



CITY OF WORTHINGTON
Worthington City Council Minutes
May 11, 2020

6550 N. High Street
Worthington, Ohio 43085

CALL TO ORDER – Roll Call, Pledge of Allegiance

Worthington City Council met remotely in Regular Session on Monday, May 11, 2020, via Microsoft Teams video conference. President Michael called the meeting to order at or about 7:30 p.m.

ROLL CALL

Members Present: Peter Bucher, Rachael R. Dorothy, Beth Kowalczyk, Scott Myers, David Robinson, Douglas K. Smith, and Bonnie D. Michael

Member(s) Absent:

Also present: City Manager Matt Greeson, Assistant City Manager Robyn Stewart, Law Director Tom Lindsey, Director of Finance Scott Bartter, Director of Service & Engineering Dan Whited, Director of Planning & Building Lee Brown, Director of Parks & Recreation Darren Hurley, Chief of Police Robert Ware, Chief of Fire & EMS Mark Zambito, Clerk of Council D. Kay Thress

PLEDGE OF ALLEGIANCE

President Michael invited all to stand and join in reciting the Pledge of Allegiance to the flag.

VISITOR COMMENTS

There were no visitor comments.

REPORTS OF CITY OFFICIALS

Policy Item(s)

- Financial Report – April 2020

Discussion Items

- Operating Expenditure Changes

Mr. Greeson described how tonight's meeting will be focused on continuing the discussion regarding the fiscal impacts of COVID-19 and reviewing some recommendations from staff. The April Financial Report and the operating expenditure changes agenda items will be discussed together.

We anticipate notable fiscal impacts from COVID-19, but it is difficult to predict exactly what will happen with the economy and the corresponding impacts to our revenues. We think it prudent to take some fiscal actions now to blunt the impact that will be occurring in the coming months. Last week, we looked at the Capital Fund where we do our Capital Improvements Program and recommended a series of project postponements in line with the fiscal projections from the Regional Income Tax Agency (RITA). Those projects predict a sharp downturn, followed by a gradual return of the economy with an overall year end impact of an approximately 10% decrease in revenues.

This week we want to turn our focus to the Operating Budget and the General Fund. Each of the department directors has examined what things need to be done and what things could be delayed or eliminated from the 2020 budget to conserve cash and mitigate the impacts of COVID-19. Before examining the specific budget adjustments, we want to go through the most recent monthly financial report and spend time reviewing the City's adopted Fund Balance Policy. It is important in times like these where we are potentially going to use a portion of the fund balance, to look first at our plans and our policies related to it. We are going to relate the Fund Balance Policy and its potential usage to various fiscal impact scenarios.

Mr. Bartter explained the history of the fund balance, which he believes is pertinent to the current situation. He defined that the fund balance is the rainy-day fund where we carry over funds from year to year unused in the General Fund. The City passed Resolution 70-2018 which updated the General Fund Carryover Balance Policy to target unencumbered funds of 35-50% of prior year General Fund expenditures and has an action plan if it falls within certain thresholds. The General Fund balance on April 30, 2020 was at 55% of 2019 expenditures and 43.46% unencumbered. The balance dropped after making a significant payment in January for the transition to the Northwest Center for 911 Dispatching. Property tax distribution also accounts for that. He explained how we are in a much stronger position to deal with the financial downturn because of this pandemic than we were in 2007-2008 during the collapse of the financial markets and the Great Recession. It is important to note that we have never really been in a stronger position to deal with whatever fallout may come from the COVID-19 situation. Back in 2009-2010 we were at a dangerously low place as far as fund balance goes. He detailed how while we are in a very good position now, back in 2001 through 2004 the fund balance dropped nearly \$8 million due to several things such as a drop in income taxes in 2001.

In response to Mr. Robinson's question regarding what percentage of the City's revenue was income tax in 2001, Mr. Bartter replied that he was not sure; however, it has remained relatively unchanged. If he had to guess, he would say around 72%. Mr. Greeson noted that we would have had more Local Government Fund revenue from the state at that point, so it may have been less.

Ms. Dorothy requested that Mr. Bartter explain how the City got in a stronger position for the General Fund balance and if it had to do with changing allocations and taxes. Mr. Bartter explained how from 2001 to 2004 we had significant income tax decreases along with the construction of the Community Center expansion. By the time of the Great Recession we had dangerously low fund balances. We increased the property tax from 3 mills to 5 mills in 2007. In 2009 we reallocated 6.4% of the income tax from the Capital Fund into the General fund. Instead of the 80/20 split, we had 86.4% going into the General Fund and 13.6% going into the Capital Fund. That occurred from 2009 to 2013 and resulted in a reallocation of approximately \$6 million diverted to the General Fund.

Mr. Robinson observed that 2006 appears to be the low point of the fund balance, and that was several years out of the 2001-2002 recession. He asked what the primary cost drivers of the declining fund balance were from 2004-2006. Mr. Bartter responded that we increased the income tax in 2004, barely getting back to 2000 levels. At the same time with expanded Parks and Recreation programming and the expansion of the Community Center, we did not build it back up.

Mr. Bartter went on to explain how in 2010 we raised the income tax rate from 2% to 2.5%. On the expenditure side we had quite a few positional vacancies. Between 2002 and 2010, there were about 10 positions that were eliminated causing expenditure savings. We also received a good bit of estate tax in 2012 before its elimination which continued to build the fund balance.

Ms. Dorothy clarified that we basically reallocated our Capital Improvement Program funds to the General Funds and never back filled the Capital Improvements Funds. Mr. Bartter said that was correct. The \$6 million was used to build the fund balance in the General Fund.

Mr. Bartter explained he wanted to address the question of why we are talking about cuts and expenditures when if you look on the income tax report, we are up 6% and in a strong financial position. One thing that is key to understand that is the codified ordinance on collection at source which is integral to the income tax collection. It is that employers are required to withhold the tax for the employees and then they remit it based on the threshold outline to be either semi-monthly, monthly, or quarterly depending on what their level of withholding is. He detailed the process of withholding at the different thresholds and that the withholdings so far do not tell the full story. We have quite a few quarterly files that we may not see until June.

He described how the City is dependent on municipal income taxes. 87% of our revenue is from three sources: income tax, property tax, and parks and recreation revenues. We anticipate two of these sources being significantly impacted by the COVID-19 pandemic. Currently municipal income taxes are 7.6% over where we estimated we would be but property taxes are under where we estimated. The Local Government Fund revenue is pretty much right on target. Fines and forfeitures are the Mayor's Court and are down 40% from where we projected because of not writing as many tickets and fewer people on the roads. For the Township Fire Service, we have not received the Perry Township first

half payment for fire protection services. For Community Center Memberships and Programs, we are down 18% from where we anticipated. On the positive side, we received an unexpected \$425,000 from the Bureau of Workers Compensation (BWC) that is a one-time revenue bump.

Mr. Robinson asked why the payment from the BWC was unexpected. Mr. Bartter explained how it is based on how well they are managing their investment portfolio. Year to year, you do not know if you will receive a refund from the BWC. This year they accelerated it; it is usually not until later in the year.

Mr. Bucher asked if we have heard anything from the state about budget adjustments with the Local Government Fund. Mr. Bartter said we have not heard anything, but he is sure it will be reduced. However, we do not count on that very much. If there is a drop in funding from the state, it should not have a huge impact, although any negative number is an impact.

Ms. Kowalczyk asked about the CARES Act funding and how it will be distributed and if we know how much we may get. Mr. Bartter responded we do not have that number quite yet, but staff will work to get that number in the next week. Ms. Kowalczyk asked if that money would be restricted to COVID-19 expenses. Mr. Bartter said that was correct and they put out an exhaustive list of what you can apply towards reimbursement. We have many costs such as a portion of the Assistant Fire Chief's salary, cleaning supplies, and personal protective equipment (PPE). President Michael explained that the legislature is looking at putting a portion of the CARES funds out now and hold on to some of the dollars with the hopes they can get the federal government to loosen up the restrictions on the use of those funds.

Mr. Bartter overviewed the expenses in the General Fund by department. He explained how we typically spend more in the second half of the year than the first half. We have significant personnel and contractual commitments in terms of wages and salary that spike in July and December. Year to date, we have been tracking significantly under. Parks and Recreation has two vacancies and has not spent as much in supplies and other materials since they have been closed. We have not made the transfer to the Police Pension and they are down two positions. We are 84.23% across the organization in terms of expenditures as of April 30, 2020.

Mr. Robinson asked about the savings under General Government. Mr. Bartter explained how there are no positional savings because there are no vacancies in General Government, but much of it is in transfers. We have not yet completed the transfers out to the Water and Sewer Funds or the Economic Development Fund.

Mr. Bartter discussed the various COVID-19 scenarios with different projections. The first scenario is utilizing the RITA income tax projections, with no expenditure change. This accounts for a drop in income taxes of 10%, with all other revenue up 38% accounting for the BWC refund, and Parks and Recreation Revenue down 20%. That is a total General Fund variance down 7% from \$29 million to \$27 million. We also made a few additional

appropriations we must account for which includes an increase to the contingency line, and an increase in the electric vehicle charging stations electricity line. We have rewritten the centralized purchasing policy so that all prior year expenditures need authorization to be in existence past April 1st. This drops the fund balance to \$11,208,000 which is 39% with no changes.

Scenario two is the same RITA projections, but we have incorporated these first wave of cuts as outlined in the memo. These cuts include hiring and promotional freezes for non-first responder positions, except for the two related to the dispatching center. We paid the part-time employees for two pay continuations pays in April, but since that they have been furloughed. Additionally, not hiring summer seasonal, all training and travelling being cancelled, and reduction in use of overtime. We believe by implementing the 23 or so changes highlighted in the memo, we can push up unexpended appropriations budgeted for, but not spent from \$1.25 million, up to \$2 million. That would leave the fund balance at just about \$12 million, or 41.7% of prior year expenditures.

Scenario three is a best-case scenario where income tax drops 5%, and along with implementing the first wave of expenditure reductions, we would finish the year where we originally projected. Scenario four is a worst-case scenario including the first wave reductions, but income tax revenue declines 20%. The result of this would leave the general fund balance at approximately \$9.2 million, or 32% of prior year expenditures.

Ms. Dorothy clarified that in the worst-case scenario, we would end up with a fund balance underneath our policy threshold of 35%, but we are still in the positive. Mr. Bartter agreed. If we see our income taxes go from plus 6% to minus 20%, we will add a second wave of expenditure reductions, or come back to talk with Council about the idea of further expenditure limitations. Ms. Dorothy said that we are using our fund balance. The state is trying to balance their budget for this fiscal year just with expenditures, not touching the rainy-day fund because they expect this pandemic situation is going to affect revenues for quite a while. Mr. Bartter said that is a great point. His biggest concern is 2021 through 2023. He reminded Council that as we went through the budget process, 2021 had us with a 5% income tax increase off the 2020 number because we anticipated some economic development. Depending on how the recovery looks, and if we drop by 10% in 2020, it pulls out of the long term forecast because we compound off a smaller number.

Ms. Kowalczyk asked when we will know for this year where we stand and when will we be confident that we are in one of these scenarios laid out tonight. Mr. Bartter said he thinks it will be at least the June going into July income tax report before we get a better feeling for it. We know the net profit will be down due to the payment date. We want to be cognizant of how much the withholding is dropping.

Mr. Myers discussed the tax status provision passed by the legislature, which explains that even if you are working at home, your taxes are withheld where you had normally worked. His fear is that some businesses are going to allow telecommuting after this. That could be a permanent reality. Mr. Bartter agreed.

Mr. Greeson said that essentially, we will not fill positions, we will not travel, and we will explore doing things virtually without having to pay for things such as conferences. Many of these actions can be done administratively without a vote of the Council since we are not necessarily modifying or amending the budget. There are some things that the community highly supports and enjoys that may have a bump in the road in 2020. We will do a little less tree planting. We are trying to come up with a plan to provide beautifications and hanging baskets in limited amounts in areas where it makes the most impact. We would be reducing the transfer to the economic development fund for the façade program. We may come back and recommend expenditures for some other type of program we come up with based on business' needs. You will see lower levels of maintenance in terms of things such as mowing and mulching. We were working hard on the annual report during this, and the people working on it had their duties reassigned to the emergency response. We will still produce an annual report, but it may go digital this year. We will continue to be very cost conscious. These are budgetary items that are clearly identifiable with every department looking at ways they could save money and not dramatically impact the core of what we do as a local government.

Ms. Dorothy expressed that she was glad to hear that the façade program might have some different aspects for economic development if we go with that. Our businesses are hurting. She was surprised we were going to reduce our façade program. If we do not have any applications, she cannot see why we would not have matching funds there. She does not believe that to be the best way to save money. She also thinks the reductions in the tree program are foolish. The best time to plant a tree is 20 years ago and the next best time is today. We have hardly any money budgeted for trees. We need to plant them today and let them grow. Mr. Greeson said that we approached these decisions using a "MOSCOW" analysis with each department to see what is a must do, a should, do, a could not do, and a will not do. A large majority of our operating budget is personnel-related expenses, leaving the must-do and should-do framework smaller. So, we thought we owed it to Council to present everything we thought we could put into a cut category. If it is the judgement of Council that some of this should not change at this point, we would accept that. We wanted to put everything on the list we thought we could find.

Mr. Robinson brought up how he previously discussed examining the opportunity for cost savings in the form of the shared work and CARES Act epidemic benefits. The combination of the programs is a time sensitive matter. He asked if staff is examining the possibility of these programs. Mr. Greeson replied that we have spent some time examining the program but are not prepared to go into detail at this point.

Mr. Myers explained he knows how important trees, flowers, mulch, and books are in this community. But he has a difficult time planting trees and laying off people. He would much rather keep people. Mr. Greeson said we are probing many of our businesses and trying to ask them what their needs are and what issues they are facing. If we need to develop a tailored new program because of COVID-19, we should do that. There is no way to put a list of cuts or reductions together that does not have something that a constituent or Councilmember finds valuable. We are in the service business of trying to create a quality community. He would like to believe everything we do impacts somebody

in a positive way. Likewise, when we take something away or postpone it, it has a corresponding effect in the mind of someone. In the course of time, if there is something that you feel you want to adjust, we can come back and revisit them.

Ms. Kowalczyk emphasized the importance of having something where the community can interface with our new police chief and fire chief. She attended the Community Relations Commission last week and it was very informative and that is one thing they want to focus on. If there is a creative way to enable that, she highly encourages it because they are new. She also brought up when we are discussing travel and training, that Councilmembers are included in that category. She does not know if there are other things that Council can consider that may incur a cost so they can do their part. Finally, she asked Mr. Greeson about the Visioning Committee and where we stood on the budget for that and what their plans were for the future in terms of expenditures. We certainly want the work to continue but want them to be mindful of the challenges faced by the City and not incur any unnecessary costs as they move forward.

Mr. Myers asked about not hiring summer seasonals and freezing employment, and the attitude of staff and whether we have the capacity to cover those items. He does not want to burn our people out. Mr. Greeson expressed that many of the things we enjoy in terms of beautification and maintenance are improved because of the great work of our summer seasonals. However, we believe that we can hold our own. If we add back in things like the hanging baskets that seasonals do, then that will stretch the ability of our full-timers to do that and their main responsibilities. So, in part, reducing some things makes the reduction of the summer seasonals possible. Likewise, in Parks, the fact we are not having games every weekend on the fields reduces the need for seasonal or part-time employees. There must be a corresponding reduction in work for us to be able to deal with the lack of that part-time labor. Mr. Hurley explained with the park seasonals, much of that is going to be benefited depending on what comes back and when. We have our restroom facilities in the parks still closed. We are not doing ball fields. Should any of that stuff come back online fully, we will have to make an assessment and we would certainly advise if we thought we were letting the community down. It makes it easier since some of those things are not occurring at this time.

Mr. Bucher asked about the list of changes, and if the WIFA trip folks coming to our community happens annually and if it is cancelled. Mr. Greeson explained it is typically a home and away, so we send a delegation one year, and they send a delegation the following year. This would be the year we would normally go to Sayama. Ms. Brown has had discussions with them, and we think we are honoring the relationship. Ms. Dorothy noted that it was our turn to send a citizen delegation this year.

Mr. Greeson asked if there were any questions from Councilmembers or if there is anything in the list that anyone cannot live with. Ms. Dorothy said that she certainly wants the trees in. President Michael responded that is something we can do if the budget money is there, but we do not know what money is coming in, we are very uncertain at this point. Mr. Greeson asked if we had a calculation of what we have spent year to date compared to what is left in the program. Mr. Hurley said that we had already purchased half of the

\$10,000 budgeted. We have a line item in the Parks budget for tree services for \$30,000. We initially see how many tree requests come in for the cost sharing program. We made the step of suspending it. A lot of tree planting can be done in the fall, so we could take the approach to see where we are mid-summer, and still have a good opportunity to spend the money in the fall if Council so desired.

MOTION Mr. Myers moved, Ms. Kowalczyk seconded a motion to accept the April 2020 Financial Report as presented.

The motion carried unanimously by a voice vote.

REPORT OF COUNCIL MEMBERS

Mr. Bucher explained the group organizing the Community Energy Savers program we previously talked about before COVID-19 hit, is going to work to launch that effort starting in June. We are working to get them on the June 1st agenda to go over it in much more detail than we have in previous meetings. We can still pursue this given the stay-at-home restrictions.

Ms. Dorothy said that WIFA is going to have a virtual meeting on the 26th of May. She thanked everyone who is starting to have virtual meetings and getting back to planning for the future. It is nice we are thinking about the future and planning for it.

President Michael reported she has been doing at least two meetings a week regarding the Central Ohio Mayors and Managers Association. We had meetings with some of the Congressional members and some of our Central Ohio county people. One of the things we are working on, is pushing hard to get letters to the Congressional delegation. Everyone is strongly encouraging removing the restrictions on the federal funds for local government to use. It is important we try to do this.

EXECUTIVE SESSION

MOTION Ms. Dorothy moved, Mr. Robinson seconded a motion to meet in Executive Session to consider appointment of public employees to boards and commissions and compensation of public employees.

The clerk called the roll on Executive Session. The motion carried by the following vote:

Yes 7 Bucher, Robinson, Kowalczyk, Dorothy, Smith, Myers, Michael

No 0

Council recessed at 8:51 p.m. from the Regular meeting session.

MOTION Mr. Bucher moved, Ms. Kowalczyk seconded a motion to return to open session at 9:21 p.m.

The motion carried unanimously by a roll-call vote.

ADJOURNMENT

MOTION Mr. Smith moved, Mr. Myers seconded a motion to adjourn.

President Michael declared the meeting adjourned at 9:21 p.m.

/s/ D. Kay Thress
Clerk of Council

*APPROVED by the City Council, this
1st day of June, 2020.*

/s/ Bonnie D. Michael
Council President