

Letter From the Finance Director



To the esteemed residents of the City of Cleveland,

City leadership and the Department of Finance are pleased to present you with the Mayor's Budget Estimate for fiscal year 2026. The purpose of this document is to provide Cleveland's residents, workforce, employees, and other stakeholders with a detailed blueprint of how each dollar of expected revenue will be allocated amongst the city's various needs. It is the result of extensive collaboration and thoughtful discussion across the city's divisions to ensure transparency in funding essential services. Consistent with best practices for budgeting, projections are based on realistic expectations and historical data to deploy resources in the most efficient ways possible. We appreciate the great trust placed in us to allocate your hard-earned tax dollars while responsibly running the city's finances. Backed by a fiscally responsible approach to budgeting, we aspire to reach another year of growth and prosperity throughout the community.

In accordance with Ohio state law, the 2026 Mayor's Budget Estimate is balanced. This approach promotes financial stability, limits waste and borrowing, while also ensuring that funding needs for city programs and services are available when needed. This year's estimate reflects elevated investment in the areas of economic development, public safety, along with new and innovative technologies. These areas of focus correlate to the City's emphasis on promoting job growth, affordable housing, and continued modernization across the city.

Strong economic performances in budget year 2025, as well as unexpected savings and enhanced revenues from implementing new approaches to managing the City's finances, afforded the city a robust platform for this year's budget and its increased investments. Highlights included:

- Execution of a \$21 million lease-purchase agreement backed by guaranteed savings to improve all the city's police stations,

- Fundamental changes to the city's approach to borrowing savings millions in debt service costs over time,
- Investment of \$12 million in roads and resurfacing improving the quality of life in all neighborhoods,
- Close out of inactive projects and fund reallocation for urgent purposes,
- Reached new multi-year agreements with 85% of the city's 30+ unions,
- Implementation of an electronic contracting system that cut processing time from over six weeks to under ten days,
- Consolidation of the city's financial advisory resources to enact a more holistic approach to use of funds, and
- Additional implementation of modern software designed to improve processes around economic development projects, permitting reform, new CCA (taxation) website, grants management, and budget creation.

With similar goals in place centered around cutting costs, increasing efficiency, and investing in Cleveland's communities, the 2026 Mayor's Estimate Budget totals \$2.34 billion, with \$920 million allocated for General Fund operating expenses. These balances reflect a modest increase in overall revenues led by income taxes, which account for over 63% of city funding, followed by property taxes at 7%. In addition, responsible fiscal management has resulted in the city's rainy-day reserve continuing its growth to \$70.3 million, making progress towards the statutorily allowed maximum.

Although 2025 was a strong year for the City's finances, now is not the time to become complacent as we prepare for the challenges that lie ahead. General Fund revenues exceeded expectations by \$18.1 million, however that additional revenue was attributed to one-time inflows that are not expected to continue. We must also be prepared to face continued uncertainty in federal policy and funding, moderations in construction activity partially due to increasing costs, as well as disruptions spawning from both domestic and international discord. On the positive side, inflation has moderated in recent years, hovering around 2.7%. Unemployment in the Cleveland-Elyria MSA came in at 3.4% at the end of 2025 which was below the national average of 4.4%. The city's largest source of revenue, income tax, continued to grow at approximately 2.6% with other revenues following a similar pattern. Population within the city has stabilized at over 365,000 citizens, with the city seeing 2 continuous years of slight growth. Lastly, capital markets generally performed well, with the S&P gaining over 16% in 2025. Though traditional economic indicators do not always translate to residents' living experiences, the current trends should positively support the City's budgetary goals in the near term.

Creating an annual budget requires a tremendous amount of work and collaboration across all areas of local government. Engagement by citizens on how city leadership can improve transparency, processes, and communications are also essential. We greatly appreciate those that participated in this year's town halls and other community events

which provided us with invaluable insight into the greatest needs of this special city. Finally, I am especially grateful to the Mayor's Office and City Council for advancing this plan, the Department of Finance and Office of Budget Management for their tireless efforts to create it, the staff of the various departments and divisions responsible for its implementation, and to the residents of this great city for their valuable feedback. The Department of Finance is excited about all that we will accomplish together in this new year.

Sincerely,

A handwritten signature in blue ink that reads "Paul Barrett". The signature is written in a cursive, flowing style.

Paul Barrett, CFA, CIPM
Director of Finance/CFO