



## SHAKER HEIGHTS

### City Council Agenda VIA CONFERENCE CALL DUE TO COVID-19 PUBLIC HEALTH EMERGENCY Monday, May 11, 2020 at 7:00 pm

For the safety of our staff and residents live audio will be available on a listen-only basis to the first 80 callers, but public in-person attendance and comment will not be permitted. Residents are encouraged to submit comments/questions regarding items on the agenda or other items not on the agenda at least 6 hours in advance of the meeting by emailing **Jeri E. Chaikin** at [jeri.chaikin@shakeronline.com](mailto:jeri.chaikin@shakeronline.com) or by calling **(216) 491-1424**. Any comments or questions will be read into the record at the meeting. You may listen to the meeting live that evening by calling **1-877-837-3954** and entering code **05112020**. The audio of the meeting will be available the following day on the City's website.

#### WORK SESSION

1. Covid-19 Questions and Answers
  - Dr. Steven Gordon, M.D., Chair, Infectious Disease, Cleveland Clinic
2. Covid-19 Impact on General Fund Revenues and Expenditures
  - Mayor David E. Weiss
  - Chief Administrative Officer Jeri E. Chaikin
  - Finance Director John J. Potts

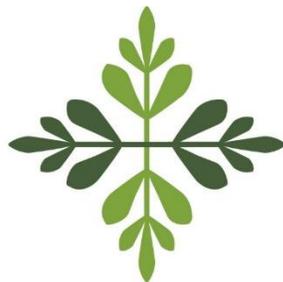
Documents:

[COVID-19 EFFECT-REVEXP.PDF](#)

#### EXECUTIVE SESSION

For preparing for, conducting, or reviewing negotiations or bargaining sessions with public employees concerning their compensation or other terms and conditions of their employment.

*To request an accommodation for a person with a disability, call the City's ADA Coordinator at 216-491-1440, or Ohio Relay Service at 711 for TTY users.*



**SHAKER HEIGHTS**

**COVID-19 Impact  
General Fund Revenues & Expenditures**

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CITY COUNCIL WORK SESSION

JOHN POTTS, DIRECTOR OF FINANCE

MAY 11, 2020

# COVID-19 Impact on Income Tax Receipts

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- The impact of COVID-19 on the City's finances will be significant.
- Municipal income tax returns and payments for tax year 2019 with a due date of April 15<sup>th</sup> have been extended to July 15<sup>th</sup>. Estimated payments for the first and second quarters of tax year 2020 have also been extended to July 15<sup>th</sup>. The extended filing and payment dates apply to individual taxpayer filings and payments as well as business net profit filings and payments, but do not apply to employer withholding.
- RITA has issued guidance to municipalities that this extension will create a "lag" in the receipt of income tax payments from months 3-7 (Mar-Jul) to months 8-11 (Aug-Nov).
- Based on RITA's calculations, the payment delay for Shaker Heights is estimated to be \$9.7 million for the lag period described above.
- We have begun to see this lag occur as receipts are down over \$2.0M as compared to the same time period last year (March income taxes receipted in April).
- It will be difficult to determine the actual revenue shortfalls caused by COVID-19 until the delay (lag) has run its course. We hope to be able to quantify the actual revenue shortfall by the Fall.

# General Fund Revenue Budget Impact

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- The Finance Department, working collaboratively with the Mayor, CAO and other Department Directors, has compiled a range of estimated revenue impacts to the 2020 General Fund Revenue budget.
- The 2020 Budget for General Fund revenues is \$52.4 million.
- 71% (\$37.4 million) of the 2020 revenue budget is comprised of municipal income taxes.
- Income & Property taxes generate 84% (\$44.2 million) of the budget.
- Other revenues accounting for 8% of the budget include licenses and permits, court costs, fines and forfeitures, and the State's Local Government Fund allocation. These revenue streams are also expected to be impacted negatively.
- Our analysis of projected revenue shortfalls does NOT take into account future inflows of Federal stimulus funds.

# Revenue Shortfall Scenarios

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## ➤ **Scenario 1 – Low Impact**

Income & Property Tax down 10% or \$4.4M  
Other Revenues\* down over \$900K  
Total revenue shortfall to budget: \$5.4M

## ➤ **Scenario 3 – High Impact**

Income & Property Tax down 20% or \$8.8M  
Other Revenues\* down over \$1.8M  
Total revenue shortfall to budget: \$11.0M

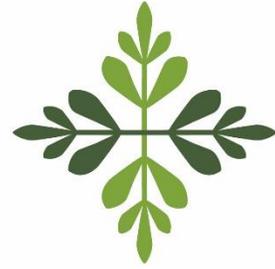
\*Mainly comprised of court costs, licenses, permits, fines, forfeitures, allocation of Local Gov't Fund.

## ➤ **Scenario 2 – Medium Impact**

Income & Property Tax down 15% or \$6.6M  
Other Revenues\* down over \$1.3M  
Total revenue shortfall to budget: \$8.1M

RITA prepared a COVID-19 municipal income tax impact to Shaker Heights. The impact assumes a certain percentage loss of withholding and individual income taxes at 20% for months 3-6, 10% for months 7-9, and 5% for months 10-12.

RITA estimates this amount to be \$3.0M. Our shortfall scenarios are more conservative on income taxes (range of loss \$3.7M – \$7.5M).



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# Revenue Impact Questions?

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# 2020 Expenditure Savings Analysis

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- The Finance Department, working collaboratively with the Mayor, CAO and other Department Directors, has comprehensively reviewed all budgets, appropriations and other planned spending for 2020 to compile three scenarios of cost savings in order to mitigate the revenue shortfalls from COVID-19.
- Scenario 1 will be implemented IMMEDIATELY and will result in a cost savings to the General Fund in the amount of \$5.6M. Additional cost cutting measures may be implemented based upon actual revenue shortfalls. Thus, Scenario 2 could add an additional cost savings of \$2.2M and Scenario 3, an additional \$1.5M. If all Scenarios are needed, total cost savings to the General Fund will approximate \$9.3M (18% reduction of the 2020 operating budget).
- Our analysis does NOT take into account any potential, future stimulus funds given to the City for COVID-19 expense reimbursements.

# Scenario 1 – Expense Reduction Categories

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## ***Wages – \$1.31M in Expense Reductions***

- Hiring Freeze: 10 open positions deferred to next year (\$706,000)
- Implementation of non-bargaining employee compensation and pay plan study deferred to next year (\$205,000)
- Seasonal Employees: Less wages paid due to School and Recreation Dep't closures (\$78,000)
- Less Overtime: Certain departments are expecting less than budgeted OT (\$250,000)
- Wage savings in Public Works due to lower snow and ice events this past winter (\$75,000)

## ***Other – \$1.34M in Expense Reductions***

- Savings on utilities and other costs due to current (or longer) closures at rink, pool and programming. (\$35,000)
- Public Works reduced salt purchases (mild winter) and lower fuel costs needed for trucks and vehicles (\$225,000)
- Programming deferred until next year in Planning, Economic Dev., and Neighbor. Revitalization departments (\$238,000)
- Deferral of travel and other related expenses (seminars, continuing education, etc.) (\$100,000)
- Reduction of employer health plan contributions to self-insurance fund (\$250,000)
- Other savings from under-spending (\$225,000) and reduced funding to Shaker Heights Development Corporation for future real estate development (\$250,000).

# Scenario 1 (concluded)

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## ***Transfers out of General Fund / General Fund Reserves – \$2.30M***

- Reduce transfers to the pension and debt service funds to the minimum required contributions (\$385K)
- Reduce transfer to the Capital Fund for the 2021 capital budget from \$5.7M to \$5.0M (\$700K)
- De-obligating unused balance of various past completed Capital Fund projects (\$430K)
- Reduction (and use) of a portion of the General Fund Reserve (maintaining a minimum 30% reserve) (\$750K)

## ***Deferral of 2020 Capital Projects – \$700K***

- Various capital projects deferred indefinitely within Fire, Police, Public Works and Recreation (\$700K)

# Additional Savings (Scenarios 2 and 3)

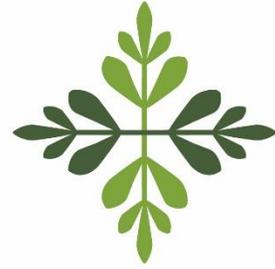
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- Additional cost cutting measures may be implemented based upon actual revenue shortfalls.
- Scenario 2 additional savings: \$2.21M
  - Reduced temporary hires for summer Recreation programming
  - Additional utility savings (ice rink, pool) due to continued Recreation closures.
  - Additional deferral of economic development and housing maintenance programs
  - Additional reduction of employer health plan contributions to self-insurance fund
  - Additional reduction of transfers to certain funds (e.g. 27<sup>th</sup> payroll fund, etc.)
  - Additional use of General Fund Reserve (maintaining a minimum 30% reserve)
- Scenario 3 additional savings: \$1.47M
  - Additional use of General Fund Reserve (maintaining a minimum 30% reserve)
  - Employee furloughs

# Other Unknowns

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- Current year budget anticipated an increase in the Gas Tax which funds the Street Maintenance & Repair Fund (outside of the General Fund). We anticipate a 30-40% decline in receipts due to the COVID-19 environment. This could result in the need for a transfer from the General Fund or reduced services.
- There could be an increase or decrease in overtime costs in certain departments as a result of the COVID-19 environment.
- There could be increased, unbudgeted, unemployment costs.
- Continued COVID-19 financial impact into 2021 (e.g. bargaining unit contract negotiations, wage re-openers, etc.)



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# Expenditure Savings Plans Questions?

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