

The President called the informal Work Session to order at 5 p.m.

The Clerk called the roll and the following Commissioners responded: Wes Poole, Blake Harris, Dennis Murray, Dick Brady, Mike Meinzer and Dave Waddington. Commissioners Blake Harris, Dennis Murray, Dick Brady and Mike Meinzer were in attendance via teleconference due to the COVID-19 pandemic.

City staff present: Stuart Hamilton – IT Manager.

City staff via teleconference: Trevor Hayberger – Law Director, Michelle Reeder – Finance Director, Eric Wobser – City Manager, John Orzech – Police Chief & Assistant City Manager and Kelly Kresser – Commission Clerk.

Upon motion of Dennis Murray and second of Dave Waddington, the commission voted to excuse Naomi Twine and Mike Meinzer. The President declared the motion passed. NOTE: Mike Meinzer joined at 5:04 p.m. due to technical difficulties.

CURRENT BUSINESS

Dick Brady asked Eric Wobser to provide an **update on the city's budget and organizational structure as it relates to the COVID-19 pandemic**. Eric Wobser said our projections of the budget started to take a deep dive in May based on the impacts of the COVID-19 pandemic. We did have a strong first quarter and the month of April was strong. This will help us, although it will not be enough to overcome because of the closure of the economy; it will be more like falling off of a cliff. The projects created for this year were not on target and this is frustrating on so many levels because we had anticipated 2020 to be a record year with the reopening of the Jackson Street Pier and Shoreline Drive as well as with Cedar Point's 150th anniversary. We will do what we can but this was all out of our control. He has been very proud of everyone involved in putting together what has been a very difficult set of recommendations for cost-saving measures. The Directors and staff - at all levels - have been involved in identifying savings that would not impact staffing by delaying projects, travel and training, and everything we could possibly cut. We have identified well over \$3 million in savings and the most impressive thing so far is in spite of lower revenues since Sandusky had its first closure by the State (on or about March 16), we are well below \$1.5 million in expenses from this same time last year. This is a demonstration of the commitment staff has shown to lower our costs. We started this year with a very strong cash reserve for a city of our size (20%), and know even if we look to deficit spend this year and next, it would exhaust our reserves; this only gets us to the lowest level of the losses we would expect this year after cutting approximately 18 positions from our full-time staffing levels. This has been accomplished through difficult decisions and layoffs which have touched nearly every department. Through some planned attrition based on retirements throughout this year, there will not be a tremendous amount of savings on the loss of these positions this year. This is because when layoffs are done or positions are terminated, we are responsible for the unemployment. We are hopeful some of these people will be able to find employment rather quickly. We are responsible for 50% of the unemployment pay and know there is a longer period of unemployment planned for many of these folks. Those who are retiring from the city have vested in final payouts and we also need to account for them. We know we are in a very difficult place heading into next year and these savings will be more fully realized in next year's budget.

Michelle Reeder said this is the first month we are seeing a decline in our income tax receipts not only because of loss of employment in the area, but also because of the delayed extension to file income taxes (July 15). This month we saw a 35% decline in our income tax receipts compared to the same time period in 2019. Across the Board, the Regional Income Tax Agency saw a 30.4% decrease; Sandusky's was a little higher because of our tourism industry and the delay in filing and collections. When comparing 2019 to 2020, we are down \$282,000 in receipts. A lot of our other revenues are holding their own and admissions taxes are still up because of the reconciliation provided by Cedar Point in January. We do not expect to see much in lodging taxes for most of this month and until there is more activity in the area. Looking at general fund collections for May as compared to last year, we are at \$7.2 million while last year at this time

we were at \$7.6 million. We are showing a decline in revenue but we are doing great on our expenses and are down about \$1.5 million so far compared to May, 2019. We are doing everything we can to hold our expenses and are optimistic Cedar Point will reopen and tourists will return to this area. We have been chasing down stimulus dollars; unfortunately, these will not provide relief for wages. Going forward, we will negotiate and work with our employees, control expenses, and do what we need to do to get through this. Dave Waddington asked what the cost will be for the 27th pay period which we had talked about before. Michelle Reeder said the city has over \$1 million in the payroll stabilization fund at this point. Our third pay in July, which is extra, will come from that fund rather than the general fund. Going forward, any retirements we have will be paid from the payroll stabilization fund as well. Dave Waddington asked if we are continuously meeting with the unions since it is a contract year and Eric Wobser said we are in very active and productive conversations with all three unions - although we do not yet have anything to report. We are looking for creative solutions to help us achieve more savings while also maintaining services. In addition to the full-time staffing reductions, we have cut nearly every seasonal position and are doing everything we can to provide basic services. We are, however, doing this in the spring when we know there are many tasks which increase such as patching roads and cutting grass. There will be an impact on services because we are working with fewer full-time employees and no seasonal employees. In the next couple of months we will have a very difficult time maintaining everything we have, but we have made efforts to continue to provide basic services throughout the city.

Dick Brady said our income tax revenue may not be quite as bad and asked if this is the result of the delayed reporting to July 15. Some businesses are taking advantage of not sending the city money until the middle of summer. Michelle Reeder said we will not receive any of the money collected in July until August. Dennis Murray applauded staff for the actions taken to date to trim our expenses and make the cuts we have made. He is looking at this and guessing if the worst case comes to pass and Cedar Point is unable to open this year, we still are somewhere on the order of \$4 million short and this gap will have to be filled. He assumes we will need to consider more dire cuts and may have to dip into our reserves and asked how many employees this may cover, and if it may include closing one of the fire stations. He asked when the City Manager may be able to advise how deep the cuts have to be. Eric Wobser said we have begun to lay out these plans and currently are in active conversations with the three unions to identify whether there are additional savings which can be achieved through the budget. In addition, we are taking a look at as many other options, stimulus packages for relief and whether we have options of financing, on a longer term, some of the things discussed at the last commission meeting related to projects rather than paying for them completely this year. We are looking at shorter-term savings incentives and continuing to advocate to bring in some revenue from sources outside of the city. While we are doing this, we are hopeful we will have more information in the next several weeks as to whether we will face a worst-case scenario. He believes the Governor alluded to amusement parks in his remarks last Friday and are hopeful we will know during the next two weeks if Cedar Point will be able to open and if most of our businesses are able to get back online, even if it is later and with more restrictions. This does not mean there will be no impact on our budget, but we hope to use interim steps to get us through the next several weeks in order to prevent the deepest of cuts. We may know if there are more administrative savings at the next work session, potential savings with the unions and how services are affected. Service levels are being devastated by the impact of the positions already lost and if we have to go deeper, it will be very difficult to come up with any plan that allows us to continue essential services without being dramatically impacted. He has no idea if this would include the closure of a fire station or any city facility, but we could be looking at this level of difficulty.

Dennis Murray said he wants to make sure we continue to have this dialogue as thoughts develop because he wants the public to understand just how serious of a situation this is. He thinks people are beginning to get this, but the cuts could be at a level we cannot imagine and wants to make sure the public is prepared for this. He said the reserve always rises and falls because of the cyclical nature of our incomes. With the seasonal nature of admissions and lodging taxes, we tend to cut it really close in May and June; he would like to know we have had an opportunity to take a look at this at some point in the future and to know if we can use \$2 million from our

reserves in 2020 - and another \$2 million in 2021 - and still have enough funds during the low period in May and June of 2022.

Wes Poole asked what we have cut in expenses this year. Michelle Reeder said we are down \$1.5 million compared to May, 2019, but we still have expenditures through the end of the month. As we get toward the end of May, these numbers will be prepared. Wes Poole said he is particularly interested in determining what we cut that gave us the savings realized. Moving forward, he asked for the projections on paper to understand where we are. With what little has been provided, we have a lot of money and seem to be okay year-to-date, but we have gotten a lot of revenue from admissions early in the year which has bolstered our pot which we are probably not going to get. He is attributing this to the early sales of Cedar Point passes but we will not see this money until later in the year. It seems a \$358,000 shortfall now is going to multiply as we go forward because the income will drop off. Michelle Reeder said the admissions tax is up by \$34,000 this year; cable franchise fees are up and this is helping us out at the moment. The other thing which came in this year was rental income for submerged lands leases and there will be another payment in December which will help. The Ohio Bureau of Workers Compensation provided a refund to the City of Sandusky which was normally about 85% from premiums paid; this year it was at 100% (\$175,000) for our general fund. Eric Wobser said Cedar Point will not actually charge for their Gold passes until people gain admission into the park which will probably be an issue for us later this year. The overall statement as to admissions tax being relatively okay now is not correct and the \$5 to \$10 million in estimated losses comes from these. We have been fortunate to this point in the year, but we will be facing some very difficult challenges. One of the reasons we were so fortunate is because corporate earnings in 2019 were strong and we saw money in the first quarter of this year from many companies who are paying on profits from 2019. Once this changes and we are basing income on real-time receipts for lodging and admissions taxes and payroll withholdings, we will see a huge decrease. This is where all of the losses will come from and is what we are trying to brace ourselves for. The reductions have included ten percent reductions to administrative salaries, five percent to non-managerial salaries, the postponement of public art, the city's economic development programs, the delay of infrastructure investments which have already been contracted, some planning work we had intended to do this year, and controlling the purchase of supplies, travel and office expenses. This is where the \$1+ million in savings has come from and we anticipate these savings alone will be over \$3 million this year; with our reserves, we think we can weather \$5 million. We are hopeful and optimistic to not have to make the deepest of the cuts mentioned, but it is very possible we will be in this situation if we get news that Cedar Point will not open this year. We hope to never be in the position of formally making these deep cuts.

Dave Waddington asked if there is any federal money or stimulus money we could apply for to help out. In his second term in office, State Representative Marcy Kaptur (at that time), helped us to save Fire Fighter jobs although we lost four. If we are on the edge now, he would like to look under every rock for money. Eric Wobser said absolutely and we have had active conversations with our State delegation, our Federal delegation, and we have received some stimulus dollars from the C.A.R.E.S. Act which relate to our public transit system and CDBG. The challenge is these funds are for revenue replacement but they may not cut general fund expenses. Our Fire Department is looking closely at what savings they can achieve and we are going to be as creative as the law will allow us to be in finding other revenue sources. We are doing as much advocacy as we can by talking with outside partners as to how we can get more revenue. There will be more, but he does not know if it will be enough for all of the cuts being made. It will be enough that the cuts should not be as deep as the worst case scenario.

Mike Meinzer said from his experience during the last few months, he hears optimism in the hope of Cedar Point opening. He has vacation rentals and they are usually booked in January and February, but everybody is canceling now - through at least August - either because people have lost their jobs and cannot take their families on vacation this year or are unwilling to expose their families to harm by taking them to Cedar Point. He is pessimistic about Sports Force, Kalahari and Cedar Point opening up and tourism this year in Sandusky. Wes Poole said this experience represents real data we can project on. We are already into May and need to start talking about

what these cuts are going to be. Financial planning should be about numbers but they have not been presented and he hopes we will see what we think the projections are going to be and what the cuts will be; this is what the commission needs to decide. It is more realistic than pessimistic the money will not be there and we do not want to continue spending money as we have and end up dropping off a cliff two months from now and have to close a fire station. We need to start talking now about what services are the most important to this community going forward in the short- term and the long-term, and how certain we will be if Cedar Point does not turn into something good for us in August. We have had some reductions in expenses but he does not know what they are they have not been presented. We need to see how deep we are able to cut, know our potential revenues and he needs to see this on paper going forward. We need to do this very, very soon; it is already May and we are six months into the year. Eric Wobser said he is a little confused as to the idea we have not shared numbers; the number (loss) is \$5 to \$10 million and this is based on real data and compared to benchmarks with other communities facing similar situations. The \$3.1 million in expenses which have been reduced is very real. We can save up to \$5 million with savings already achieved by deficit spending and \$3.1 million in reductions which are a combination of those factors stated. If a higher level of detail is requested, this can be provided. Secondly, in stating we are hopeful to not have to make the deepest of cuts, he wants to be very clear we are prepared to make them and have already begun the planning as to what some of this could look like. We could share this as soon as at our next meeting. He has not heard any real information from any other nearby local government yet to control expenses or to look at other options. We are not going to get caught off-guard by this and we are a step ahead of everybody else to date. Wes Poole said we have collected 29% of our 2020 revenue budget as of May 15 and asked what this means in terms of planning for the future. Eric Wobser said we have to compare where we are normally by this time of the year as to the percentage of the budget collected as well as the expenditures made. This does not put us dramatically down from where we were last year. Our challenge is the bulk of our revenue every year is collected over the next six months, but we cannot bank on this coming in. Wes Poole said the point he is making is the statement does not mean a whole lot for planning purposes. He has heard admissions are up but Cedar Point has not admitted anybody; not enough information has been given to make any decision about where we are or where we are going. He asked what we plan to cut; the City Manager has said we have been planning this and it will be shared at the next meeting, but if it is planned, he wants it sent to him tomorrow morning. This is the detail he wants in order to feel comfortable telling the public what they can expect from us and that we have actually seriously looked at this and know, to the degree we can know, what we have done to prepare for the future. He asked if a fire station will be closed if the city hits a certain shortage and what will be done first, second and/or third. He asked what services our citizens will not get and at what point will our monies fall off as this is how he does budgeting.

Dick Brady said he believes Cedar Point and Sports Force will open, and said we are going to return to a 'new normal'. He cautioned that even if and when this happens, it will mean a fraction of what we have projected for revenues. If we get fifty percent of a season out of Cedar Point, we can count on about twenty percent of fifty percent returning to us in revenues. The moment the Governor allows that to happen and they do open, this will be a very difficult road this year and next year. He commended staff for their work thus far and said it is prudent to do this; it is not prudent to roll out a doomsday plan while it is still lurking. It is good enough for him to know staff is pulling a plan together which will entail deeper, more significant cuts and will be prepared to put them into place if we need to. Wes Poole said as a commission, we are supposed to know what these cuts are going to be before they happen. He suggested we have had a Work Session at which we have come away with the conclusion this is going to be difficult. He does not think this is quite enough, but it seems as if folks are satisfied with it.

Dave Waddington suggested having another **Work Session at 6 p.m. on June 15** which is between regular sessions. Eric Wobser said staff welcomes this opportunity. Our goal today was to let the commissioners know we have already made these \$3+ million worth of cuts to the budget so we could be in a position to see what is going to happen with the reopening of the economy which began this past weekend. Steps are being outlined to continue reopening the economy and the initial phase of scenario planning was the loss of 18 positions, savings through postponing

projects and reducing staff salaries. The next phase will include finding existing capital projects through financing, concessions with the unions and looking to see if there will be a stimulus package which could benefit us. The third phase will be to present scenarios for savings through other mechanisms once we have additional information and once the economy is reopened. This is in addition to what has already been several phases of cost-savings and revenue enhancements. We will get into detail how services have been cut and will be happy to do this on June 15.

ADJOURNMENT

Upon motion of Dave Waddington and second of Dennis Murray, the commission voted to adjourn at 6:43 p.m. The President declared the motion passed.

Kelly L. Kresser, CMC
Commission Clerk

Richard R. Brady
Vice President of the City Commission