

City of Cleveland Managers Update June 2020 Mayor's Financial Update June 24, 2020

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CITY OF CLEVELAND
Mayor Frank G. Jackson

City of Cleveland Status COVID-19 Pandemic

Overview of COVID-19 Pandemic

- As we are aware, The World Health Organization has declared **COVID-19** a pandemic of international concern.
- On March 9th , the Governor of Ohio declared a **State of Emergency** in Executive Order 2020-01D.
- On March 17th, the Director of the State of Ohio Department of Health, issued a Mass Gathering Order, which prohibited any event that brings together more than **fifty (50) or more persons** in a single room/space.
- On March 22nd , the State of Ohio also issued the Order that all persons **Stay at Home** unless engaged in essential work or activity.

City of Cleveland Status COVID-19 Pandemic

Overview of COVID-19 Pandemic

- The Centers for Disease Control and Prevention (“CDC”) recommended that workplaces implement **social distancing** measures, defined as working approximately 6 feet from one another.
- On March 11th, this Administration issued a Proclamation that a state of Civil Emergency exists here within the municipal boundaries of the City due to the severity and duration of COVID-19. Commencing March 11th through March 31st. On April 29th, this Proclamation was extended through May and June.
- **The COVID-19 pandemic has had far-reaching consequences beyond the spread of the disease itself and the efforts to quarantine. As a result of the pandemic our local economy has been severely adversely impacted by employee layoffs and business shut downs.**

City of Cleveland Status COVID-19 Pandemic

The City continually monitors its revenue collections and evaluates possible mitigation, as well as, implemented expense reduction measures.

Impacted Revenue Sources

- Income Tax
- Admission Tax
- Rental Car Tax

- Property Tax
- Parking Tax
- Hotel Tax

Noted activities associated with Hospitality tax generation are as follows:

- Sporting Events
- Concerts

Attendance at Theater(s)

- Conventions
- Reduced Travel

General Fund Revenue Comparisons

Hospitality Revenue

	May 2020	May 2019	
Admission Tax	\$55,489	\$1,608,961	-\$1,553,472
Parking Tax	352,615	1,236,128	-883,513
Rental Car Tax	86,923	162,186	-75,263
Hotel Tax	91,437	540,820	-449,383

Additional adverse impacts on revenue could come from the State of Ohio allocation of Local Government Fund and the Cities income Tax Authority.

City of Cleveland Status COVID-19 Pandemic

Expense Reduction Measures:

- Suspension of hiring, except for specific critical and predesignated positions,
- Deferring non-essential discretionary spending,
- Limiting approvals of contracts and task orders to essential capital projects and critical tasks,
- Delaying scheduled cadet classes for police and fire divisions; and
- Limiting overtime that are directly related to safety, critical operations and emergency management.

General Fund Budget to Actual May 2020

		2020 Revenue Budget	Percent of Budget YTD	2020 Expense Budget	Percent of Budget YTD	Variance
		\$675,738,938		\$675,068,552		
	January	55,309,468	8.2%	49,644,923	7.4%	5,664,544
	February	60,181,872	8.9%	47,222,476	7.0%	12,959,396
	March	51,571,083	7.6%	48,371,876	7.2%	3,199,207
	April	38,821,220	5.7%	55,571,180	8.2%	-16,749,960
	May	42,560,709	6.3%	52,204,695	7.7%	-9,643,986
	June	0	0.0%	0	0.0%	0
	July	0	0.0%	0	0.0%	0
	August	0	0.0%	0	0.0%	0
	September	0	0.0%	0	0.0%	0
	October	0	0.0%	0	0.0%	0
	November	0	0.0%	0	0.0%	0
	December	0	0.0%	0	0.0%	0
YTD Total		\$248,444,352	36.8%	\$253,015,150	37.5%	-4,570,798

General Fund Projections Income Tax by Category as of May 31, 2020

0		2020	2019		% Change				
YTD									
Withholdings year to date		\$174,700,000	\$177,900,000	\$3,200,000	-1.80%				
Net profit tax		\$8,000,000	\$22,200,000	\$14,200,000	-63.96%	Filing Deadline July 15th			
Individual Tax		\$2,800,000	\$7,700,000	\$4,900,000	-63.64%	Extended from April 15th			
						Net profit and Individual			
MAY		5/31/2020	5/31/2019						
Withholdings MTD		\$23,300,000	\$32,300,000	\$9,000,000	-27.86%				
Net profit tax		\$575,000	\$6,900,000	6,325,000	-91.67%	Filing Deadline July 15th			
Individual Tax		\$100,000	\$2,000,000	\$1,900,000	-95.00%	Extended from April 15th			
						Net profit and Individual			
APRIL		4/30/2020	4/30/2019						
Withholdings MTD		\$35,600,000	\$37,500,000	\$1,900,000	-5.07%				
Net profit tax		\$1,400,000	\$8,600,000	\$7,200,000	-83.72%	Filing Deadline July 15th			
Individual Tax		\$323,000	\$3,400,000	\$3,077,000	-90.50%	Extended from April 15th			
						Net profit and Individual			

City of Cleveland

Status COVID-19 Pandemic & Social Unrest

Social Unrest

- On the evening of May 29th, the Department of Public Safety began the preparation of the anticipated measures to ensure peaceful protests of the George Floyd's controversial death in police custody in Minneapolis, Minnesota.
- Total Costs Incurred from May 30th thru June 6th: **\$3,066,151.68**

Current Financial Position

Our financial projections, included an anticipated recession after the November 2020 election or first quarter 2021 fiscal year. At the beginning of this fiscal year, the City had approximately \$43 million of unencumbered cash and investments, along with \$37.5 million in Rainy Day Fund.

Based on projections of the Pandemic's possible impact on the City's finances in 2020, the City recognizes the revenue loss (Income, Admission, Parking, Rental Car and other taxes), which are reflected within the 2nd Quarter of the year.

The robust collection of 1st Quarter's revenues, along with the hiring freeze instituted by City in response to the Pandemic is saving the City in payroll and benefits expenses. These activities including the anticipated recession serve as a mitigating factor for the loss revenue and increased expenditures (social unrest) within the 2nd Quarter.

There can be no assurance concerning the Pandemic's full effects on the City's finances or operations.

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- The City will continue to monitor the impact of COVID-19 on the City's revenue collection, if necessary, additional expense containment and reduction measures which may include, but not limited to, furloughs or reduced work schedules for certain employee classifications and duties.

Thank you