

MEMORANDUM

Date: April 22, 2020
To: Mayor Shubert and City Council
From: Jane Howington, City Manager

Mayor Shubert and members of Council.

This correspondence includes information on the City's financial situation in the midst of the COVID-19 economic reset. We are beginning to receive income tax projections from RITA which provides some guidance on the magnitude of actions, deferrals and policy decisions the City may need to make. I appreciate Council's willingness to meet last month and revise the capital program schedule as those decisions have had a major impact on our adjustments moving forward.

The first attachment you'll find is a letter from RITA along with Jeff's explanation on the application to Hudson. You should also note that through April 2020, income tax revenue was 9.4% (or \$755,000) over 2019. The General Fund share was \$558,000 over 2019. Our original estimate was 2.5%. There are other key revenue areas that we continue to monitor that impact the General Fund or General Fund reliant funds including:

1. Property Taxes – increased delinquencies. We have \$2.9 million estimate in the General Fund.
2. Kilowatt hour tax – tied to electric sales revenue. Closed businesses will have significantly reduced electric consumption. We have \$730,000 estimate in the General Fund.
3. Gas Tax – lower revenue due to reduced travel. We have \$1.2 million estimate in Service Fund.
4. Golf Course – recently opened for limited use. General Fund or Park Fund would need to subsidize if year-end balance is negative.

The second attachment is a spreadsheet of reductions or deferrals we have already made (or will make in the next appropriations legislation).

Next you will find a spreadsheet with the budget impact of the potential income tax loss and expense deferrals on the fund balance for major funds.

The fourth attachment is an explanation of how Public Works is modifying their work program to redeploy staff to other duties. This is an alternative to hiring seasonal labor primarily in Parks and Golf.

The last attachment is a list of capital projects that are or close to being shovel ready. Hopefully some of these projects can benefit from Federal stimulus funding.

Based on the work that has been done on revising budgets and operations, I feel that Hudson is in pretty good position to weather this storm. Granted we are looking at very preliminary estimates from RITA and cannot turn our attention away from this economic impact. I believe a tiered approach to further adjustments is most responsible at this time. Several areas that I would look to Council for direction should additional changes need to be implemented include:

1. Use of Fund balances. Currently the 5 year plan uses a 30% desired minimum.
2. Eliminate the leaf collection program for 2020. Projected savings would be approximately \$150,000.
3. Employ an early retirement incentive program.
4. Borrow or defer the concrete overlay program. The reason to borrow instead of using available funds would be for cash flow purposes. Deferring would cost us additional dollars as we have a contract in place for the current program with the current schedule.

Please note these are not recommendations however, they are potential areas of significant dollars should they be needed.

A handwritten signature in cursive script that reads "Jane".

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Schaad, Erin

From: Howington, Jane
Sent: Wednesday, April 22, 2020 9:57 AM
To: Schaad, Erin
Subject: FW: COVID 19 income tax impact

Erin.
Please put this email from Jeff with the RITA letter.

Jane,

Attached is the impact summary RITA sent out that I referenced the other day. You'll see they used a sliding scale to estimate the revenue loss going from 20% to 10% to 5% as the year moves along. This assumes more businesses will start to open up and return to normal operations.

Estimated loss \$2.1 million
General Fund portion \$1.55 million

If you factor in our April collections, the estimated loss drops to \$1.7 million (General Fund \$1,250,000) because we actually went up in April, not down 20% as used in RITA's forecast.

You'll see RITA calculated the estimated delay in revenue caused by the tax return filing extension. We would eventually receive this revenue but later in the year.

These are clearly estimates with a lot of assumptions that no one can predict with certainty but it gives us a starting point for discussions.

Jeffrey F. Knoblauch, CPA
Assistant City Manager
Finance Director

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REGIONAL INCOME TAX AGENCY

Good Morning Member,

Although the filing and payment deadline extension from April 15th to July 15th was welcome relief for taxpayers and practitioners, the extension will undoubtedly **result in a delay of income tax collections generated from businesses and individual taxpayers.**

Income tax collections traditionally received by your municipality during the months of April through August will likely be received in the months of August through November. **We are also anticipating a downward trend in estimated payments for 2020** as non-essential businesses were ordered to close, and many individuals were laid off or furloughed. National economists are forecasting unemployment rates may reach as high as 30 percent. It is being reported by State of Ohio officials, Ohio recently shattered all previous records of people applying for unemployment. Below you will see the Impact Calculation Explanation and the impact numbers for your community. Please remember that this is just an ESTIMATE.

Impact Calculation Explanation:

The calculation below was used to calculate the COVID-19 municipal income tax impact to your municipality. The calculation incorporated state and federal projected unemployment rates as well as a delay in income tax revenue due to the extension of the filing and payment deadline from April 15th to July 15th.

Withholding Loss: months 3-6 = 20% loss, months 7-9 = 10% loss, months 10-12 = 5% loss.

Individual Loss (2020 estimates only): months 3-6 = 20% loss, months 7-9 = 10% loss, months 10-12 = 5% loss.

Net Profit Delay: months 3-7 delayed to months 8-11.

Individual Delay: months 3-7 delayed to months 8-11.

City of Hudson:

Withholding Loss:

Individual Loss:

Net Profit Delay:

Individual Delay:

2020 Budget Reductions

	Description	General Fund	Other Funds	Total
1	Deferred Capital	\$304,000	\$3,385,000	\$3,689,000
2	Reduced Transfers to Other Funds	\$467,000		\$467,000
3	4 Full Time Positions Deferred	\$165,000	\$70,000	\$235,000
4	Savings on Health Insurance	\$110,000	\$110,000	\$220,000
5	Workers Comp Credit	\$94,000	\$118,000	\$212,000
6	Operating Budget Reductions	\$87,500		\$87,500
7	Memorial Day Parade Savings	\$9,450		\$9,450
8	July 4th Fireworks Savings	\$22,900		\$22,900
9	Reduce Golf Seasonal Employees by 50%		\$127,254	\$127,254
10	Reduce Park Seasonal Employees by 50%		\$74,620	\$74,620
11	Reduce Stormwater Ditching Restorations		\$5,000	\$5,000
12	Reduce Parks Tree Planting		\$5,050	\$5,050
13	Reduce Parks Fish Stocking		\$8,080	\$8,080
14	Reduce Parks Turf Treatment		\$5,000	\$5,000
15	Reduce Golf Tree Planting		\$4,000	\$4,000
16	Reduce Golf Tree Maintenance		\$2,500	\$2,500
17	Reduce Golf Signage		\$1,000	\$1,000
18	Reduce Golf Clubhouse Cleaning		\$1,000	\$1,000
	Total	\$1,259,850	\$3,916,504	\$5,176,354

2020 Budget Impact

		1/1/2020	2020	2020	2020	2020	12/31/20 Projected	12/31/2020
	Fund	Fund Balance	Est Revenue	Income Tax Loss	Expense Budget	Deferred Exp.	Fund Balance	Fund Bal Ratio
1	General Fund - 101	\$9,412,781	\$24,174,322	(\$1,545,847)	\$25,106,643	(\$1,259,850)	\$8,194,463	34.36%
2	Service Fund - 201	\$609,745	\$3,587,500	\$0	\$3,730,465	(\$173,422)	\$640,203	18.00%
3	Cemetery Fund - 203	\$120,425	\$275,522	\$0	\$287,219	(\$4,465)	\$113,193	40.03%
4	Parks Fund - 205	\$279,085	\$3,951,955	(\$157,205)	\$5,535,142	(\$1,737,417)	\$276,110	7.27%
5	HCTV Fund - 206	\$116,614	\$302,500	\$0	\$292,269	(\$5,012)	\$131,858	45.90%
6	Fire Fund - 221	\$2,845,086	\$1,551,564	(\$157,205)	\$1,988,361	(\$23,012)	\$2,274,096	115.71%
7	EMS Fund - 224	\$300,265	\$2,072,215	(\$94,323)	\$2,149,825	(\$24,702)	\$153,034	7.20%
8	Street Construction Fund - 430	\$1,521,743	\$4,290,000	\$0	\$6,010,462	(\$200,000)	\$1,281	0.02%
9	Storm Sewer Improvement Fund - 431	\$193,709	\$320,621	\$0	\$435,621	\$0	\$78,709	18.07%
10	Water Fund - 501	\$2,079,113	\$2,022,104	\$0	\$2,484,527	(\$612,854)	\$2,229,544	119.12%
11	Electric Fund - 503	\$9,282,190	\$21,864,794	\$0	\$22,951,776	(\$719,530)	\$8,914,738	40.10%
12	Storm Water Fund - 504	\$660,588	\$1,785,500	\$0	\$2,076,457	(\$144,995)	\$514,626	26.64%
13	Golf Fund -505	\$360,787	\$1,327,000	\$0	\$1,321,427	(\$151,599)	\$517,959	44.28%
14	Broadband Fund - 510	\$125,712	\$790,303	\$0	\$658,761	(\$4,947)	\$262,201	40.10%
15	Fleet Fund - 601	\$470,624	\$1,658,908	\$0	\$1,770,829	(\$114,548)	\$473,251	28.57%
	Total	\$28,378,467	\$69,974,808	(\$1,954,580)	\$76,799,784	(\$5,176,354)	\$24,775,265	34.59%

PUBLIC WORKS DEPARTMENT COVID-19 REORGANIZATION PLAN APRIL 2020

Service Division Staffing: Streets, Storm, Distribution, Fleet, Public Properties (No seasonal employees required)

Service Employees Listed by Seniority

	<u>Employee</u>	<u>Current Assignment</u>	<u>Proposed Assignment</u>	<u>Notes</u>
1	Equipment Operator	Signs	Streets	Require 2 employees for Streets
2	Equipment Operator	Streets	Streets or Storm Water	Will be shared between Streets and Storm Water based on need
3	Equipment Operator	Storm Water	Storm Water	Require 2 employees for Storm Water
4	Equipment Operator	Signs	Streets	Require 2 employees for Streets
5	Maintenance Technician	Streets	Available for Reassignment	
6	Equipment Operator	Storm Water	Storm Water	Need 2 employees for Storm Water
7	Equipment Operator	Distribution	Distribution	Require 2 employees for main breaks and maintenance
8	Equipment Operator	Distribution	Distribution	Require 2 employees for main breaks and maintenance
9	Equipment Operator	Storm Water	Available for Reassignment	
10	Equipment Operator	Streets	Available for Reassignment	
11	Equipment Operator	Inventory	Inventory	Required for Inventory
12	Equipment Operator	Storm Water	Available for Reassignment	
13	Equipment Operator	Distribution	Available for Reassignment	
14	Equipment Operator	Distribution	Available for Reassignment	
15	Fleet Mechanic	Fleet	Fleet	Require both mechanics
16	Equipment Operator	Streets	Available for Reassignment	
17	Equipment Operator	Storm Water	Available for Reassignment	
18	Fleet Mechanic	Fleet	Fleet	Require both fleet mechanics
19	Equipment Operator	Storm Water	Available for Reassignment	

20	Equipment Operator	Storm Water	Available for Reassignment	
21	Facilities Specialist	Public Properties	Public Properties	Requires 1 with know public grounds or facilities being used.
22	Sr. Properties Main. Tech.	Public Properties	Available for Reassignment	
23	City Arborist	Arborist	Street Trees, Landscape Contracts	
NOTE	<i>All employees who remain in Service will float between work groups based on the tasks at hand as needed.</i>			
<u>With reduced staffing, the following service tasks would be paused:</u>				
Storm water ditching program (non-emergency)				
Streets signage PM inspections and replacement program. Emergency/Safety work only				
Storm water pipe inspection, jetting and video				
Special events set ups, preparations and road closers and take downs				
Reduced frequency of in-house road patching due to limited employees. Contractual road patching will continue.				
In-house catch basin repair. Contracted repairs will continue.				
Sinkhole investigation and repair				
NOTE	<i>We will need all employees back in mid-October or we would be unable to provide leaf pick up. (\$327,000 budget)</i>			
<u>Reductions and/or pause in Contractual and Professional services:</u>				
	Ditching restorations	\$5,000.00	result of suspending 2020 ditching	
	Trash Services	\$10,000.00	result of postponing fence demolition project	
	Facilities Cleaning & Housekeeping	\$15,000.00	reduction in base service frequency	
Parks Division Staffing				
Parks Employees-Seasonal				
	<u>Employee</u>	<u>Current Assignment</u>	<u>Proposed Assignment</u>	<u>Notes</u>
1	Seasonal	Service Division	Grounds Maintenance	Filled by fulltime service employee
2	Seasonal	Service Division	Grounds Maintenance	Filled by fulltime service employee
3	Seasonal	Service Division	Grounds Maintenance	Filled by fulltime service employee
4	Seasonal	Service Division	Grounds Maintenance	Filled by fulltime service employee
5	Seasonal	Service Division	Grounds Maintenance	Filled by fulltime service employee
6	Seasonal	Grounds Maintenance	Same	Not Filled

7	Seasonal	Grounds Maintenance	Same	Not Filled	
8	Seasonal	Grounds Maintenance	Same	Not Filled	
9	Seasonal	Grounds Maintenance	Same	Not Filled	
10	Seasonal	Grounds Maintenance	Same	Not Filled	
<u>Reductions and/or pause in Contractual and Professional services:</u>					
	Tree Planting	\$5,050.00			
	Fish Stocking	\$8,080.00			
	Reduced turf treatment	\$5,000.00			
Golf Employees-Seasonal (Note-Golf requires 55 seasonal to operate at full service levels)					
	<u>Employee Full/Part-time</u>	<u>Current Assignment</u>	<u>Proposed Assignment</u>	<u>Notes</u>	
1	Seasonal	Course Grounds	Same	Skilled and/or hired before COVID-19 orders	
2	Seasonal	Course Grounds	Same	Skilled and/or hired before COVID-19 orders	
3	Seasonal	Course Grounds	Same	Skilled and/or hired before COVID-19 orders	
4	Seasonal	Course Grounds	Same	Skilled and/or hired before COVID-19 orders	
5	Seasonal	Course Grounds	Same	Skilled and/or hired before COVID-19 orders	
6	Seasonal	Course Grounds	Same	Skilled and/or hired before COVID-19 orders	
7	Seasonal	Service Division	Course Grounds	Filled by fulltime service employee	
8	Seasonal	Service Division	Course Grounds	Filled by fulltime service employee	
9	Seasonal	Service Division	Course Grounds	Filled by fulltime service employee	
10	Seasonal	Service Division	Course Grounds	Filled by fulltime service employee	
11	Seasonal	Service Division	Course Grounds	Filled by fulltime service employee	
Note 1	44 seasonal positions not filled due to distancing rules and the closing of all clubhouse, pro-shop and group golf activities				
Note 2	<i>Would need all 44 vacant seasonal employees if and when the course opens to full service operations.</i>				
<u>Reductions and/or pause in Contractual and Professional services:</u>					

Tree Planting	\$4,000.00			
Tree Maintenance	\$2,500.00			
New signage	\$1,000.00			
Clubhouse Cleaning	\$1,000.00			
<u>With reduced staffing, the following tasks in parks would be paused:</u>				
With cancellation of the baseball season, daily baseball field prep and maintenance will be reduced from daily to weekly				
Hiking trails maintenance projects will be reduced to safety and emergency maintenance and repair work only				
All bed maintenance including weeding, edging, mulching and flower planting will be suspended				
General playground maintenance such as painting and upgrades will be reduced to safety repairs only				
Parking lot maintenance will be reduced to safety repairs only				
Tree removals program will be paused and restricted to safety removals only				
Splash Pad remains closed until distancing order has been lifted				
Skate Park (will be evaluated when park is ready to open to the public in late summer 2020)				
Parks fertilization and turf control will be non-performed				
<u>With reduced staffing, the following tasks in golf would be paused:</u>				
Course mowing of fairways, roughs, apps and tees will be reduced from 3 to 2 days per week				
Tee markers and trash removal will occur as needed (not daily)				
Trimming and pruning will be reduced to as needed				
Bunker maintenance will be reduced from 5 times to 2 times per week				
Weekend work will be restricted to greens mowing only				
In-house maintenance project will be paused (bunker # 2 repairs, clock tower replica, new entrance sign, cart paths backfill and planting)				
Greens rolling will be reduced from 5 times to 2 times per week				
Tree removals and tree planting will be paused				
New mulching of planted beds will be paused				
Painting of Maintenance building				
Clocktower and Gazebo greens aerification and over seeding				
Cemeteries Division Staffing				
Cemetery Employees-Seasonal				
<u>Employee -Fulltime</u>	<u>Current Assignment</u>	<u>Proposed Assignment</u>	<u>Notes</u>	
Seasonal	Cemetery Grounds	Same	Hold hiring utilizing Service employee	
Seasonal	Service Division	Cemetery Grounds	fill upon needs 3 days per week	
<u>With reduced staffing, the following tasks in cemeteries would be paused:</u>				
Large scale flower plantings				

	Tree maintenance and removals will be restricted to safety/emergency only		
	Special drainage projects and painting		
	Summary:		
1	Have reorganized the PW department utilizing all available Service Divisions fulltime bargaining unit employees where needed for seasonal work.		
2	Reduced service levels to essential services and in continued compliance with distancing practices		
3	At this time, staff is able to defer the hiring of 56 seasonal positions for an estimated payroll savings of approximately \$160K to \$200K		
4	There are currently 4 HPP employees able to shift to this labor pool should we need them to do so.		

CITY OF HUDSON, OHIO
CAPITAL PROJECT IMPROVEMENT LIST

		Design Completed	Design Costs	Construction Costs	Construction Year	Project Notes:
Shovel-Ready Projects:						
State of Ohio - ODOT/HUDSON PROJECTS						
1	State Route 91 North Turn Lanes Project (ODOT PID 93822)	100%	\$0	\$2,500,000.00	2020-21	100% Completed. Shovel ready project. Roadway project, waterline improvements for a transmission line in Hudson and Twinsburg Ohio.
State of Ohio - ODNR/HUDSON PROJECTS						
2	Veterans Trail Phase 4 (Ohio Dept. Natural Resource Project)	60%	\$150,000	\$1,250,000.00	2020-21	This is an State of Ohio ODNR Partially Funded Project. No property acquisition. Design completed in Fall, 2020. Construction 2021.
Hudson Roadway Projects:						
3	Concrete Road Overlays (2021)	100%	\$0	\$1,150,000.00	2021	Various concrete streets with a low pavement rating adjacent to our school district campus.
4	City of Hudson Annual Resurfacing of local roadways. Various roads in Hudson. (2021)	100%	\$0	\$2,500,000.00	2021	Various streets and the project is shovel ready.
Hudson Park Trail Projects:						
5	Valley View & Hunting Hollow Connectivity Project (SR 91 to Prospect St)	100%	\$0	\$500,000.00	2020	Multi-purpose trail project connecting neighborhoods to parks, downtown and schools. Ready to bid in 2020. Construction completion in 2021.
6	E. Barlow Road Connector Path Project (Barlow Farm Park to Metro Park)	85%	\$50,000	\$400,000.00	2020	Pedestrian trail crossing at Barlow Road and the Norfolk and Southern Railroad Crossing. Safety concern and update signals/gates and a quiet zone.
Water System Projects						
7	N. Oviatt Street Waterline Replacement Project	90%	\$0	\$1,000,000.00	2020	Waterline replacement of the existing undersized waterline on N. Oviatt Street from State Route 303 to Hudson Street. Excessive number of water breaks. Water quality issue.
Sewer System Projects						
8	Valley View Rd. @ Ohio Turnpike Storm Management Pond Project (ODOT PID 101636)	100%	\$0	\$200,000.00	2020-21	This project is 100% designed and ready for bid. The project is partially funded by an Ohio Turnpike Grant and completely reviewed by the State of Ohio.
9	Downtown Pump Station and Forcemain Project	95%	\$0	\$2,300,000.00	2020	Project is a collaborative project with Summit County and Hudson. This project will remove inflow and infiltration from the County system and provide a new area for development.

Alternate Projects:						
A	Hines Hill Grade Separation Project (ODOT PID 80648)	33%	\$1,900,000	\$11,000,000.00	2022	Project design is 1/3 completed. Minimal right-of-way acquisitions, 95% City property. Project previously approved for funding in 2008 by ODOT. The funding was canceled by the Federal Government as the last railroad separation projects.
B	State Route 91 South Main Street Improvement Project (ODOT PID 106445)	20%	\$150,000	\$1,100,000.00	2022	Project is currently under design. It is currently funded by an ODOT Safety Grant and a Congestive Air Quality Grant. The remaining portion is the local portion of the project.
C	Norfolk and Southern - Quiet Zone Safety Project at Stow Road	0%	\$20,000	\$40,000.00	2021	Adding a safety zone to Stow Road at the Norfolk and Southern Railroad Crossing.
D	SR 303 Main Transmission Line Replacement Project	25%	\$250,000	\$3,400,000.00	2021-22	This is the main transmission line from our water plant to the City of Hudson. Approximately 1.5 miles in length, a 16" existing diameter asbestos concrete pipe. This is an environmental issue to remove this main pipe from our system.