

CITY OF ROCKY RIVER

July 6, 2020

Finance Committee

The meeting of the Finance Committee was called to order by Mr. O'Donnell, Chairman of the Finance Committee, at 6:30 p.m. in the Civic Center Community Room.

Finance Committee Members Present: Mr. O'Donnell, Mr. Moran, Mr. Shepherd (6:45 p.m.)

Absent: Mr. Hunt

Council Members Present: Mr. Furry, Mr. Klym, Mrs. Morris

Administration: Mayor Bobst, Mr. Thomas

The meeting was opened with the Pledge of Allegiance.

Mr. O'Donnell opened the meeting stating that the purpose of the meeting is to discuss the impact of the City of Rocky River's finances with respect to COVID-19. Mr. O'Donnell asked the Mayor and Director Thomas to brief Council on the highlights of how the finances have been affected by this.

Mayor Bobst thanked Council for this opportunity. The administration has acted very quickly while maintaining all the priorities that are important to the residents. The high level of city services; ensuring safety, security and preparedness of the community; a strong and diverse economy along with investing in infrastructure; all while maintaining an excellent bond rating are important for the city. The Mayor hopes that strategic cuts in the budget are done in such a way that residents do not feel it. Some of the things being done are maintaining capital assets, managing projects well and keeping track of operating costs. The administration is not considering any increase of fees or taxes to cover the losses experienced. It has been many years since the sewer rate has been adjusted, so that may be considered for 2021. A sewer rate adjustment however would not be because of COVID, but because of ongoing needs in the sewer system.

The administration continues to evaluate programs and services that are provided. With a little belt tightening, the Mayor believes it can be managed effectively.

Revenue

Property Taxes: Last year's budget accounted for about 21% of the total revenue budget. This number will go up with the decrease of income taxes but it is traditionally around 21%. The city has received about 54-55% of the distribution and another half due in July. The city

traditionally has a very high rate of collection around 98-99%. The citywide valuation is at the highest it ever has been at \$878 million of total valuation. Investment continues in the city.

Income Taxes: R.I.T.A. projects a \$1.4 million loss annually for income taxes. The six months of actuals shows the city is down about \$1.9 million, down about 21%. The filing deadline has not yet occurred and the city expects to make up some of this loss.

The unemployment rate in the County is greater than 20%. This outpaces the downturn of the economy. It is a very difficult situation.

The Mayor has contacted all the city's top employers and there has been great stability in their payrolls. There is good diversity in businesses, private and public education, banking, insurance, grocery stores, etc. Retail has been hit hard.

In the handout, Council will see that sewer fees are up about a half a million dollars. This is the Cleveland Water Funding distribution. This fund is used for the Cleveland Water Grants and when any grant dollars need to be returned. The motor fuel tax is estimated to be a reduction of about 30%. The BMV has been closed so license fees have been delayed. The gas and license fees are up about \$145,000 because of the rate increase on the gas tax side.

The Mayor shared that the city received the \$446,000 CARES Act distribution. These federal funds that went to the state and are for COVID related expenses and the auditor of state will be auditing this fund. The city received a monthly retainer rebate of \$253,000 from R.I.T.A.; \$108,000 from the Bureau of Worker's Compensation; \$281,000 from Bureau of Worker's Compensation which represents the full 2018 premium citing strong investment returns, good fiscal management and a safer work environment. The city also received \$18,000 of CARES Act money because the city is a Medicare provider providing ambulance transport. The city received \$11,000 from rebates on dental insurance and \$6,000 of grants.

The Mayor said that there is a new act called the HEROES Act, which stands for Health Economic Recovery Omnibus Emergency Solutions Act worth \$1 trillion to assist local government with shortfalls of net losses and infrastructure funding with this. This is slated for passage in late August or early September.

The city carries little debt, fund balances are very strong and past practices have helped the city through difficult times. The city has borrowing flexibility and the city is managing transfers through the general fund and these other accounts. The Mayor thanked Director Thomas and his Finance Department Team for their hard work.

Expenditures:

Personnel Costs: are about 72-74% of the budget, which includes wages, uniforms and benefits. The comparison is through July and there has been a cost savings of \$250,000 with reductions in part-time and seasonal employees and essential hiring only. All Collective Bargaining agreement commitments have been covered. There have been some unemployment compensation and the state is currently providing the city with a 50% credit for these costs. There may be additional coverage in the HEROES Act or the state may have additional dollars

from the CARES Act. The city has been working on healthcare cost containment. The payroll's savings is moderated because of an additional \$149,000 in severance payments because of retirements.

Operating Costs: COVID related expenses have been tracked in the new system as expenditures are entered. The Electrostatic Disinfection equipment, that is used to disinfect meeting rooms, ambulance squads and police cars; the purchase of laptops for individuals to work from home; touchless restroom equipment; a zoom license and computer cameras for current computers. Directors were also asked to replenish their stockpile of supplies that they had prior to COVID. The total of COVID related expenses total about \$58-59,000. This will increase over time as invoices are received.

The Mayor said that to date revenue over expenditures is \$6,004,000 which is about \$23,000 less than the same time last year.

Police: Compared to 2019 in March, April and May, the police department is down about \$71,000. This is due to a loss of fines, POPAS, parking tickets and storage. There have been limited prisoner expenses along with additional expenses due to social justice gatherings in downtown Cleveland and Rocky River. There may be some reimbursement for the social justice gatherings. The police department is finalizing their overtime.

Fire: Runs and billings for the fire department have been down but collections are up. In 2019 there was \$304,000 worth of billings during March, April and May. In 2020, there was \$201,000. The fire department is finalizing their overtime.

Service Department: Landfill fees in 2019 were \$121,000 versus \$153,586 in 2020. If the city continues at this pace, there will be an additional \$100,000 in costs. The landfill fees increased in 2019 from \$29.00 to \$30.61. In 2020, the fees increased from \$30.00 to \$34.90. There have been significant impacts on landfill and recycling costs. The city is up 500 more tons of material so far this year.

Recreation: The net programming loss is about \$306,000 through August including programming, sports, aquatics and facility rentals. Memberships were extended for 90 days to avoid refunds. Some residents have asked for refunds, pro-rated or credited to their account. The rink is separate and there has been very little impact on the rink. The skating season will not begin until the fall. Summer Concerts are moving ahead with social distancing and wearing of masks. Fees for these are being paid for with donations.

Senior Center: The programming loss for the Senior Center March – June is about \$124,000. This loss includes the Quill, deli lunch, special events and transportation. The Senior Center also lost \$5,000 worth of food, which was disseminated to Meals on Wheels and St. Malachi's. The part-time social worker worked with the seniors and their families to get the services and resources that they needed. Expenses were paid by donations from Senior's Council and other community members. Transportation has resumed for the Senior Center. There have been many COVID related costs for transportation. There have been virtual outdoor and online classes. The losses of the senior center are offset by the savings in part-time employees.

Public Buildings: The rental losses are at \$42-44,000. There have been only \$5,000 worth of refunds. Many individuals or groups have been rescheduled. There have been cost savings in the in-house maintenance of the HVAC and other things. Custodial supplies are up because of COVID, but will be reimbursed.

I.T.: MUNIS and Energov will be late 2020 before launching the HR component and the spring of 2021 for the Building Department component for training and installation.

The City Hall Phone System is being delayed and reducing the number of desktop computer replacements from 25 to 10 at about \$1200 each.

Building Department: Residential building permits are down about 10% but commercial permits are up with a total fee revenue is up \$11,000 more than 2019. Investment valuation is \$6.5 million over 2019. There is a lot of commercial work, especially with the schools. The city is working on rental inspections and registrations and bringing back one part-time individual to do remote inspections.

H.R. and Civil Service: The only expenditure to report is the promotional exam for Chief and is in the budget.

The Mayor mentioned all the good work Director Thomas has done. Mr. Thomas has engaged Director Snyder and his assistant Maureen in looking at all the open P.O's to see what can be closed to release resources.

The police station is moving ahead with financing in place when the time comes for the next step.

The city is still waiting to hear from DOPWIC regarding the release of funds for Morewood Parkway. The engineering is still moving forward on this project.

The Mayor stated that the State Capital Budget is not moving ahead at this point. The city is waiting for notification of the \$1.1 million request for Bradstreet's Landing. This project is still moving forward with the focus on the pier. If the \$1.1 million is available, the rest of the project will move ahead.

The city is delaying purchasing of Capital Equipment. The city is in good shape for 2020 because of past practices and fund balances. The concern is for 2021 and 2022 because of the loss of revenue. The city is still moving ahead with the Riverdale project, waterline and paving projects that are slated for this year.

- Mr. Furry asked Director Thomas about the police facility memo in February and the bond anticipation at the 4% coupon rate. Director Thomas said the 4% rate is high right now. The city will get the rates that are in the market at the time the city goes to market.
- Mr. Furry asked if Moody's is doing blanket updates. Director Thomas said the City of Rocky River is a Double A2 rated city. Moody's surveillance is typically done yearly and they have the 2019 information for the City of Rocky River.

- Mr. Furry asked if there is anything prohibiting the city to take the \$9.6 million and lock the rate in. Director Thomas said that he thinks the market, meaning bond holders, rating agencies and underwriters might be skeptical of the city bonding a project that is not complete.
- Mr. Shepherd added that any point of time of historical lows, half the people think it will go up and half the people think it will go down. It is very difficult.
- Mr. Klym asked if the city anticipates a larger transfer to the Recreation Department. The Mayor said there may be an additional transfer but the city has not gotten that far. Director Thomas said that generally the transfers are put in and appropriated to fund the activity for the year projected and typically do not spend 100% of their budget. He thinks this year he will need to fund all of the transfers. The Mayor said the city is down about a million dollars in transfers from the General Fund but that may be a product of timing. The city may need to advance that department so that money comes back into the general fund.
- Mr. Klym also asked if Council could be more involved in conversations regarding the decisions of spending during these uncertain times. The Mayor responded that any level of involvement in these decisions is welcome. The Mayor suggested to Council to look line by line at the budget and feel free to ask any questions. The Mayor welcomes the feedback.
- Mr. Moran said the challenges will come in 2021 and 2022 regarding Capital Projects.

Mr. O'Donnell thanked everyone for coming this evening to the Finance Committee Meeting.

As there was no further business by members of Council, Finance Chairman O'Donnell moved to close the meeting, seconded by Mr. Moran.

Vote: O'Donnell – aye	Moran – aye	Shepherd - aye	
3 ayes	0 nays		PASSED

The meeting was adjourned at 7:35 p.m.

Michael P. O'Donnell, Chairman
Finance Committee

Susan G. Pease
Clerk of Council