



**Finance Committee  
Monday, June 15, 2020, 8:00 A.M.  
Via ZOOM Meeting Due to  
COVID-19 Public Health Emergency**

Members present: Council Member Nancy Moore, Chair  
Council Member Tres Roeder  
Council Member Anne Williams  
Council Member Earl Williams  
Citizen Member Martin Kolb  
Citizen Member Linda Lalley  
Citizen Member Danielle Sydnor

Others present: Mayor David E. Weiss  
Chief Administrative Officer Jeri Chaikin  
Finance Director John J. Potts  
Assistant Finance Director Cheryl Arslanian  
Sustainability Coordinator Michael Peters

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**APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF FEBRUARY 18, 2020.**

Chair Moore stated that the minutes of the February 18, 2020 meeting were approved as recorded.

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**AUTHORIZING THE CITY TO APPLY FOR AND ACCEPT A NORTHEAST OHIO PUBLIC ENERGY COUNCIL (NOPEC) ENERGIZED COMMUNITY GRANT IN THE APPROXIMATE AMOUNT OF \$52,472, FROM THE NOPEC’S ENERGIZED COMMUNITY GRANT PROGRAM, FOR THE ELECTRICAL SERVICE UPGRADE AND EMERGENCY GENERATOR REPLACEMENT AT FIRE STATION II, 2801 WARRENSVILLE CENTER ROAD. <sup>SUS</sup>**

Michael Peters, Sustainability Coordinator stated that the City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code to administer electric and/or gas aggregation programs for communities. NOPEC currently serves over 200 communities who have been authorized by ballot to purchase electricity or gas on behalf of their citizens.

Shaker Heights offers its residents electric aggregation through NOPEC but currently administers our own gas aggregation program approved by a vote of our residents.

NOPEC’s Energized Community Grant Program provides funds to member communities to implement energy savings or energy infrastructure measures. In 2019 the City received \$55,958 in **CITY OF SHAKER HEIGHTS**

grant funds that were applied to the \$150,000 replacement of the aging generators and electrical service upgrades at City Hall at 3400 Lee Road. For 2020, \$52,472 is available, based on 7,496 accounts in 2019 at \$7 per account. The number of NOPEC accounts in the city has been on a declining trend, with 8,635 accounts for 2017 and 7,994 accounts for 2018.

The grant agreement entered into in 2018 between the City and NOPEC remains in effect for the 2020 grant application, but Council approval is required for the application. We propose applying to use the \$52,472 to go toward the \$75,000 electrical service upgrade and emergency generator replacement at Fire Station II, 2801 Warrensville Center Road.

When we receive the \$52,472 in grant funds it will be deposited in Fund 401, the General Capital Fund, to offset the City funds allocated to this project.

This request was reviewed and approved earlier by the Sustainability Committee.

The Finance Committee recommended authorizing the City to apply for and accept a Northeast Energized Community (NOPEC) Grant in the approximate amount of \$52,472, from the NOPEC's Energized Community Grant Program, for the Electrical Service Upgrade and Emergency Generator Replacement at Fire Station II, 2801 Warrensville Center Road.

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**APPROVAL OF THE 2021 TAX BUDGET FOR THE FISCAL YEAR BEGINNING JANUARY 1, 2021.**

John Potts, Director of Finance, stated the Ohio Revised Code requires that Ohio city councils adopt a tax budget for the next fiscal year no later than July 15<sup>th</sup> of the current year and that the adopted tax budget be submitted to the County Budget Commission no later than July 20<sup>th</sup>. The tax budget represents the City's first estimate of its anticipated financial resources and needs for the coming fiscal year. The primary purpose of the tax budget is to demonstrate the City's need to levy property taxes for the coming fiscal year (2021).

The tax budget is available for public inspection and is available on the City website and at the main counter in the City's Finance Department prior to adoption and submission to the Budget Commission. In accordance with ORC 5705.30, a public hearing is not required prior to the City Council's adoption of the tax budget. However, the City of Shaker Heights in previous years has held such hearings prior to City Council's adoption. Maintaining the public hearing prior to adoption will enable the public to comment if desired. In addition, an advertisement of the 2021 Tax Budget public hearing to be held on June 22, 2020 was published in the Sun News Newspaper on June 4, 2020. The published notification satisfies the ten-day advance notice required by the Ohio Revised Code.

The Finance and Administration Committee recommended adopting the resolution for the 2021 Tax Budget and approval by City Council on June 22, 2020 and subsequent transmittal to the Cuyahoga County Budget Commission after such approval no later than July 20, 2020.

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**AUTHORIZING THE CITY TO ACCEPT THE DISTRIBUTION OF FEDERAL CARES ACT FUNDING RESULTING FROM OHIO SENATE BILL 310 AND ESTABLISH A SPECIAL REVENUE FUND.**

Director Potts stated that on May 6, 2020 the Ohio Senate unanimously passed Senate Bill 310 authorizing the distribution of \$350 million of federal CARES Act funding to local communities across Ohio for COVID-19 pandemic-related expenses. The Ohio House passed the bill with additional amendments on June 4, 2020. The bill will now be sent to the Senate for concurrence on the changes made by the House. It is possible a conference committee may be convened instead to concur on the bill, but no official announcement has been made. After concurrence, the bill will be sent to the Governor for signature. The bill will become effective immediately upon the Governor's signature.

This funding will be made available to counties, municipalities and townships for necessary expenses associated with the current public health emergency and will be distributed based on the proportion of Local Government Fund revenue allocated to them in 2019.

The funding excludes Ohio's six jurisdictions with populations over 500,000 since they already qualify for a direct payment from the CARES Act (City of Columbus and Cuyahoga, Franklin, Hamilton, Montgomery and Summit counties). Municipalities within those jurisdictions, however, are still eligible for the funding appropriated in S.B. 310.

The Office of Budget and Management and the Ohio Department of Taxation have released a spreadsheet with estimated distributions each county will receive under SB 310. It is projected that Shaker Heights would receive a 1.4% distribution of Cuyahoga County's share (\$55.6 million) of the \$350 million allocation, or \$761,850.

As further detailed in the legislation, in order to be eligible to receive the funds once the Bill is enacted, the legislative authority of a municipality is required to adopt a resolution or ordinance affirming that the funds so received may be expended only to cover costs consistent with the requirements of the CARES Act.

The current legislation, as drafted, would require that we encumber the funds by October 15, 2020, and expend the funds by December 28, 2020. The Finance Department, in consultation with the Law Department will monitor the use of these funds, once received, to ensure compliance.

The CARES Act provides that payments may only be used to cover costs that are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); that were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

Director Potts explained that the Finance Department, working with the Law Department would be reviewing the CARES Act and accumulating the costs incurred to date that would be eligible for reimbursement.

The legislation requires that money received be deposited into a new fund to be named the Local Coronavirus Fund, which the fiscal officer shall create for that purpose. The Finance Department is proposing to establish a special revenue fund designated Fund 0285 Local Coronavirus Fund. The attached legislation establishes such fund as permitted by Ohio Revised Code Section 5705.13 (B).

Normally we would prepare the Ordinance after Finance Committee and before Council however the Ordinance has already been drafted and is attached here. We will be requesting Council to pass this legislation on first reading and as an emergency, so that we can provide a copy of this Ordinance to the Cuyahoga County Budget Commission, Cuyahoga County Auditor and the Ohio Director of Budget and Management.

The Finance Committee recommended authorizing the acceptance of funds from Cuyahoga's "County Coronavirus Relief Distribution Fund" as authorized by Am. S.B. 310, enacted by the Ohio General Assembly, establishing the City's "Local Coronavirus Fund", and requiring that all funds from the County's Fund be deposited in the City's Fund, and that said funds be expended only to cover costs of the City consistent with section 5001 of the federal CARES Act and applicable regulations.

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**UNAUDITED 2019 YEAR END RESULTS.**

Director Potts presented to the Committee an unaudited report of actual 2019 General Fund revenues and expenditures as well as historical results from 2018 and 2017. The report had been sent to the Finance Committee electronically back in April as there had not been a March meeting which is the time frame when this normally would have been distributed.

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**GENERAL FUND 2020 FIRST QUARTER FINANCIAL UPDATE.**

Director Potts stated that overall the first quarter results are consistent with the prior year, however, it is expected that the remaining quarters will be significantly impacted by the COVID-19 pandemic. As further detailed during the May 11, 2020 City Council work session, the impact of COVID-19 on the City's finances will be significant.

Q1 2020 operating revenue was \$14.1 million, a 0.6% increase over Q1 2019. Income tax was comparable to last year for the first quarter, the second quarter is expected to be significantly down due to the lag in the tax filing due date from April to July. As of June 9, 2020 income tax receipts are down approximately \$5.4 million from the end of Q1. It will not be known how much of this decrease is attributable to lost revenues versus the income tax filing lag until later this year. Property tax receipts were up 2.6% from the same time last year.

The remaining larger categories of revenues: charges for services, licenses & permits, local government fund, and fines & forfeitures totaled an increase of approximately \$58,500 from Q1 2019. It is expected that some of these line items will be impacted in the next quarter due to COVID-19.

Total operating expenditures for the first quarter of 2020 were down 1.2%, or \$107,012 as compared to the same period last year. The following are some of the larger variances explained.

Director Potts discussed the current trend of income tax receipts since the first quarter ended and explained that it will likely be a number of months before he is able to determine the actual losses due to the COVID-19 pandemic reminding the Finance Committee of the lag in tax filing to July. There was also a brief discussion on the impact in building the 2021 budget. Director Potts stated that he would be discussing the timing of compiling the budget with the Mayor and CAO soon.

With the cost saving mitigation strategies put in place for the COVID-19 pandemic, we expect lower personal services (payroll) expenses next quarter (and beyond) due to the hiring freeze.

Citizen member Sydnor commented that the City has been able to keep the community safe with the current police staffing levels, which have also allowed us to operate under the budgeted amount. She also suggested that rather than wait for the community to suggest what we should do about the budgets currently allocated to police, we should be proactive and consider allocating unused police funds to other areas in the community that have needs.

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**GENERAL FINANCE DEPARTMENT UPDATE.**

Director Potts summarized the Finance Departments staffing and projects for 2020. The Finance Department's staff are healthy and continuing to work from home as much as possible. There was a retirement of a staff member in April and a new Accountant starting in late June. Additionally, Lorraine Miller was promoted to Senior Accountant.

Director Potts stated that all of the 2020 budgeted financings were behind the department allowing him to concentrate on other projects including monitoring of the City's financial condition with respect to the pandemic.

The Department is in the middle of a Banking RFP and expects to have a decision in the coming months. The 2019 CAFR and audit process is nearing an end.

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There being no further business, the meeting was adjourned at 9:00 a.m. The next meeting will be July 20, 2020.

Respectfully submitted,

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John J. Potts, Finance Director  
Finance Committee