

# Local Governments Currently in Fiscal Emergency

## City of East Cleveland | Cuyahoga County

### 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 and instability that existed then continues today.

Despite the continued erosion of income tax revenue, East Cleveland has benefited from the collection of revenue from traffic camera fines. However, in 2019, the Ohio General Assembly reduced local government fund distributions to an amount equal to the revenue collected from traffic camera fines unless those fines are collected in school zones. The City of East Cleveland 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.

In addition to its revenue challenges, the city is facing several ongoing legal matters and judgments. Mayor Brandon King was indicted on multiple counts by the Cuyahoga County Prosecutor, and Probate Court appointed an interim mayor. Subsequently, Mayor King's chief of staff was indicted by the U.S. Department of Justice and has been terminated. The city and the commission have not yet been able to progress on adopting an updated financial plan. 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's accounting practices are not standard best practices. The commission requires a monthly update on the city's efforts to improve its practices.



**13,352**  
Population



**10/9/2012**  
Emergency Declared

### 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.
- East Cleveland 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.

## Outlook

The city has not reconciled the ledgers for the previous fiscal year. There are deficits in the permanent improvement fund, bond retirement fund, street funds, and the FEMA fund associated with the required local match. In addition, the financial supervisors from the Auditor of State's office identified over \$1.5 million in overdue invoices, including two years of missed payments to police and fire pension funds, and missed payments on a negotiated settlement with the firefighter's union.

A review of the cash accounts indicates that general fund expenses may have been paid from restricted funds, which will need to be reconciled resulting in a negative impact to the general fund of more than \$3 million.

The municipal court has not reconciled bank statements for more than 10 years, is often late in transferring funds to the city's general fund, and has failed to deposit checks in a timely manner, leading to the checks becoming past dated. To deal with the combined impact of these shortfalls, the city will need to make drastic expenditure cuts.

The City of East Cleveland has not submitted an adequate financial recovery plan to the Financial Planning and Supervision Commission and will continue in a state of fiscal emergency this year.

