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Date: July 8, 2020

To: Mayor Shubert and City Council

C: Jane Howington, City Manager

From: Jeff Knoblauch, Asst. City Manager – Finance Director
Brian Griffith, Director - Management & Budget

Re: **2021-2022 Budget Process**

As many of you know, we normally begin discussing the assumptions for the following year Five Year Plan in July, have multiple workshops dedicated to discussing individual fund and department budgets from August through October, and adopt the final budget in December. This allows the City to have a budget in place before the start of the new fiscal year.

The unprecedented effects of Covid-19 have caused losses to City revenue sources such as Income Tax and Gas Tax during 2020. Further complicating the issue is the delayed filing date for local income taxes. Having the due date moved from April 15th to July 15th makes it difficult to determine lost versus deferred Income Tax Revenue. The uniqueness and timing of this situation make it difficult to accurately project the final impact on 2020 and 2021 City revenue. Because of this uncertainty we would like to recommend a modified approach to both the 2021 and 2022 budget which will allow for more accurate numbers during the process.

2021-2022 Recommended Budget Process

1. Discuss capital items with Council in September/October 2020. We could set the annual road program at that time, which would allow Engineering to bid it out as usual.
2. Pass a temporary budget for 2021 in November 2020.
3. Have full budget discussions with Council on the 2021 budget January – March 2021. The final 2021 budget must be passed by 3/31/21.
4. While discussing the 2021 budget we would also cover the 2022 budget in January – March 2021. This would avoid having 2 full budget discussions in 1 year.
5. Discuss and changes necessary to capital or operating items in the 2022 budget in September or October 2021.
6. Pass the 2022 Budget in November 2021.

Advantages to the Modified Budget Approach

1. Get the best price on the 2021 road program as we have done in the past.
2. Know our 2021 beginning fund balances as part of the budget process and not have to project.
3. Have an actual 2020 income tax amount instead of a projected amount with which to base the next 5 years.
4. Have a firm health insurance number to use going forward.