

MINUTES OF THE FINANCE COMMITTEE
May 11, 2020
Online Broadcast Meeting

Present: Councilmembers Bullock, Litten, & Neff

Also Present: Councilmembers Kepple, Rader, & Shachner, Finance Director Rancatore, Mayor George, Chief Dunphy, a couple members of the public, Clerk Bach, & Deputy Clerk Lascu taking minutes

Start time: 6:03 p.m.

AGENDA

City of Lakewood financial forecast and development of comprehensive City financial policies for COVID-19 response.

Chairman Bullock opened the meeting allowing opening questions from councilmembers and opening statements by the Mayor and Finance Director.

Councilmember Litten noted that based on the April 30th tax receipt numbers received by Council, the city has collected about 74% of the revenue that it would have at this point of the year compared to past years. He wanted to know how much of that is a loss and how much of the difference can be attributed to tax day being moved later into the year.

Mayor George stated that her administration was aware that the city's revenues would take a substantial hit in April, as that was when the shut down and stay at home order began.

Director Rancatore reviewed various documents provided to Council giving insight into the city's revenues. He noted that the city's municipal income tax comprises 55% of the city's 2020 budget. Traditionally, April has been the most important month in the tax collection cycle due to the normal tax due date being April 15th. The city is down \$2.8 million in the income tax category as of the date of the meeting. In March the city's income tax was up 1.6%, but weaknesses started to show within that month.

Director Rancatore noted withholding tax comprises 38% of the income tax, and that it is up 5.3% over what it was last year. That figure dropped 5% below last year's level in April. Coming into April, the net profit category was up 3.7% for the year and after April net profit is down 35%. Individual income tax makes up about 56% of total income tax. That was up 2.7% in the first quarter and a 71% decrease in April, which nets out to about a 42% decrease over the first 4 months of the year, compared to last year.

Director Rancatore stated that the due date for taxes has changed from April 15th to July 15th. The tax revenue collection cycle is based on actual tax liability, the ability of the taxpayer to pay, and the ability of the city to collect. Theoretically, the city should receive all the funds due to it by July 15th for the year 2020, but that is not going to happen because

people have not been working, leading to less taxable income. This reality also affects the city's 2021-tax revenue. If people are not working, it reduces their need to pay the estimated tax. The city is going to be behind in its estimated revenue collection. The compacted timeframe to collect will cause further difficulties, as Lakewood has a largely transient population that is more difficult to collect from. The month of July should allow the city to catch up a bit on revenues. Director Rancatore noted that further setbacks with the coronavirus could be devastating to the city's finances.

Councilmember Rader questioned the level of withholding one can claim while on unemployment benefits, taking into account the extra \$600 provided individually through the CARES Act. Director Rancatore noted that unemployment benefits are not taxable for municipal income purposes. Only earned income is taxed.

Councilmember Litten asked if the IRS has provided an estimate on how many people are waiting to do their taxes until July. Director Rancatore deferred to what was happening on the April report, and drew the conclusion that federal collections are likely mirroring what's happening on the municipal level. At this point 43% of total collections have been made compared to last year's figure.

Chairman Bullock observed that the most acute differences in revenues seem to be due to differences in timing of collection between this year and last year.

Director Rancatore gave an overview of how property taxes have been affected by the pandemic, noting that they are collected partially locally and through homestead and rollback payments (which are subsidized through the state). The city appears to be up 1.3% on the locally collected portion, but the numbers from the state should be lower than they were last year. The county has extended the due dates to pay property tax. Intergovernmental revenue and sales tax will be down this year. EMS billing has been down as well, with people avoiding going to the hospital because of COVID-19.

Chairman Bullock asked for clarification on how the homestead and rollback funds work. Provided an example that explained how the state subsidizes a portion of people's property tax bills.

Chairman Bullock inquired as to what taxes compromise the intergovernmental revenues that the city receives. Director Rancatore noted that the category includes property tax, homestead funds, and rollback funds.

Councilmember Kepple asked whether the city has any net gains that resulted from service reductions. Director Rancatore indicated that there is no good news in that regard and that the administration has instituted a number of austerity measures. Mayor George added that overall city spending is down compared to last year.

Councilmember Kepple asked what sort of share Lakewood would receive if House Bill 310 were to pass. Mayor George indicated that Lakewood would receive a little over \$2 million. The mayor has advocated to Lakewood's representatives in the Statehouse to support the

legislation and the local funding that it provides. Another round of stimulus has been proposed at the federal level, which would provide funding directly to states and localities. That legislation is substantially further from passing than the stimulus being considered at the state level.

Councilmember Neff asked about efforts to reduce operating costs, and whether furloughs and hiring freezes would be enough to keep the city afloat. Director Rancatore noted the difficulty in answering the question. He is unsure that the city is able to save enough on its own and that assistance from the federal and state governments would be appreciated.

Chairman Bullock suggested meeting in the future to continue to monitor the city's finances and the depth of the crisis. Councilmember Litten added that he anticipates that the city will have to make difficult decisions on future expenses.

Approval of the minutes of the April 27, 2020 Finance Committee.

Chairman Bullock made a motion, seconded by Councilmember Neff to approve the minutes from the committee's April 27th meeting.

A roll call vote was taken as follows:

Yeas – Bullock, Litten, Neff

Nays – None

Motion passed. The minutes were approved.

Chairman Bullock adjourned the meeting without objection.

The meeting was adjourned at 7:00 p.m.