



To: Gahanna City Council
Raymond Mularski, City Attorney

From: Joann Bury, Director of Finance
Laurie A. Jadwin, Mayor

Date: July 29, 2020

Re: Dept. of Finance Report to Council (August 3, 2020 Meeting)

UPDATES

The Capital Needs Assessment – The Capital Needs Assessment is being provided for your review. Please note that this is a deliverable and will not be discussed at length during this meeting. Questions should be submitted to the Finance Chair and Mayor to discuss at upcoming Committee of the Whole meetings. As a reminder, this is not a request for funding. Rather, it is a list of capital projects that have been identified for the next five years for consideration in upcoming and future budgets. The Administration provides this to Council for feedback and discussion on what to consider for inclusion in the upcoming and future budget cycles for capital maintenance and improvements.

Q2 Report to Council – We anticipate receiving July's income tax numbers sometime in the next two weeks. Upon receipt of those numbers, we will have a clearer picture as to how income tax receipts are trending in 2020. With that, we are planning to provide a Q2 presentation to Council on August 17th with an updated revenue forecast.

CAFR – The Comprehensive Annual Financial Report (CAFR) has been completed and delivered to the auditors. We are awaiting final audit results and will file the report with the National Government Finance Officers Association by August 31, 2020 to be considered for the Certificate of Achievement for Excellence in Financial Reporting.

Emergency Reserve Policy – In an earlier meeting, the Administration reviewed the current Emergency Reserve Policy and outlined some initial suggested changes to the Policy in light of COVID-19. The Administration is working toward having a proposed updated Emergency Reserve Policy to present to Council by the end of 2020, in the event the City should need to utilize the reserve in future years due to ongoing impacts of COVID-19.

2021 Budget – Kickoff for the 2021 budget began August 3, 2020. A budget calendar is included for reference. Please note that dates may change for unforeseen circumstances, but the goal is meet each milestone date as originally set. The calendar presumes that Council will be meeting weekly by October.

ACTION ITEMS

ACTION ITEM #1- REQUEST FOR SUPPLEMENTAL APPROPRIATIONS

Since the onset of COVID-19, the Administration has monitored the impact of the pandemic on the City's finances, has taken actions as a precautionary measure, and has continued to evaluate projections based on available information. In addition, the City recently received monies from the State from the CARES Act, which will need to be disbursed. Based on the above, we are respectfully requesting an Ordinance for supplemental appropriations for the General Fund, Parks & Recreation Fund and the new CARES Act Fund. In order for us to disburse CARES Act funds as soon as possible, we are requesting that this Ordinance be addressed through a **Waiver**. Below is a summary of the request for each Fund.

General Fund:

At this time, we anticipate an estimated loss of revenue due to COVID-19 in the amount of \$3.2 million. However, because of the ongoing uncertainties surrounding COVID-19 and the longer-lasting impact that it may have on the economy, the Administration has identified reductions over and above the anticipated revenue loss, erring on the side of caution. We therefore are requesting a reduction to appropriations for the General Fund in the amount of \$4.5 million, in anticipation of lost revenue due to COVID-19.

A portion of these reductions is reflected in Council's recent important decision to refund the litigation bond anticipation notes on a long-term basis to assist with cash flow deficiencies that may result from COVID-19. A majority of the Administration's reductions came from a hiring freeze that was put into place in the early months of COVID-19, which included refraining from filling vacancies in existing positions in 2020 and not hiring for new positions that were planned for 2020. Remaining reductions were realized in decreased non-payroll-related operational expenditures resulting from reduced programming, as well as from a postponement of purchases and/or projects that otherwise will not cause any public health or safety concerns.

Parks & Recreation Fund:

We are requesting a reduction to appropriations for the Parks & Recreation Fund in the amount \$695,000 related to revenue losses realized from COVID-19. Programming related to pool operations, the Senior Center, and camps are all accounted for within this Fund reduction, as planned programming was suspended and/or cancelled in 2020 due to COVID-19 and state health orders. These forced programming changes resulted in \$0 income for the pools and significantly reduced income for camps and the Senior Center, totaling a loss of \$379,000 for this Fund to date. The additional balance in the requested appropriations amount (\$310,000) takes into account anticipated loss of revenue due to potential cancellation of programming through the remainder of 2020.

These programs are subsidized by income tax revenue, and the initial projection assumed reduced collections based on the effective date of the income tax reform of July 1, 2019. Because the income tax is outperforming the already reduced projection, no adjustments have been made to this revenue source. To the extent possible, the Administration reduced all unspent appropriations for these programs and activities. The unreserved amount at the end of 2020 will be evaluated to determine the best way to return these funds to the appropriate programs in 2021.

CARES Act Fund:

The City received \$1.1 million in CARES Act funding through the Coronavirus Relief Fund. Although the US Treasury and the Ohio Office of Budget and Management have offered guidance on the use of these funds,

their respective guidance is vague and broad as to how the funds may be used. Generally, any use of CARES Act must meet three key requirements:

1. The expenditures incurred are necessary due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19).
2. The expenditures were not accounted for in the most recent budget approved as of March 27, 2020.
3. The expenditures were incurred from March 1, 2020 and ends December 31, 2020.

The requirement that funds were “not accounted for in the most recent budget” also includes utilizing previously-budgeted amounts for a different purpose.

These funds are expressly prohibited from being used for any type of revenue replacement.

The State must return all unspent proceeds on December 31, 2020. In order for the State to meet this requirement, the City must return its unspent proceeds to the State by December 28th. This appropriation request includes projections for COVID-19-related expenditures through December 18th to ensure compliance with returning unspent funds. Below is a summary of what has been included in the appropriation request:

- Reimbursement to the General Fund and other funds as applicable for:
 - Emergency Paid Sick Leave for employees under the extended FMLA leave from the Families First Coronavirus Response Act.
 - COVID-19 leave for employees who were not able to report to work and who were unable to perform their job responsibilities remotely. These employees were reporting on a rotating basis for safety and were required to remain on-call when they were unable to report.
 - All expenditures for contract services, materials and supplies that were/are directly related to dealing with the COVID-19 public health emergency, as this was not the intention of these appropriations when the budget was passed.
 - Salaries and benefits for re-directed employees. To further clarify, an employee who no longer was performing activities aligned with their job descriptions but instead was directed to perform activities that were clearly associated with dealing with COVID-19.
- Projected costs through December 18th for:
 - Contract service and materials and supplies expenditures directly related to dealing with the COVID-19 public health emergency.
 - Anticipated Emergency Paid Sick Leave through December 18th.
 - Increased and unexpected unemployment costs related to COVID-19.
 - Economic assistance program for small businesses directly impacted by COVID-19.
 - Economic assistance for residents directly impacted by COVID-19.

The economic assistance programs will be in the form of grants to residents and small businesses. The resident assistance program will be established to provide financial aid to residents who are in danger of losing their homes because of COVID-19 and will be used for mortgage and rental assistance. Because of the prohibition to use the funding for revenue replacement, this program will not be used for utility or property tax delinquencies. The small business assistance program will provide aid to established small businesses located within Gahanna that are struggling due to COVID-19 closures and requirements.

Legislation Needed:	Ordinance
Emergency/Waiver:	Waiver
Vendor Name & Address:	N/A