



City of Cleveland

Justin M Bibb, Mayor

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## OPPONENT TESTIMONY ON HOUSE BILL 512

Ahmed Abonamah, Chief Financial Officer

Department of Finance

City of Cleveland

November 15, 2022

Chair Brinkman, Vice Chair Lampton, Ranking Member Miranda, and members of the Ohio House Insurance Committee: on behalf of the City of Cleveland and its Department of Finance, I submit this testimony in opposition to the introduced version of House Bill 512.<sup>1</sup>

The City is resolute in its support of its police and fire forces. Public safety is and will remain Mayor Justin Bibb's top priority for the City and its residents. Public safety is the foundation of a thriving city, and our budget reflects that commitment to our residents. That said, we must balance this support with prudent financial management. Like many cities across Ohio and the United States, the majority of Cleveland's general fund budget goes to public safety — namely, police and fire. And the majority of our costs for each public safety division is personnel costs.

When personnel costs increase, that money has to come from somewhere. Because public safety personnel costs form such a large proportion of our general fund budget, we do not have ready wells from which we can draw when facing a sudden increase in those costs. Instead, increased personnel costs make it more difficult to maintain desired staffing levels not only in public safety, but across the general fund as well.

By increasing municipalities' pension contributions from 19.5% for police and 24% for firefighters to 26.5% for both, this bill as written would raise Cleveland's payments from \$38.8mm in 2022 to \$49.0mm in 2027. Moreover: that calculation is based on present-day wages. It does not take into account planned or potential wage increases, or efforts to keep up with inflation. Relative to Cleveland's overall finances, this is a debilitating increase.

The City of Cleveland's bottom-line budget is still grappling with the negative impacts of the COVID-19 pandemic and the resulting prevalence of "working from home" on the City's income and various consumption-based taxes. Throughout these challenging times, the City has made the difficult choices necessary to maintain a strong fiscal position, which, in fact, resulted in a recent bond rating upgrade from Moody's. Though the worst of the pandemic has passed, the continued

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<sup>1</sup> The city is in the process of reviewing proposed changes to the legislation submitted today.

and future success of the City's efforts remains under threat due to record high inflation, market volatility, and a potential recession. As always, the City stands ready to navigate through these challenges and provide the services residents expect as efficiently and effectively as possible. Nevertheless, adding an unfunded additional pension obligation to the list of macro-economic threats the City faces would have long-term negative implications for the City's employees, residents, and businesses. Accordingly, I urge this Committee to reject HB512.

Thank you for your consideration.

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