

# RECORD OF PROCEEDINGS

Minutes of

Meeting

Lilienthal Southeastern, Inc., 1-800-837-1904, Re-Order 66665K

Thursday, April 30, 2020

Held

20

**ITEM 1: CALL TO ORDER:** Mayor Williams called the Riverside, Ohio City Council Special Work Session to order at 6:00 p.m. at the Riverside Administrative Offices located at 5200 Springfield Street, Suite 100, Riverside, Ohio, 45431.

**ITEM 2: ROLL CALL:** Council attendance was as follows: Ms. Campbell, present; Mr. Denning, present; Ms. Franklin, present; Ms. Fry, present; Deputy Mayor Lommatzsch, present; Mr. Teaford, present; and Mayor Williams, present.

Staff present was as follows: Mark Carpenter, City Manager; Tom Garrett, Finance Director.

**ITEM 3: PLEDGE OF ALLEGIANCE:** Mayor Williams led the pledge of allegiance.

**ITEM 4: EXCUSE ABSENT MEMBERS:** No council members were absent.

**ITEM 5: ADDITIONS OR CORRECTIONS TO AGENDA:** No additions or corrections were made to the agenda.

**ITEM 6: APPROVAL OF AGENDA:** Mr. Denning motioned to approve the amended agenda. Deputy Mayor Lommatzsch seconded the motion. All were in favor; none opposed. **Motion carried.**

**ITEM 7: WORK SESSION ITEMS:**

**A) Budget Discussion; Impact of COVID-19** – Mr. Carpenter stated that COVID – 19 has impacted the budget and every day there is a change in the city's response or a development to making things better. It is ongoing and uncertain how long it will occur. The economy has shrunk at its fastest rate since the crisis in 2008. Unemployment rates through March were at 5.5% in February they were 3.2%, a big change in the amount of unemployment. There is expected a major reduction in revenues, specifically income tax, gas tax, local government fund, and hotel tax. Income tax is expected to take a significant drop since there has been a change to the filing date along with unemployment. It is expected to reduce 10 – 20%. The total income tax that was budgeted was \$6.7 million. The total income tax that was budgeted was \$6.7 million. The budgeted amount for hotel tax in 2020 was \$58,000; it is expected to have a 40 – 80% reduction. The local government fund of the state and county combined was budgeted at \$400,000; there may be a 20 - 40% drop, but are unsure if it is for the next 12 months or the next 3 – 6 months; it is undetermined. The gas tax is anticipated to be at a 22 – 45% drop; the funds that were of concern were the funds going into the service department fund and not the amount going into the highway account. Approximately \$1.2 million goes into the gas tax for the year. He added the best-case scenario would be at 22%, worst case at 45%.

Mr. Carpenter presented the Income Tax chart prepared by Mr. Garrett already showing a significant drop-off. The year usually starts low, but they were lower than they were last year. With filing being pushed until July 15, they expect next month's numbers to look very bad and worse in June, possibly start leveling out in July. He commented that economists had stated the 'v' pattern of a significant drop in revenue then a quick surge in the economy, but most are predicting a 'u' where there is a drop, then bottoms out for a while and then comes back. The latest pattern is the 'w' with a significant drop then back then going down in the fall and winter when there is a resurgence of the virus followed by a drop and resurgence. He stated for the first four months they are behind what they budgeted by about \$657,000, and approximately \$405,000 off of last year. He discussed a drop in collections from switching to CCA from RITA.

Mr. Carpenter presented a slide showing budget scenarios of best case, worst case, and in the middle until April 2021. He stated the worst-case scenario is the city is a couple of million dollars short. The best-case scenario puts them just a million dollars short. Ms. Fry asked it

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the chart showed all revenue sources. Mr. Carpenter replied it is just the ones he has talked about: gas tax, income tax, local government funding, and hotel tax. They did just receive property tax funds and Mr. Garrett is evaluating if there had been any drop. There have not seen a lot of other revenue streams being affected. There may be drop-off in EMS billing since the run volume is lower. Deputy Mayor Lommatzsch stated the governor is going to be announcing his 20% cuts across the board by the end of the week.

Mr. Carpenter asked all department heads to go through their budgets and begin to trim and find savings and consider additional revenue streams that may come in along with some reductions in expenses. He stated the services department has the most ability to make cuts because of expenditures on the infrastructure. The cuts totaled \$398,098. They looked at reducing paint striping, tree trimming, bridge maintenance and equipment; Meadowsweet is the biggest impact. They still want to do some street paving with doing Forest Ridge Blvd., Union School House Rd., and Schwinn Dr. They are taking out paving Meadowsweet; this will provide a \$250,000 savings. There is savings in road salt since it was a mild winter. After re-evaluating personnel for the year, they found on the positions added they budgeted at the highest insurance plan and starting at the beginning of the year. Some of those positions weren't filled right away, and those who started either didn't take insurance or took the single plan so there was some significant savings.

The police and fire departments trimmed their budgets for a savings of \$150,713. Savings were found in operations and personnel. The equipment savings was for the fire department as they are now deferring putting in AED units in some of the SUVs.

Administration was able to trim their budget for a total of \$175,461. They trimmed back some of the IT and will defer server purchases. The newsletters will be cutback along with some of the park maintenance. There are some grant applications for the playground at Shellabarger and mulch. If they do not get the grants, they will have additional savings. He discussed other savings with the house maintenance program, the legal expenses, and boards and commissions. Deputy Mayor Lommatzsch asked how they will trim back on the legal and the boards and commissions. Mr. Carpenter stated he is taking back 10% of the boards and commissions budgets as there will not be as many events in the parks this year. It is about \$1,400 total from boards and commissions.

Community Development and Finance provided a total savings of \$74,545. Funds will be saved in nuisance abatement by postponing the demolition of some homes. Workman's Compensation and Health and Human Services showed a savings of \$156,000. The Workman's Comp rebate was around \$40,000 and the refund from 2018 was \$106,000. They received \$16,000 from Health and Human Services through the CARES Act; this will go towards COVID-19 expenses. Anything that qualifies for a COVID-19 expense they will spend first before they tap into the \$100,000 appropriated at the last meeting. Mr. Denning asked if they do use the \$100,000 then there is a possibility that FEMA may reimburse them at 80%. Mr. Carpenter replied that 75% is from FEMA and 12.5% comes from the state. Mr. Garrett stated that the FEMA funds from the tornado last year, they received \$95,730. He sent a report to the state EMA for the last item so they should hear soon. The source of that money came from the Contingency Reserve Fund so they would put it back there.

Mr. Carpenter stated that the total reduction in savings and revenues is \$954,817. The best-case scenario even with that savings, they would still be \$100,000 in the red. The worst-case scenario they would be is \$1.1 million in the red. He stated where they were today, which is about \$600,000 more of additional cuts that would need to be made to balance the budget or they would look to the reserve balance, if they chose to use a portion of that to transfer into the general fund balance to appropriate into the budget that would offset the shortfall.

Ms. Fry asked as far as the money allocated for the COVID-19 emergency funds, they say they hope they will be reimbursed; what it was contingent upon. Mr. Carpenter replied that the purchases they would make would be FEMA reimbursable purchases. That is the idea of

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20

using those funds towards qualifying purchases. She asked if that was a matter of paperwork. Mr. Garrett stated it would be similar to the tornado. There is a declared emergency. The city has not submitted anything to FEMA as expenses to date are under \$10,000 and Health and Human Services already gave them \$16,000. They would apply and FEMA may take some time to look at their information. The city would need to document the scope of the efforts and provide receipts for their review. Ms. Fry stated she was concerned that there is no guarantee FEMA will have the funds to reimburse every expense turned in. Mr. Garrett replied that was true, but the first Coronavirus act gave FEMA extra federal money to do these grants. Ms. Fry stated they allocated \$100,000 and if they spent it all and didn't get any reimbursement then that is a \$100,000 impact to the funds that are part of the cushion for the city. They have reduced revenue in the forecast, a \$100,000 potential liability in allocating that fund, and then they have the reduced income tax from what is budgeted. She wants to make sure they capture the true shortfall. She discussed the charts and how it is really only capturing the deficit they think is going to be the result of the COVID-19. She asked if it included that the budget was high compared to what the revenues look like. Mr. Garrett stated the presentation and charts were calculated with estimates because they do not know the income tax impact due to many variables. Next month will provide a good idea. The charts are a little pessimistic, but they don't know. Mr. Denning asked in a normal year, how far behind are the revenues from when the employer takes it to when the city receives it. Mr. Garrett replied it is normally one month. What is collected in April they should get by the end of May; they anticipate May being much worse because of all the unemployed in April.

Ms. Fry asked what are the lines for 6-months and 12-months signify. Mr. Carpenter stated he was trying to be conservative and looked at the 6-month as being the best-case scenario; the rosiest picture. Ms. Fry asked if that meant they would see the drop for six months and then go back to normal again. Mr. Carpenter replied yes. The normal would be the 'actual' line. She stated on page six, the purple line comes out above the red bar in April 2021 that shows they are doing better than actual for a six month drop in revenue. She added that it assumes that after six months they go back to the budget. He said that would be the best-case scenario. She stated that there are three hits they have and one of them is that the actual has been below budget for awhile now. He added that if they look at the income tax chart it is doing worst than last year, but they don't know all the causes. Mr. Garrett stated that CCA went ahead and estimated the rest of March as the shutdown by the governor went into effect mid-March. It is an artificial number that we received at the end of April. It could be high or low. On the chart it is accurate they received no distribution from the state in April, normally they get something. The state is collecting the business net profits and the utility companies pay to the state and then distribute to the city. Ms. Fry stated Congress is discussing making relief available to them in the next relief package. They don't have the information now, but there is a potential for federal relief. Mr. Garrett stated they have a problem because of the unemployment. They can't get that back. The federal does need to give some kind of relief to recognize the city is losing its revenue source. Mr. Denning asked if the city was prepared to give the federal government a reasonable number they think they are down so if it comes to pass they are ready to move forward with an application. They know what they collected last year and they know what they are collecting now, even if everything stayed the same they would know how much they were down. Mr. Garrett stated they have not seen the impact yet of the Coronavirus shutdown. Ms. Fry recommended that they plan throughout the year to come back to this conversation. Mr. Denning agreed. Ms. Fry added that it is hard to look forward from this point; they know they are way behind where they need to be, but they can't even say they have captured it all. She added they need to take action tonight, but it may not be all they need to do. Mrs. Franklin stated that money is going to have to be moved to keep the city running. Deputy Mayor Lommatzsch stated there will need to be cuts and not money moved. Mrs. Franklin replied when they are looking at cuts on the state level they are looking at departments of 20 - 30 people, but the city may have a department of one. She does not know how much personnel they can cut. The cuts they make will affect the city and will take them longer and more money to come back out of it. She knows there has to be cuts, but there is also a point in which the city will have to keep running. They

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can't keep cutting and cutting to the point there is no one running the city. For example, if they cut all things regarding the parks, it may save them some money, but what will it cost them later to bring the parks back to where they need to be. She is concerned they could cut too much so it will cost them twice the amount of money to get out of the hole they are in. Incrementally, they will have to appropriate money as they go along. They can hope some legislation from the state, but Ohio is unique as most revenue is based on city taxes; this is the situation they are in and hopefully, the federal government will see that. The loss of revenue in the city taxes is not an expense from COVID, but it was created by COVID. She hopes the legislature will see they need help. Deputy Mayor Lommatzsch asked where the money would come from that she wants to move. Mrs. Franklin stated it will have to get it from the general fund or rainy day fund as they are calling it. If Mr. Garrett were to tell them he needed \$70,000 or else the lights won't come on, do they cut an employee. Ms. Fry commented they are working from a budget and have a plan that says they can back off the budget what has been presented tonight. She understands the point, but the point Ms. Lommatzsch is making is from the chart of page 14 and the line that shows the general fund balance that is on a downward decline and there is a bottom to it. Mrs. Franklin stated she understood that; she is not saying don't make cuts. The money that comes in pays out things for the month. As each quarter goes on, they can make the cuts, but it isn't like they can say they have all this money from the cuts they made. Some of the budget is based off revenue that comes off other months. It isn't like the \$21 total budget is in the bank, now. Each month, there has to be 'x' amount of money to operate. She is unsure if they have money to operate each month if there is not some type of appropriation. Mr. Garrett stated they did an original appropriation that is the plan for expenditures, but that is all conditioned on revenue coming in. What they are saying is that gas tax and income tax are going to be reduced so they are receiving less during the course of the year. They didn't appropriate all the money in the general fund or reserve fund that they have when they make the budget. There is money there to keep the ratios looking good. Mrs. Franklin stated on one slide there was a \$654,000 shortfall, when will that happen. Mr. Carpenter replied that is if they ran the actuals out, if nothing improved and they continue at the same pace, then that would be the shortfall to the plan budget after they make the reductions. After trimming \$954,000 there will be a shortfall of \$600,000 in 12 months. Mrs. Franklin asked if they got no additional funding they will either need to cut or appropriate \$654,000. Mr. Carpenter confirmed that was correct. Ms. Fry stated they have a budget that Mr. Garrett pays the bills from based on a predicted amount of revenue and a predicted amount of expenses. When they pass or modify a budget, that is a blueprint they pay the monthly bills from. Once agreed, they should have the funds they need to do what they need to do. The appropriations come when unexpected things come that are not covered by the budget. Mr. Carpenter concluded that if there continues to be a reduction in revenues and the pace continues without improving then they will be at a \$600,000 shortfall in April 2021. Mrs. Franklin asked what was needed to have the budget balanced today. Mr. Carpenter stated that income tax is behind by \$657,000, but they haven't spent all the money they planned to spend this year. To date, they are in the black; they aren't in the red because they haven't spent it. Mr. Denning stated by reducing \$954,000, it will keep them in the black longer. Mr. Carpenter agreed. They are reducing the budget now because they don't anticipate getting as much revenue as they thought they would get. He stated if everything stays the same and they do the reductions, and the best-case scenario happens with all the various revenues discussed, then come April 2021, they would still be \$100,000 short. Mr. Denning stated that when they begin to do next year's budget and can see they will be \$100,000 short, then they budget \$100,000 less. All this is after these cuts happen. Mr. Carpenter added if things got worse they would have to cut more. Mr. Denning stated if things improved then maybe they can expand things.

**ITEM 10: COUNCIL MEMBER COMMENTS:** Mr. Teaford asked if it would be easier to go ahead and move that money since they will be \$100,000 short. Mr. Garrett stated when they started the budget process they forecasted the revenue they thought they would receive. They built planned expenditures to the amount of revenue they thought they would get. Now that they know the revenue will be less, they want to reduce the planned expense rate. There is a couple of million dollars in the general fund that was not budgeted. Mr.

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20

Carpenter stated they need to continue to monitor how things go whether they need to appropriate any money, yet; it is soon. Mr. Garrett explained how they were using the \$16,000 for medical supplies and cleaning supplies. Mr. Carpenter stated they were asking for the \$100,000 to be out in front of what could happen with regard to the Coronavirus. Deputy Mayor Lommatzsch stated they were already \$657,000 behind. She thinks it is foolhardy for them to take money out of the reserves; no one would run their home that way. Mr. Teaford commented they have to pay the bills. Ms. Fry provided an example of a person making \$50,000/year and having \$50,000 in expenses, then that person getting a cut and making only \$40,000/year and still having the same expenses then there is a shortfall. They may not necessarily withdraw \$10,000 of savings every year to cover the \$50,000 lifestyle; they try to reduce expenses to the \$40,000 level. Mr. Teaford stated that is what they are doing, but they are still short. Ms. Fry added the appropriation is spending out of the savings when they know they are struggling to maintain the savings. Mr. Teaford stated that some times they have to. Mr. Carpenter stated it is too soon to dip into the savings; they need to monitor it. By budget time, they may be able to identify cuts in 2021 that would make sure they get to a balanced budget. Mr. Denning stated his recommendation is then to reduce the budget by \$954,000 and that is the first cut and hopefully, if all goes well, the last cut. Mr. Carpenter agreed. It will look worse over May and June, but as the economy opens up, he is unsure how soon they will see the positive effects. Mr. Denning stated they are at least a month behind in each of the steps to seeing revenue. Deputy Mayor Lommatzsch stated they have also not discussed that people are getting pay cuts; she does not have a job, and her children are working with 20% pay cuts and no overtime. She stated they need to tightened their belts. Mr. Denning stated this shows that they have been looking at what they need to do. Mrs. Franklin added that \$968,000 is a lot of money they found and is not something to push under the table that is \$968,000 they cannot afford. She was surprised he was able to find that amount of money. She added that it is wrong to say other cities were cutting better than they were. Mr. Denning added other cities weren't as lean as they were to start. He appreciates they need to show the public they are doing something; their annual budget is \$21 million so they are cutting roughly 5% of their budget. Deputy Mayor Lommatzsch stated that as elected officials it is their responsibility to be very conservative. They have been running in the red for a long time. It is time to be assertive and show the public they are being frugal with their money. They want to know and see what the city is doing with their money as residents have to make cuts personally. She knows it hurts. They are already \$658,000 short for the year on income tax coming into the city.

Ms. Fry stated it is important they all understand each other and they are all on the same page. They approve the reductions, but it is not enough. They are spending the money and their account balance is reducing; it is not a separate action to appropriate those funds so their account balance will be less next year. It is important to pay attention to the income and expenditures and keeping them in balance. It is on council when they spend more than they have and they need to pay attention to that. If they don't, then they will get stuck in a financial situation where the state has to come and rescue them. That is a situation they do not want to get in to. It is their job to pay attention and she believes that is what everyone on council is trying to do. Mr. Denning stated while they are down \$650,000, but staff is asking to cut \$950,000 so that is a start. They need to keep a close eye on it. Staff is doing a good job of that and they understand things are down and they made a first cut. They can't cut so deep that they are cutting muscle out to where they can't do things in the future. Next months revenues will look much worse than this month's due to the time delay, but folks got the stimulus and it is being spent and extra funds in unemployment that will also get spent. He does not expect to see a good answer until July or August. Deputy Mayor Lommatzsch stated they could always reinstate the funds. Mr. Denning added that there may not be enough time when they can do that as to when the work can get done like repaving and things like that. He stated they need to make sure they are charging residents for their curbs as assessments. They may not see it until next year or the year after, but they will know the money is coming. Deputy Mayor Lommatzsch stated they will need to answer to the people who didn't have to pay for that; it was \$32,000 that the city covered. Mr. Denning stated he appreciated that, but he agreed with Ms. Fry when she said when they voted down the levy it hit a reset on all

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20


of that and the city had to reevaluate what they were doing and this is what they have to do to keep things moving forward and keep the books balanced.

Mayor Williams stated he shared Mr. Denning's cautious optimism on the income tax side; the share of income tax that makes up our city's revenue is not as large as some of our neighboring cities. The industries that make up a good amount of our income tax base, those employees are still collecting paychecks right now. There are stories all can share about people they know being furloughed. He added that the booster club at Stebbins has started a fundraising drive to help seniors that are graduating finish off their year by paying any end of year dues that might be owed. It is called Stebbins Strong. There are parents of seniors in the community that don't have a paycheck coming in and on top of not being able to be together and celebrate the end of the year, maybe there isn't \$100 laying around to make sure they pay off any balances so they can walk at graduation or get their diploma. He is proud that the community is thinking forward for the kids and those families. He really wants to see where they are in two months as they will have better data. They need that time to see what situation they are really in. He discussed how low gas prices are and how long those places selling gas can sustain a hit to their revenue and what the city gets from the gas tax. He agreed with Mrs. Franklin's perspective and was also surprised they could cut \$958,000 and still keep as operational as possible. They also can't deliver a fatal blow with their ability to deliver services to the city. They may have to be more creative on how they bring revenue in like with Pro-Champs for a vacant property registry. There is going to be times of a lot of pain. He compared it to WWII where they just have to win the war and get through it. Some aspects will be painful in a peace time and how they are going to have to look at the budget in a 2-, 4-, 6-, and 12-months and the type of cuts they will have to face. They owe it to the people of the city to let them know where they come out on this and what they are going to do moving forward. He thanked Tom and Mark for the proposed reductions thus far. It doesn't erase the fact that they were still behind and they need to figure that out. He wants more data and they will need to revisit this often for at least the next 12 months if not more. They will need to communicate with friends, neighbors, community, the chamber and the schools and let them know they are looking at these all the time along with staff. The next 12-months may not be what they expected, but they have to get through this. Deputy Mayor Lommatzsch stated they need to assure the community that their safety will not be jeopardized. They are here for the basic services of the city; they will take care of the community, but they may not be able to do some of the nice things. She thanked Dan Ryan and Mr. Denning and the Jaycees as they helped cleaning up the neighborhood and the city as they are using their time off to help the community. Mayor Williams thanked Mr. Ryan and Mr. Denning along with the school board for making sure there is some food relief and local agencies like the food bank. They need to see more of the helpfulness in the community and would like to hear more of those stories. This is what came to mind when seeing the Stebbins Strong happen to help the kids; they are looking to raise \$10,000. That is where the optimism comes from by seeing these examples.

**ITEM 11: EXECUTIVE SESSION:** Deputy Mayor Lommatzsch motioned to go into executive session for the purpose of discussing the personnel budget at 7:21 pm. Mr. Denning seconded the motion. Ms. Campbell, yes; Mr. Denning, yes; Mrs. Franklin, yes; Ms. Fry, yes; Ms. Lommatzsch, yes; Mr. Teaford, yes; and Mayor Williams, yes. **Motion carried.**

**ITEM 12: RECONVENE:** Council reconvened from executive session at 8:11 pm.

**ITEM 13: ADJOURNMENT:** Ms. Campbell motioned to adjourn. Deputy Mayor Lommatzsch seconded the motion. All were in favor; none were opposed. **Motion carried.** The meeting adjourned at 8:11 pm.

  
Peter J. Williams, Mayor

  
Clerk of Council