



April 1, 2024

The Honorable Matt Huffman, President
Ohio Senate
Statehouse, 1 Capitol Square, 2nd Floor
Columbus, Ohio 43215

Delivered via email

Dear President Huffman:

The Office of Budget and Management, through our role as chair of the Financial Planning and Supervision Commissions, assists municipal corporations, counties, and townships declared by the Auditor of State to be in Fiscal Emergency. Division (E) of section 118.07 of the Ohio Revised Code requires Financial Planning and Supervision Commissions to annually report progress made towards eliminating the conditions that led to Fiscal Emergency to you and to the Speaker of the House.

On behalf of all commissions in operation during the period April 1, 2023, through March 31, 2024, I submit the attached report.

I am happy to discuss the report and answer any questions that you have. I can be reached at 614-752-2579.

Very respectfully yours,

Kimberly A. Murnieks
Director

Attachment

c: The Honorable Nickie Antonio, Senate Minority Leader



April 1, 2024

The Honorable Jason Stephens, Speaker
Ohio House of Representatives
77 S. High St., 14th Floor
Columbus, Ohio 43215

Delivered via email

Dear Speaker Stephens:

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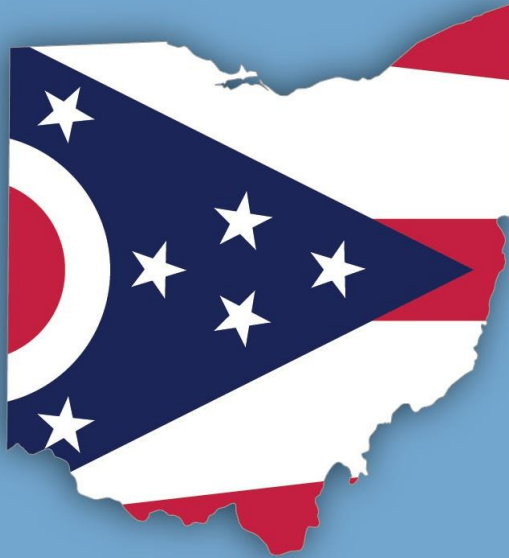
Kimberly A. Murnieks
Director

Attachment

c: The Honorable C. Allison Russo, House Minority Leader



**Office of Budget
and Management**



FINANCIAL PLANNING AND SUPERVISION COMMISSION

ANNUAL REPORT 2024



Mike DeWine
Governor | State of Ohio



Jon Husted
Lt. Governor | State of Ohio



Kimberly Murnieks
Director | Ohio Office of
Budget and Management

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Reporting April 1, 2023, through March 31, 2024

Overview of Financial Planning and Supervision Commission and Statutory Reporting Requirements



The conditions under which a municipal corporation, county, or township may be declared in fiscal emergency and placed under the oversight of a financial planning and supervision commission are listed in the Appendix of this report. Each commission is comprised of seven members. Both the Director of Budget and Management (OBM) and the Treasurer of State (or their designees) serve as ex officio members and are voting members of the commission. In addition, the OBM Director or her designee serves as the commission's chairperson. The composition of the remaining members, however, varies depending on whether the entity in fiscal emergency is a municipal corporation, township, county, or a county that has adopted a charter under Article X of the Ohio Constitution. Furthermore, unless otherwise contracted for, the Auditor of State serves as the financial supervisor to each commission.

Section 118.07(E) of the Ohio Revised Code requires the OBM Director, as chairperson of the respective commissions, to provide an annual report to the Speaker of the House of Representatives and the President of the Senate on the progress made in eliminating fiscal emergency conditions for local governments that are in fiscal emergency. Therefore, in compliance with that requirement, this report provides information about each of the respective commissions in operation between April 1, 2023, and March 31, 2024.

Overview of Local Governments in Fiscal Emergency

The Office of Budget and Management chaired the following five financial planning and supervision commissions between April 1, 2023, and March 31, 2024.

- City of East Cleveland (Cuyahoga County);
- City of Fostoria (Seneca County);
- City of Norwood (Hamilton County);
- Village of Bridgeport (Belmont County); and
- Concord Township (Champaign County).

Effective September 29, 2011, the General Assembly amended Section 118.05 of the Revised Code to create a new form of oversight for villages or townships with populations under 1,000 that meet any of the six conditions for fiscal emergency. In lieu of a commission, the Auditor of State serves as the financial supervisor for the village or township and is vested with the powers and responsibilities of a commission. Six local governments in fiscal emergency met this standard and were not required to have a commission:

- Village of Trimble (Athens County);
- Village of Green Camp (Marion County);
- Village of Clarksville (Clinton County);
- Village of Grover Hill (Paulding County);
- Village of Risingsun (Wood County); and
- Village of Rutland (Meigs County).

Please refer to the Auditor of State's annual report for more detail about each of these villages.

Financial Planning and Supervision Commissions by Report Year (April 1 through March 31)

	2020	2021	2022	2023	2024
Total Commissions	8	9	6	6	5
R.C. 118.05 Emergencies Established	1	0	0	0	0
Released from Fiscal Emergency	0	3	0	1	0

Note: The total financial planning and supervision commissions and requested releases are current as of March 31, 2024. R.C. Section 118.05 Emergencies Declared and Released are the totals for the report year (April 1, 2023, through March 31, 2024). Villages and townships in fiscal emergency that are overseen by a financial supervisor pursuant to R.C. 118.05(L) instead of a commission (i.e., those local governments with populations under 1,000 that were placed into fiscal emergency post September 2011) are not reflected in this table.

During the past year, no local governments have been declared to be in fiscal emergency; therefore, no additional commissions have been established. The median length of time local governments in this report have been in fiscal emergency is seven years and six months. The longest length of time that a local government has been in fiscal emergency is eleven years and six months.

Local Governments Currently in Fiscal Emergency

Brief Summary:

When declared to be in fiscal emergency by the Auditor of State on October 9, 2012, the City of East Cleveland had deficit fund balances exceeding \$5.8 million. The city was previously in fiscal emergency from 1988 to 2006 and the financial uncertainty/instability that existed then continues today.

Despite continued erosion of income tax revenue, East Cleveland has benefited from the collection of revenue from traffic camera fines. However, Ohio Amended Substitute House Bill 62 of the 133rd General Assembly reduced local government fund distributions in an amount equal to the revenue collected from traffic camera fines unless those fines are collected in school zones. The City of East Cleveland has moved its traffic cameras into school zones to mitigate the impact of the law change but is mandated by law to use those revenues solely for school safety purposes. The city lost a suit against the state challenging the statutory changes implemented regarding traffic cameras and local government disbursements. See *Newburgh Hts. v. State*, 168 Ohio St.3d 513, 2022-Ohio-1642. The general fund will see a reduction in revenue of approximately \$1 million in the current fiscal year due to this change.

In addition to its revenue challenges, the city is facing a number of ongoing legal matters and judgments. The city and the commission have not yet been able to make forward progress on adopting an updated financial plan and the city is subject to expenditure limits pursuant to Ohio Revised Code section 118.12.

The [Auditor of State's Report on Accounting Methods](#) documented that the city accounting practices are not standard best practices. The commission is now requiring a monthly update on the city's efforts to improve its practices.

Action Steps Taken:

- East Cleveland has increased garbage fees, leased a cellular tower, sold property, combined some job positions, and instituted a citywide layoff and salary freeze.
- It has also transferred cash from inactive funds via the general fund to reduce and/or eliminate deficit balances in all funds.
- East Cleveland started its own impound lot rather than contracting for this service.

City of East Cleveland Cuyahoga County



Population
13,792



Emergency Declared
10/9/2012

Outlook:

The city ended FY 2022 with a deficit in the permanent improvement fund and expenditures exceeding appropriations in many of the general fund line items. Financial reports for FY 2023 have not been completed. A five-year forecast prepared in April 2023 projected a deficit in year five of \$30 million dollars.

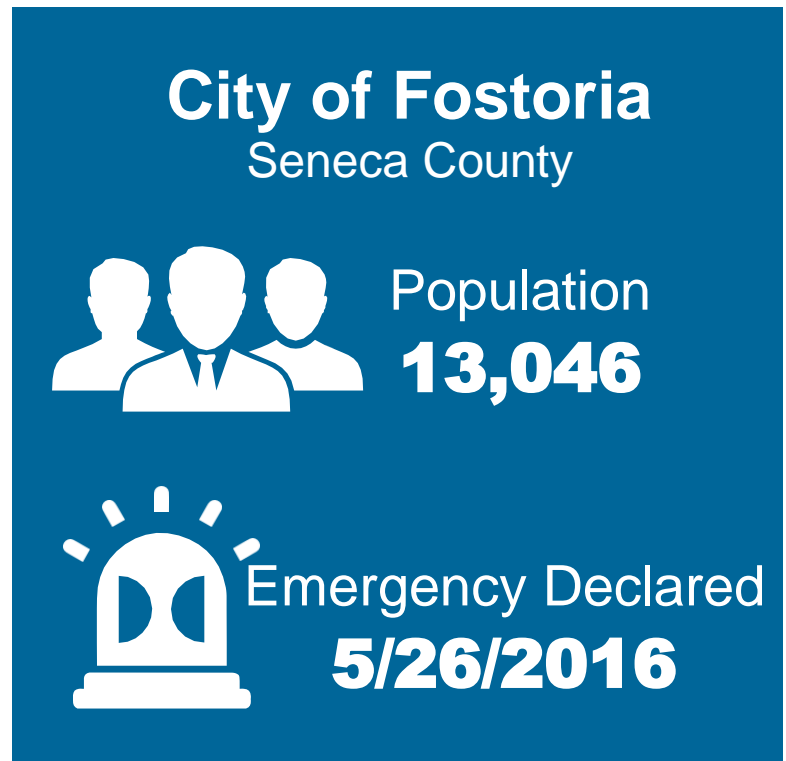
The financial health of the city is largely dependent on the administration and city council reaching internal agreement regarding financial priority matters, final resolution of the legal cases referenced above, and improvements in accounting processes as outlined in the Report on Accounting Methods issued by the Auditor of State. It is not anticipated the city will be released from fiscal emergency in the upcoming year.

Brief Summary:

The City of Fostoria was declared to be in fiscal emergency as of May 26, 2016, when the Auditor of State determined the deficit fund balances were \$505,330. By the end of November 2023, the general fund had approximately \$9.8 million in cash.

Action Steps Taken:

- Fostoria increased water and sewer fees to cover the increased costs of operations again in 2024 and will continue to increase these fees to maintain sufficient carryover balances.
- Fostoria entered into an agreement with a consultant to provide financial services in lieu of hiring a Finance Director.
- An updated Recovery Plan was passed by City Council in December 2023 and approved by the commission in January 2024. The Plan incorporates the increased water and sewer fees, grants and loans, and the property tax revenue anticipated due to the last sexennial update. All funds have positive balances through 2027.



Outlook:

The city is in a stable financial position that could lead to release from fiscal emergency in time. Fostoria's water and sewer funds must attain sufficient carryover balances before this occurs. This will continue to impact the city's release from fiscal emergency.

Brief Summary:


The City of Norwood was declared in fiscal emergency due to deficit general fund balances of \$38,000 as of December 2015, and \$260,000 as of June 2016. Norwood had previously been in fiscal watch from October 2004 until October 2016.

Action Steps Taken:

- The staff of the offices of city treasurer and auditor are working together to reconcile the city's bank statements. The Auditor of State has provided additional staff to assist these efforts.
- The city continued to make strategic investments in infrastructure to support economic growth, community wellbeing, and financial sustainability.

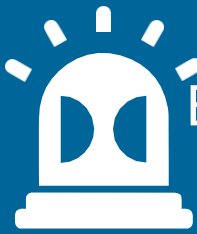
City of Norwood

Hamilton County



Population

19,043



Emergency Declared

10/6/2016

Outlook:

The City of Norwood's finances are stable and the city continues to work on addressing the comments on the [Auditor of State's Report on Accounting Methods](#). While the city is making progress, it must continue to update its financial recovery plan until all comments have been addressed. The commission is scheduled to receive, review, and consider approval of the plan at the next meeting April 9, 2024.

Brief Summary:

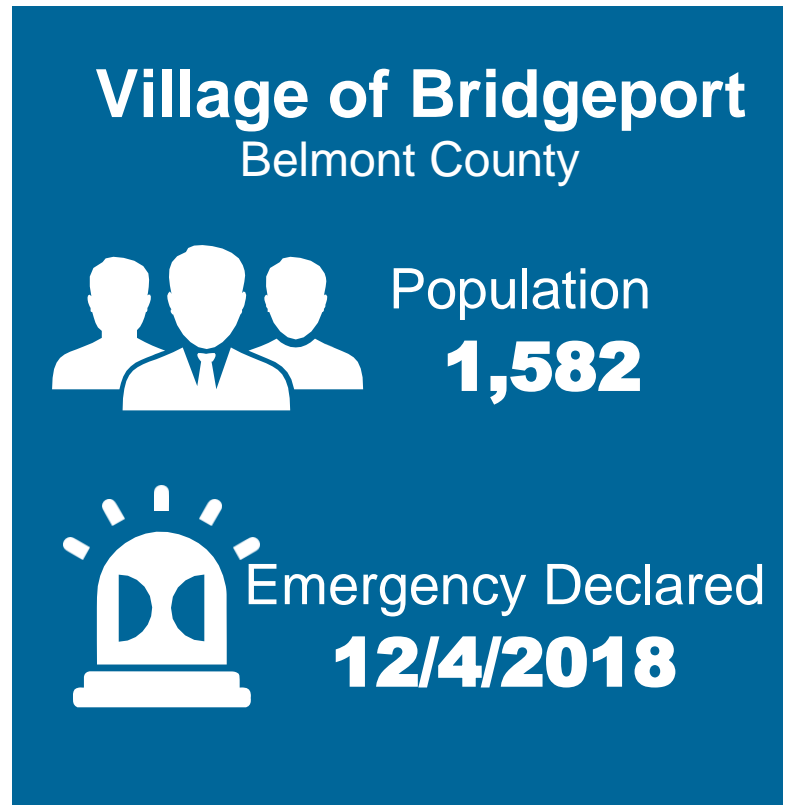
As of August 31, 2018, the Village of Bridgeport failed to make semi-annual payments on loans from the Ohio Water Development Authority and the Ohio Public Works Commission. Missed payments totaled \$90,636. In addition, village financial records were insufficient to meet accounting standards.

Action Steps:

- Four loans were approved at the November 1, 2023 meeting. Two loans were for water and sewer repair projects, one was for a study on the long-term sewer needs of the village, and one was for a new police cruiser. An updated Recovery Plan was also approved at the meeting which took the loans and the corresponding debt service into account.
- An updated Recovery Plan was approved at the December 20, 2023 meeting. This plan addressed changes in revenue projections and expenditures that were more discernible as near year-end financials became available.

Outlook:

The December 2023 plan projects all funds to be financially solvent through the end of calendar year 2027. Though property tax revenues have declined due to expiring levies, increases in income tax revenue and investment income have mitigated shortfalls, and the village plans to put a new property tax levy on the spring ballot. These changes and the new Recovery Plan could lead to the village being released from fiscal emergency by the end of 2024. Increases in water rates have helped the Water Fund remain solvent, but aging infrastructure will continue to be a challenge.



Brief Summary:

At the request of the Concord Township Board of Trustees, the Auditor of State conducted an analysis to determine if the fiscal condition of the Township had deteriorated to the point that a declaration of fiscal watch or fiscal emergency was appropriate. The analysis identified the existence of two fiscal emergency conditions: a deficit fund balance of \$63,941 as of December 31, 2019, and a treasury deficit exceeding one-sixth of the treasury receipts on December 31, 2019, by \$20,888. The Auditor of State declared the township to be in fiscal emergency on March 3, 2020.

Action Steps:


- The township attained a positive general fund balance at the end of calendar year 2023.
- Despite its geographically large area and highly dispersed population, Concord Township successfully completed contracts with surrounding providers of fire and EMS services.

Outlook:


The general fund is no longer in a deficit position, although it is subject to variations in cash flow. The general fund balance will be reviewed in June 2024. If there is sufficient carryover balance, the township will request release from fiscal emergency.

Concord Township

Champaign County



Population
1,387



Emergency Declared
3/3/2020

APPENDIX

Conditions for Declaration and Termination of Fiscal Emergency

Section 118.03 of the Revised Code details the six conditions under which a municipal corporation, county, or township may be declared in fiscal emergency and placed under the oversight of a financial planning and supervision commission. These conditions are:

1. The existence of a default on any debt obligation for more than thirty days;
2. The failure for lack of cash in the funds to make payment of all payroll to employees in the amounts and at the times required by law, ordinances, resolutions, or agreements for more than thirty days after such time for payment or beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever occurs first;
3. An increase, by action of the county budget commission pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts;
4. Either the existence of past due accounts payable from the general fund that were due and payable for at least thirty days at the end of the preceding fiscal year, or to which a penalty has been added for failure to pay at the end of the fiscal year. Such past due accounts payable must exceed one-sixth of the general fund budget for that year; or

The existence of past due accounts payable from all funds that were due and payable for at least thirty days at the end of the preceding fiscal year, or to which a penalty has been added for failure to pay at the end of the fiscal year. Such past due accounts payable must exceed one-sixth of available revenues during the preceding year, excluding nonrecurring receipts.

5. The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.
6. The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

Section 118.27 of the Revised Code details the necessary conditions a municipal corporation, county, or township must meet to release itself from fiscal emergency and thereby terminate a financial planning and supervision commission. Generally speaking, with the exception of dissolution alternatives for a village or township, each entity must have completed each of the following:

1. Planned and is in the process of good faith implementation of an effective financial accounting and reporting system, and it is reasonably expected that such implementation will be completed within two years;
2. Corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all fiscal emergency conditions and no new fiscal emergency conditions have occurred;
3. Met the objectives of the financial recovery plan described in R.C. 118.06; and
4. Prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State. The Auditor of State must render an opinion that the financial forecast is considered to be non-adverse.