served by the Water System.

The City owns and operates a sanitary sewage collection and treatment system (the Sewer System) as a self-supporting enterprise that in 2018 collected and treated approximately 72.2 million gallons of wastewater per day generated by residential, commercial, institutional and industrial users. Wastewater is collected by 1,027 miles of local and interceptor sanitary sewers owned by the City. The local sewers serving 72% of the City's sewerage area carry only sanitary sewage, while the remaining 28% of the City's sewerage area is served by combined sewers that carry sanitary sewage and, in wet weather, storm water. The local sewers flow into interceptor sewers that carry the wastewater to the City's Bay View Wastewater Treatment Plant (the WWTP) for treatment.

The Sewer System collects and treats wastewater flows from approximately 93,500 residential, commercial/institutional and industrial users in the City, and approximately 21,500 users outside the City. It is the sole provider of such service in the City and serves an estimated 320,000 persons.

The City Charges residents and businesses a monthly fee for the City's storm water collection, detention and management system (the Storm Water Management System) that was established in 1999. The current monthly fee for single-family residences, enacted by the Council by ordinance in 2008, is \$3.80. Commercial, industrial and other users pay greater fees based upon the amount of impermeable surface on their properties. The proceeds from the fee are deposited in a separate storm water management system fund and used for the operation, maintenance and improvement of the Storm Water Management System and related debt service.

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**Community Profile**

**Public Service**

The City of Toledo Department of Public Service (DPS) provides a wide variety of services for residents. These services include green space maintenance, parks maintenance and programming, maintaining tree canopy health and the repair and maintenance of the city's roadways, which includes pavement restoration work, snow removal, leaf collection and street and alley cleaning. The Department is also responsible for providing and maintaining safe and efficient traffic flow on public roadways under the jurisdiction of the City of Toledo.

The DPS Division of Solid Waste is dedicated to the operation and maintenance of the City of Toledo's Hoffman Road landfill to support the Lucas County refuse collection operations. The division strives to effectively and efficiently manage the landfill as a city asset by employing technology and innovative practices, as well as working to secure permit modifications and/or alterations that will extend the life of the landfill.

The DPS Division of Streets, Bridges & Harbor provides services to the public include street and alley cleaning and repair, pothole repair, pavement restoration of sewer and water repairs, snow & ice control, leaf collection, housing demolition, bridge operation, bridge and levee maintenance and repair, and harbor related operations.

The DPS Division of Transportation maintains and improves traffic flow on Toledo's public roadways using accepted design practices and appropriate traffic control devices. The Division provides traffic control planning and design, repairs, replacements and preventative maintenance of street signs, signals and pavement markings throughout Toledo. Additionally, the division works closely with other city departments to assist with the coordination of special events that involve block closures, the evaluation of streets for the installation of speed humps, and the administration of an on-street parking program for mobility-impaired individuals. The City of Toledo has over 125 parks and facilities.

The DPS Division of Parks, Recreation and Forestry is responsible for mowing of over 400 boulevards, cul-de-sacs and green spaces across the City. The Division also operates and maintains more than 50 athletic fields and facilities, which include baseball and softball diamonds, tennis courts, municipal pools, the Ottawa Park Ice Rink, and park shelter houses. Parks, Recreation and Forestry provide recreation programming opportunities through special events such as: Skating with Santa; Pumpkin-a-Rama; Eggstravaganza; Fishing Rodeo; Pitch, Hit & Run; Punt, Pass & Kick and Concerts in the Ottawa Park Amphitheater.

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**Policies**

**Budget Policies**

**State Law and City Charter Requirements**

Detailed provisions for budgeting, tax levies and appropriations are made in the Revised Code. These include a review by county officials at several steps, and a requirement that the subdivision levy a property tax in an amount sufficient, with any other moneys available for the purpose, to pay the debt service on securities payable from property taxes.

The law requires generally that a subdivision prepare, and then adopt after a public hearing, a tax budget approximately six months before the start of the next fiscal year. The tax budget then is presented for review by the county budget commission, comprised of the county auditor, treasurer and prosecuting attorney. However, a county budget commission may waive the requirement for a tax budget and require more limited information. In 2001, the Lucas County Budget Commission voted to waive the requirement for a tax budget for the subdivisions in the County for future Fiscal Years and has since required that alternate tax budget information be provided by the City and those other subdivisions.

Under the current requirements, City budgeting for each Fiscal Year formally begins in the prior July with the preparation and submission to the County Budget Commission of tax budget information. For debt service, the information is to include the net amounts of debt service payable during that Fiscal Year for which property tax levies must be made (after application of estimated receipts from other sources) and the portions of those levies to be inside and outside the ten-mill limitation. That tax budget information is then reviewed by the County Budget Commission.

As part of that review, the County Budget Commission is to determine and approve levies for debt service outside and inside the ten-mill limitation. The Revised Code provides that "if any debt charge is omitted from the budget, the commission shall include it therein." The County Budget Commission then certifies to the City its action together with the estimate by the County Auditor of the tax rates outside and inside the ten-mill limitation. Thereafter, the Council is to approve the tax levies and certify them to the proper County officials. The approved and certified tax rates are then to be reflected in the tax bills sent to property owners for collection in the following calendar year. Real property taxes are payable in two equal installments, the first usually in January and the second in July.

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**Policies**

**Budget Policies continued**

**State Law and City Charter Requirements (continued)**

The Council adopts a temporary appropriation measure before January 1 of each Fiscal Year, and then, by March 31, a permanent appropriation measure for that Fiscal Year. Although called “permanent,” the annual appropriation measure may be, and often is, amended during the Fiscal Year. Annual appropriations may not exceed the County Budget Commission’s official estimates of resources, and the County Auditor must certify that the City’s appropriation measures do not appropriate moneys in excess of the amounts set forth in those estimates. No money of the City is to be expended unless first appropriated by the Council. The Director of Finance is not to allow the amount set aside for any appropriation to be overdrawn or the amount appropriated for any one item of expense to be drawn upon for any other purpose.

Section 45 of the Charter of the City of Toledo identifies the fiscal year for the City as beginning on the first day of January and requires that on or before the fifteenth day of November of each year, the Mayor must prepare a balanced budget estimate of the expenses of conducting the affairs of the City for the following fiscal year. The estimate is compiled from detailed information obtained from the various City departments. Council is required to pass a balanced budget no later than March 31, 2020.

Prior to passage, the Administration works with City Council to hold budget hearings to review all departmental budget requests and discuss revenue and expenditure assumptions. Information about these budget hearings may be found on the City’s website as they are scheduled. There are opportunities for public input at these meetings.

**Debt**

The Ohio Revised Code Section 133.05 provides that the total net debt (as defined by the ORC) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total taxation value of property. The statutory limitations on debt are measured by the ratio of net debt to tax valuation and expressed in terms of a percentage.

The City’s voted and unvoted nonexempt general obligation debt capacities as of December 31, 2018 were and as of this date are:

<u>Limitation</u>	<u>Nonexempt Debt Outstanding</u>	<u>Additional Debt Capacity Within Limitation</u>
10-1/2% = \$348,576,197	\$121,374,992	\$227,201,205
5-1/2% = \$182,587,532	\$121,374,992	\$ 61,212,540

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**Policies**

**Investments**

Deposits and investments of City funds are governed by the Charter and Chapter 192 of the Toledo Municipal Code, enacted in 1986 and last amended in 2013 (the Investment Policy Ordinance). Under the Investment Policy Ordinance, the Director of Finance has general responsibility for carrying out the banking and investment policies of the City, and the Commissioner of Treasury has the day-to-day responsibility for investing and depositing City funds as they become available. Under the Investment Policy Ordinance and current practices, investments are made in the following categories:

1. Direct obligations of the United States, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, and the Federal Farm Credit Banks;
2. Certificates of deposit with banking institutions having an office in the State, and demand deposits with banking institutions having an office in the City, which in each case meet City requirements relating to size, credit rating and collateralization of City deposits;
3. Federally insured certificates of deposit initiated through a reciprocal network of banks or savings and loan associations that are members of the Federal Deposit Insurance Corporation;
4. Securities of other political subdivisions meeting certain rating requirements;
5. The State Treasurer's subdivision investment pool (STAR Ohio) created pursuant to Section 135.45 of the Revised Code;
6. Federally insured certificates of deposit with banks that are members of the Federal Deposit Insurance Corporation initiated through the State Treasurer's STAR Plus Program. The Investment Policy Ordinance also provides specific requirements for diversification of investments.

# City of Toledo

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### Policies

#### **Discretionary Funds**

The City may expend, contingent on appropriation, funds for community programs and projects geared toward improving the quality of life for residents. Funding awards range from \$1,000 to \$25,000.

Organizations must meet the following criteria to be considered for funding:

- The physical location of the organization must be in the Toledo city limits
- The organization must be a 501(c)(3) organization under the Internal Revenue Code
- The organization must support programs and projects that improve the quality of life of city residents throughout the year

Organizations that apply for funding are required to submit an application and supporting documentation to outline the scope of services that will be provided using the City funds. All organizations that have previously received funding are required to submit a final report of activities outlining the use of City funds. Failure to submit the final report will disqualify an organization from future funding consideration.

Payment of funds to approved organizations will not be made unless accompanied by a Letter of Understanding that is signed by the Mayor (or his designee) and acknowledged and countersigned by the organization.

#### **Use of Public Funds**

Permitted uses of City funds for food, awards, recognitions, travel and expenditures to outside organizations are as follows:

- The City may expend funds to host events in appreciation of the City's workforce and provide tokens of appreciation to employees to recognize new hires, years of service and retirements.
- The City may expend funds to provide beverages to employees, volunteer workers, elected officials and business guests during regular working hours and events that require public participation.
- The City may expend funds to provide meals to employees, volunteer workers and elected officials for work conducted during normal meal times.
- The City may expend funds for ceremonial activities as described in Administrative Policy and Procedure #21-Ceremonial Activities.
- The City may expend funds for awards, prizes and other recognitions to employees or outside parties in association with fundraising efforts, events to raise awareness and other events.
- The City may host and expend funds for Wellness Luncheons to provide education to employees in an effort to reduce the City's health care costs.
- The City may expend funds to outside organizations where a written agreement between the City and such organization has been executed.
- Travel expenditures are authorized under the terms and conditions outlined in Administrative Policy and Procedure #4-Travel Allowance.

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**Policies**

**Basis of Accounting**

Governmental Funds use the modified accrual basis of accounting. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities for the current fiscal year. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied local shared taxes (including gasoline taxes, local government funds and permissive taxes), fines and forfeitures, licenses and permits, interest, grants and rentals. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

The financial statements of the proprietary funds are reflected on the accrual basis of accounting, where the revenues are recorded when earned and expenses are recorded as incurred.

**Budget Basis vs. Generally Accepted Accounting Principles (GAAP)**

The budget is adopted on a basis consistent with generally accepted accounting principles, except for certain items that are adjusted on the accounting system at fiscal year-end. This allows City departments to monitor their budgets throughout the year through reports generated by the City's accounting system. The differences between the budgetary basis and GAAP include:

- Principal payments on outstanding debt in the enterprise funds are expensed for budgetary purposes instead of as an adjustment to the long-term liability on the balance sheet
- Capital outlay in the enterprise funds is expensed for budgetary purposes instead of recorded as an adjustment to capital assets on the balance sheet
- Compensated absences in the enterprise funds are not expensed for budgetary purposes. GAAP requires compensated absences to be accrued when earned by employees
- Pension and Other Post-Employment Benefits (OPEB) in the enterprise funds are expensed for budgetary purposes when paid. GAAP requires pension and OPEB to be accrued when earned by employees
- Debt issuances in the enterprise funds are recorded as revenue for budgetary purposes instead of an adjustment to long-term liability on the balance sheet.

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**Policies**

**Budget Process**

Section 45 of the Charter of the City of Toledo identifies the fiscal year for the City as beginning on the first day of January and requires that on or before the fifteenth day of November of each year, the Mayor must prepare a balanced budget estimate of the expenses of conducting the affairs of the City for the following fiscal year. The estimate is compiled from detailed information obtained from the various City departments. The total items of current expense in the budget and appropriation ordinance shall not exceed the amount available for such purpose as provided by law.

Upon receipt of the Mayor's budget estimate, the Council shall at once prepare an appropriation ordinance, using the Mayor's budget estimate as a basis.

Provisions shall be made for public hearings upon the appropriation ordinance before a committee of the Council, or before the entire Council sitting as a committee of the whole.

Following the public hearings and before final passage, the appropriation ordinance shall be published in the City Journal with a separate schedule setting forth the items asked for in the Mayor's budget estimate which were refused or changed by the Council, and the reasons for such change or refusal.

The Council shall not pass the appropriation ordinance until fifteen (15) days after its publication, nor before the first Monday in January. The annual appropriation ordinance and any amendment or supplement thereto shall be in the form prescribed by the Revised Code of Ohio, and the amounts appropriated shall be subject to the limitations therein set forth. Adoption of the annual appropriations measure shall be subject to Sections 43(A) and 43(B) of the Charter.

Council, per the Charter, is required to pass a balanced budget no later than March 31, 2020.

Unless the ordinance specifically provides otherwise in any instance, not more than one-half of any appropriation shall be expended before the first day of July in the current year.

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### Policies

#### **Budget Process (continued)**

Prior to passage, the Administration works with City Council to hold budget hearings to review all departmental budget requests and discuss revenue and expenditure assumptions.

The City's budget process emphasizes the role of departments and divisions in all stages of the process: the initial crafting of the budget, the presentations to City Council, and the ongoing monitoring of the budget throughout the year. The budget works from the assumptions that (1) the role of departments is to fully know and understand the programs that their department is responsible for, including the budgetary implications of those programs, and (2) the role of the Finance Department is to coordinate the budget process, provide technical assistance to departments as needed, and moderate the budgetary requests of departments given scarce resources. The process as a whole is an interactive one. The Finance Department maintains an open dialogue with departments and divisions. Departments and divisions also utilize the City's accounting system for reports that help to guide decision making on their own and within the parameters of an approved budget.

#### **Appropriations**

##### Interim Appropriations

Prior to passage of the annual operating budget, interim funding is appropriated for continued operations of the City. Interim appropriations are based on one quarter of the proposed operating budget estimate submitted in November. These appropriations may be adjusted above one quarter of the operating budget estimate to account for certain contractual and debt obligations that may exceed the one quarter threshold.

##### Budget Amendments

All budget amendments shall be approved by City Council. Budgets may be amended after adoption with approval of the City Council if changes result in a change in an increase in appropriation. All budget amendment requests must be made in writing to the Budget Office, the Director of Finance and the Office of the Mayor. If budget amendment request is approved by the Office of the Mayor, it will be presented to City Council for approval through the legislative process.

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**Policies**

**Appropriations (continued)**

Grants and Expendable Trust Funds

All new grant awards are appropriated and authorized for expenditure through the legislative process. Legislation is prepared and submitted as needed to authorize grant agreements, the acceptance and deposit of the grant funds, and the appropriation and expenditure funds according to the terms of the grant. Once appropriated, grant funds carryforward each fiscal year until the grant is completed and closed.

Expendable trust funds are established for funds donated in trust to the City and for certain special revenue sources. Expendable trust funds are appropriated when received and authorized for expenditure according to each expendable trust's enabling legislation. Expendable trust funds carryforward each fiscal year until the trust is disestablished.

Transfers

Administrative transfers of under \$25,000 are authorized against existing appropriations in the operating budget within personnel service or between non-personnel account codes within an organization unit and fund.

Capital project and grant funds are legislatively controlled by individually approved projects or grant awards for each organization. Transfers within each project and grant appropriation are authorized at any dollar level, unless subject to specific restrictions in the enabling legislation. Transfers between projects and between grant appropriations are not authorized.

Carry Forwards

At the end of each year all unexpended balances of appropriations shall revert to the respective funds from which the same were appropriated, and shall then be subject to future appropriation; but appropriations may be made in furtherance of improvements or other objects or work of the City which will not be completed within the current year.

Appropriations made in furtherance of improvements or other objects or work, including capital projects, grants and expendable trust funds, of the City which will not be completed within the current year will be carried forward to the next fiscal year and closed out upon completion.

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**Policies**

**Reserves**

General Fund

Fifty percent (50%) of any General Fund undesignated year-end fund balance is placed into the Budget Stabilization Reserve in order to strengthen the City's financial position and establish adequate financial reserves. Withdrawals from the Budget Stabilization Reserve shall only be for the purpose of continuing basic City services during times of economic recession or substantial unexpected revenue loss.

Accumulation of funds in the Budget Stabilization Reserve are limited by the Ohio Revised Code, which requires that total General Fund budget stabilization reserves cannot exceed five percent (5%) of total General Fund revenue.

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**Policies**

**Revenues**

The revenue budget includes all dollars expected to be received by or as a result of the operations of any agency of the City of Toledo. Revenue sources include:

***Income Taxes:*** includes withholding, business and individual income tax receipts

***Property Taxes:*** includes levies on property that the owner is required to pay to the City

***Charges for Services:*** includes charges for City used services and equipment such as water and sewer, refuse removal, tow fees, fire emergency medical services and transport fees, repairs provided by the City, and internal service charges for municipal garage, facilities, data processing and risk management

***Licenses and Permits:*** includes revenue from providing or assisting with permits, zoning and inspections, storage, parking, and licensing

***Fines and Forfeitures:*** includes traffic, civil, court and red light and hand-held speed camera fines

***Intergovernmental Services:*** includes revenue received from the State of Ohio and Lucas County, JEDZ and JEDD income, estate taxes, paramutual taxes and payments in lieu of taxes, casino revenue, homestead and rollback revenue

***Special Assessment:*** includes service and improvement assessments

***Investment Earnings:*** includes interest earnings

***Other Revenue:*** includes demolition revenue, sale of assets, gifts and donations, and rent income

***Issuance of Debt:*** includes bond and note proceeds and capitalized debt

***Grants:*** includes all state and federal grants received by the City

***Operating Transfers :*** includes operating transfers in from other funds

***Capital Lease Proceeds:*** includes amounts provided by leases

***Premium (discount) on Bond:*** includes premiums on bonds payable

***Projected Use of Fund Balance***

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**Policies**

**Operating Budget**

The City of Toledo is organized on a department/divisional basis and operations are accounted for through various funds and cost centers. Each divisional budget is within a particular fund of the City, with revenue and expense items assigned to various cost center and commitment areas. Expenditures are presented within the following areas:

**Personnel:** includes all based and part-time salaries, overtime, severance, pension, employment tax and medical, contractual stipends and salary savings and other personnel reimbursements

**Operating:** includes all supply and service costs for items such as office, equipment and computer supplies clothing and equipment, janitorial supplies, motor and utility fuel and lubricants, small apparatus and tools associated with contractual services for office equipment and supply rentals, refuse collection services, travel expenses, utility charges, repair and maintenance, professional services, real estate fees, environmental related charges, seasonal and intern services, and internal service charges for fleet, facilities, risk management insurance, and telecommunications and data processing, trust funds and contributions to other agencies

**Capital:** includes all building modification costs, machinery and equipment, vehicles and infrastructure hardware and software, and capital project costs

**Debt:** includes principal and interest for bonds, notes and capital leases and associated debt service charges

**Transfers:** includes transfers out to other funds