

**Cuyahoga Falls City Council
Minutes of the Finance Committee Meeting
October 19, 2009**

Members: Don Walters, Chair
 Debbie Ritzinger
 Carol Klinger

Mr. Walters called the meeting to order at 6:20 p.m. All committee members were present.

The minutes from the September 21, 2009 and October 5, 2009 committee meetings were approved as submitted.

Legislation to be Discussed:

Temp. Ord. B-103
Temp. Ord. B-104
Temp. Res. B-105

Discussion:

Temp. Ord. B-103

An ordinance addressing the current national and regional economic conditions by repealing Chapter 155 of the Codified Ordinances, enacting Section 125.02 of the Codified Ordinances, amending Sections 151.01 and 151.05 of the Codified Ordinances, amending Cuyahoga Falls Ordinance 6-2009 and making other necessary fiscal adjustments and declaring an emergency.

Mr. Brodzinski stated he distributed three budgets printed on different colored paper. He started with the pink sheets. In regard to property tax revenue, with a sexennial, the City usually sees a bump of 7% – 11%, then the next two years would be flat, then a small bump of 3% - 6%, then two years flat, another bump and so it flows. The year 2009 should have seen a large bump, however, we are below the actual 2008 budget due to the housing market crash. Tangible Personal Property includes the phase out of the Commercial Activity Tax (CAT). 2009 is estimated at \$831,708. 2010 is based on State figures, however, not only is the tangible personal property phasing out but the CAT is phasing out as well. The \$870,000 received in 2008 is projected to be down to \$553,000 in 2012. The State is eliminating this tax since companies do not like to relocate to Ohio because it is a heavily-taxed state. Therefore, this money will no longer flow into the City. On Local Government Funds, one account is from the County to us and the other is from the State. The numbers had previously been frozen in the early 2000s, but there was a change in the law where it is now based on consumer spending. The State said that the government funds will increase as consumer spending increases. However, if spending is down, as it is in this economy, the dollars go down. In 2008, the City received \$2.480 million from the County and \$287,000 from the State. This year, it will receive \$2.1 million from the County and \$296,000 from the State. With regard to income tax money coming into the General Fund, he revised the budget to \$10.4 million in 2009, kept it flat in 2010 and increased it by 1% in 2011 and 2% in 2012. The General Fund has never had to transfer money to the Debt Service Fund in the past. However, in 2010, there will be a transfer of \$135,000 and in 2011 of \$60,000 because, with anticipated revenue being down, the Capital Reserve Fund will first fund debt service and the General Fund will pickup what the Capital Reserve Fund used to pay at 100%. When the interest revenue drops, it will take 2-1/2 to 3 years to build it back up based on historical data events.

The assumptions made are that the 2009 budget is o.k. Also, 2010, 2011 and 2012 assume a 2.25% raise in each year, and Other Operations and Maintenance is frozen at 2009 levels. If City employees receive

their 2.25% raises, some numbers would be low. Also, step increases are included in the 2010 numbers but not in the 2011 and 2012. The bottom numbers this year are about where we anticipated with the budget submitted in December, 2008. With revenue being flat, there now is a \$4 million shortfall on an annual basis in the General Fund for 2010, 2011 and 2012. The percentages reflect the percent of Fund Balance as a percent of General Fund Revenue. They have told Moody's and other investors that the City tries to keep a 15% to 20% reserve compared to General Fund revenue. Some years in the past it has dipped to 11% or 12%. This year it is 15.64% and next year it drops way below, which hampers the City's ability to borrow. The City has an Aa3 rating. With the notes just issued, if the rating had been just one notch below, it would have cost the City \$450,000 in additional interest expense this year. It is advantageous for the City to maintain the Aa3 rating. Mr. Walters asked where the revenue numbers came from when the 2009 revenue budget was done in December, and how did they change so much during the year. Mr. Brodzinski stated the numbers were based on prior history. No one could have anticipated what happened in 2009, especially with income tax money. Local Government Fund numbers were listed higher than where they ended coming out at. Also, they started to see the revenue numbers being lower so they went to the various departments and they were able to reduce \$1.5 million in expenditures, which is why the fund balance will end up where anticipated.

On the yellow sheets, the numbers are based on four adjustments: Request for furlough days, no 2010 raise, no sick leave incentive, and eliminating vacation sell-back. Pages 1, 2 and 3 are the same as the pink copy. On page 4, they will be breaking the numbers out by department for the 2010 budget presentation, however, for tonight's purposes, he just plugged the numbers in at the bottom for now. Also, the assumption on the yellow sheets is that 2011 and 2012 include 2.25% raises. Comparing the bottom numbers of the yellow sheet to the pink, 2010 goes from \$796,000 to \$1.907 million. This is the affect to the General Fund with the four proposed adjustments. However, 2011 will be a negative \$1.8 million, which is still not where the City needs to be. Mrs. Hummel asked for clarification on the four budget adjustments. She asked if they were only for nonbargaining employees. Mr. Brodzinski stated the legislation tonight is only for nonbargaining but the budget adjustments are intended to be City-wide, bargaining and nonbargaining.

On the green sheets, the difference is, again, in the totals on page 4. In 2010, the General Fund balance goes to \$3,796,000. The assumption on the green sheets is if the City does the four adjustments, challenges all department heads to curtail and limit overtime, cuts back 80% on training and travel City-wide, and has the department heads go back and come up with another \$1.2 million in additional budget adjustments, the City should be positive through 2011 and, in 2012, be negative by \$436,000. Without a turn-around in the economy and living within the means of revenue coming into the City, the City could be faced with making additional changes to stop the negative in 2012.

In addition, Mr. Brodzinski distributed an article from *Yahoo Finance*. It states that the majority of analysts feel the recession is over and starting to turn around. However, 92% of them (or 40 out of 43) do not think the jobs lost due to the recession will come back until 2012 or later. Finally, he commented on the capital projects the City has done that were done with money borrowed in the form of notes. None of those projects have any impact on what is happening to the General Fund. He added that the General Fund has the ability to give money to other funds. The Capital Projects Fund cannot transfer money to pay wages.

Mr. Walters suggested starting the discussion with the ordinance to see what applies. He stated the ordinance includes moral claims. He asked that the moral claims part be removed and made into a separate ordinance. Mr. Arrington stated he is working on a substitute ordinance to tweak the details on how things are applied. He will take the moral claims out and introduce that in the coming weeks. There are issues on moral claims that need to be addressed whatever fund moral claims are paid from.

Mr. Walters stated Section 2 deals with the sick leave incentive program. He asked if there was a dollar amount as to what this will save. Mr. Brodzinski stated that General Fund-wide it is almost \$36,000. \$12,000 would be for nonbargaining. He explained that the current policy is if someone does not use their sick leave and has accumulated quite a bit of hours, they are able to sell some back. For example, 40 hours of sick leave would be sold for 40 hours of pay. If they used 0 – 8 hours, then 40 hours could be sold for 32 hours of pay. It is a sliding scale. Mr. Walters asked if it would apply whether an employee was union or nonunion. Mr. Brodzinski stated it would affect most contracts. There was one police contract that does not have it in it. Mr. Walters confirmed that sick leave would just accrue. He asked whether the City required employees to go to the doctor. Mr. Brodzinski stated it depended on the situation and whether the employee was habitual in sick leave usage. It was also up to individual departments.

Mr. Walters moved on to Section 3 dealing with vacation sell-back. Mr. Brodzinski stated that if an employee has been with the City for 20 years and has earned six weeks of vacation, they could take some of it as time off or they could sell it. All they had to do was to notify the payroll administrator. The proposal in this legislation requires the employee to take the time off. Half of it can still be rolled to the next year but they cannot sell it. Mr. Walters asked if this would cause shortages in certain departments having everyone taking all of their vacation. Mr. Brodzinski stated the various department managers would monitor and make sure they do not have too many people off at the same time. Time would probably be scheduled off according to seniority. The savings on this piece would be \$49,000 nonbargaining and \$128,000 General Fund-wide.

On Section 4, Mr. Walters stated the 2010 raises would be zero. Mr. Brodzinski agreed they would be frozen where they are at in 2009. The savings would be \$130,000 nonbargaining and \$447,000 General Fund-wide. He added that this ordinance is for full-time employees. Employees on a part-time basis get paid as they work. Part of the \$1.2 million in adjustments they will be making will also have an impact on the part-time side of things.

Mr. Walters stated that Section 5 contains new language and felt that Council should be included. Mr. Brodzinski stated the current language was based on the concept of days off without pay for people who work a set number of hours. This ordinance does not include Council. He will be revising the language to address those who do not work a set number of hours for them to receive a 2.308% reduction in pay, which is the equivalent of the required number of days without pay. The rest of the employees will be given six personal days to use within the year. Mr. Walters asked if someone could be denied their days off and then never get to use them. Mr. Arrington stated that personal leave is usually the first that employees use each year because that is a “use it or lose it” benefit. Additional furlough days will also help employees bank more of their vacation than they currently do. Mr. Walters asked if this will cause a shortage in staffing which would then trigger overtime. Mr. Brodzinski stated ordinarily that could be a problem. Their intent is that if a department eats into its overtime, it must look for other areas to cut to make up for that. Mr. Walters asked if the furlough days will affect the accrual. Mr. Brodzinski stated it will not affect vacation or sick leave. Mr. Walters stated that everything proposed is based on Citywide implementation and asked what would happen if the unions do not agree. Mr. Brodzinski stated they are hoping that everyone agrees. The unions have a right to vote. Nonbargaining employees are based on what City Council says. They are set to go to discussions with the unions, who have hired their own auditor to look at the City’s numbers. Mr. Walters asked if there would be layoffs if the unions reject the change in the contract. Mr. Brodzinski confirmed they would be looking at laying people off. Mr. Arrington stated they are starting to get with the unions. It is the City’s goal to avoid layoffs. The City has only so much available so it will either be paying people less or paying less people. Mr. Brodzinski added that changes made at this point in time would be much less dramatic than if the City waits to react next year. They are trying to react sooner than Akron did. They do not want to get to that point. They realize the requests are painful. They are trying to touch areas with the least amount of pain. Mr. Walters

pointed out that Section 5 had no ending date. Mr. Arrington stated the revised language will specify a date.

Mrs. Klinger asked what the savings numbers were on the furlough days. Mr. Brodzinski stated they were \$104,000 for nonbargaining and \$499,000 General Fund-wide. Mrs. Klinger asked about the real estate revenue in relation to the State Road Shopping Center. Mr. Brodzinski stated that would only amount to \$25,000 to \$30,000 and would still not turn the numbers positive. Mrs. Klinger asked why departments wouldn't start limiting their travel today. Mr. Brodzinski stated they are in the process. This is for 2010 and 2011. He added that savings for the traveling and training combined is \$70,000 to \$71,000. Mrs. Klinger asked for an estimate on the overtime savings. Mr. Brodzinski stated it would be \$400,000+ and may be a little higher on an annualized basis. Mrs. Klinger expressed her concern about keeping the income revenue flat when the State is forecasting down, especially in light of the high unemployment rate. Mr. Brodzinski stated he would be revising the numbers before the December budget process starts as he gets additional data in. He just left it at the flat rate for tonight's discussion and pointed out that even at the flat rate, the point shows where the City stands without making any adjustments. Mrs. Klinger asked if Administration was looking at cutting any programs, such as Riverfront. Mr. Brodzinski stated they are in the process of looking at them, but their goal is to impact the least that they can. Mrs. Klinger was concerned about the choices when the choice was weighing someone on the safety forces being laid off vs. Riverfront programs.

Mrs. Hummel confirmed that the changes on the worksheet would not impact the buyout at retirement for sick leave. Mr. Brodzinski agreed that they still get the 960 hours. Mrs. Hummel asked if the raises, merit and longevity were included in these calculations. Mr. Brodzinski stated they are currently built into the 2010 numbers. Mrs. Hummel asked if those would be occurring. Mr. Brodzinski stated they are budgeted to occur but if Council passes this ordinance, they will occur at the 2009 rate vs. the 2010 rate. Mrs. Hummel asked if the furlough will apply to everyone. Mr. Brodzinski stated if they are full-time employees, they will be affected. Mrs. Carr added that it will apply to the unions, as well, if they agree. Mrs. Hummel confirmed that it will be across the board. Mrs. Colavecchio asked if there has been any discussion with anyone with respect to offering buyouts. Mr. Brodzinski stated they looked at it but it was not feasible as the positions would have to remain unfilled. Mr. Barnhart asked for confirmation that there would not be any layoffs assuming the unions accept the proposed changes. Mr. Brodzinski stated he could not guarantee that but it does go a long way to preventing them. He cannot guarantee no layoffs because there is no guarantee on what the economy is going to do. Mr. Arrington stated that is the reason for the yellow and green sheets. The four adjustments only amount of \$1.2 million. They still have to come up with another \$1.8 million. Some of the cuts in various departments may result in personnel issues. Mrs. Pyke asked what the City would be looking at in layoffs if the adjustments are not made. Mr. Brodzinski stated he does not have it broken down by each unit. If you take the \$4 million swing and you assume salary and benefits to be \$70,000, you are looking at 57 people. That is if there are no changes. Mrs. Hummel stated when the ordinance is redrafted, that the Code Sections referred to in Sections 2 and 3 need to be corrected. To Mrs. Klinger's point about lowering revenue, Mrs. Hummel feels it is fair that everyone has the best picture possible. If that means lowering the number, then it should be lowered. Before anything more is done with this legislation, she would like a firmer number than 57 people but that is just an estimate. She would like a more accurate number and if revenues need to come down a little, then bring them to where they need to be. If it is not dealt with now, it will need to be dealt with in 2010. Mr. Brodzinski stated he is in the process of working with department heads. He does not have it costed out exactly what the four budget requests mean to the various units.

Mrs. Hummel stated we are all in this together. To be fair to everyone involved, the employees need to know how many of their co-workers would be affected. Then, it will be up to them to decide if they want to proceed with concessions. She would not want to be asked for these concessions unless she was sure her co-workers would not be losing their jobs. She suggested taking the revenue lower to where it needs

to be and fine-tuning it. Mr. Arrington stated that in order to get there, they would need to ask for deeper concessions than they have asked. As it stands, these account for \$1.2 million of what is needed. Lowering the revenue will mean asking for more cuts. Mrs. Hummel stated then that is what needs to be done. You could point those out and lower the revenue so Council has the most realistic forecast it can have. The other side of this are enterprise funds. Council needs to see those as well. Mrs. Klinger suggested in forecasting revenue that the unemployment rate and history of the City be used as an index. She agreed with Council taking furloughs. She commented on the Mayor's statement earlier this year that he saw this coming. Mayor Robart stated he saw it coming 3-1/2 years ago. No one anticipated the recession to go on as long as it has. They have been gradually cutting back and that is why the City ended last year as strong as it did. They do not control the economy. They did not create the situation but they are obligated to fix it. He felt that Mr. Brodzinski's analysis was pretty good. He reiterated that the City finished last year the strongest in its history. This has gone on longer than anyone has anticipated. Mr. Arrington stated there are other things that will affect the numbers. For example, as part of the mandatory collective bargaining system, a factfinder can come in and dictate to the City what its budget is going to be. In fact, the raises given were determined by a factfinder.

Mr. Walters stated Administration will be bringing out a substitute so he will amend by substitution. Also there will be legislation regarding how moral claims will be treated and also the furlough for Council taking a 2.308% decrease in pay. There will also be tweaks in other language. Mrs. Hummel stated that discussion tonight included revised revenue figures and, unless Council received those before next week, she would not be prepared to make a decision at next week's meeting. She was not sure if Council was ready to bring this out yet. Mrs. Klinger suggested having a committee meeting next week because there are quite a number of changes. She also requested that everyone on Council receive a copy of the numbers Mrs. Hummel and Mrs. Colavecchio requested.

Mrs. Colavecchio asked about the real estate revenue in the 2009 budget of \$9,048 million being revised to \$9.283 million and then keeping it flat for the next two years. She asked if the \$9.283 million would still remain flat when you take into account the tax abatements when the agreements expire at the end of 2009. There are quite a few expiring. Mr. Brodzinski stated the City receives very little of those. The biggest change is felt by the school district and then the County. The City's portion is small. Mrs. Colavecchio stated she appreciated Mr. Brodzinski reviewing the numbers and she did not really expect them to change much in future drafts. She agreed that everyone is in this together, and she will do her part to make the numbers set and keep employees employed. She stated no one can blame any one person or event on the position the City finds itself in. This is about resolving the problem and not pointing fingers. Mrs. Klinger suggested as a follow-up to Mrs. Hummel question, that Mr. Brodzinski come up with a factor for every 1% factor on how it affects employees.

Mr. Walters asked for questions or comments from the audience and there were none.

Mr. Walters stated he will make a motion next week to hold a committee meeting on the same night as Council. In the meantime, this will be held in committee and discussed further next week with the substitution containing the language requested.

Committee recommended holding Temp. Ord. B-103.

Temp. Ord. B-104

An ordinance authorizing the sale of certain real property known as 1850-54 Front Street upon terms and conditions as set forth in the High Bridge Glens Clean Ohio Council CORF Grant, and declaring an emergency.

Mr. Guerra that the City is selling property it purchased with the CORF grant. This legislation allows the City to flip the H&M property to a developer. It will be sold for what the City paid for it. Mr. Walters asked for clarification on the requirements for competitive bidding being suspended. Mr. Arrington stated that when the City sells property, it sells it to the highest bidder. However, in order to get this grant, the City had to identify a developer at the time it applied. In order to qualify for the grant, the City has to sell the property to that developer. Mr. Guerra stated that this legislation allows the City to move on to the next step. Mrs. Klinger stated that even though the City did not have to competitively bid, she asked if there was any process in selecting a developer. Mrs. Truby stated they talked to several developers who were interested. The City had to then provide a letter from the developer setting forth his financial commitment and what he was going to build. Mrs. Klinger asked why an RFQ wasn't done. Mr. Guerra stated this is an economic development project and they do not have developers beating down the door. This deal was made in 2005. Mrs. Pyke asked what the property was appraised at. Mr. Guerra stated an appraisal was done in 2005. The difference in appraised value is what the City asked for from Clean Ohio. We received \$435,000 from the State of Ohio, \$165,000 in CDBG funds and \$400,000 of City funds and money from two other grant sources. The City will be getting paid back the \$400,000 it paid. Mrs. Pyke asked if it locked Testa in by applying for the grant. Mr. Guerra stated it did. He added that the development fits on the property. It also includes property he already owns, which is adjacent to this. Improvements will be made to that as well. Mrs. Pyke asked if the property was clean. Mr. Guerra stated it is in the process of being cleaned. Ground monitoring will be done for the next 12 months.

Committee recommended bringing out Temp. Ord. B-104.

Temp. Res. B-105

A resolution accepting the amounts and rates as determined by the Budget Commission and authorizing the necessary tax levies and certifying them to the County Fiscal Officer, and declaring an emergency.

Mr. Brodzinski stated this is the annual ordinance to allow the County to collect taxes for the City. It is the standard ordinance done every year. 10.4 is the millage to the General Fund. The numbers will not be affected. This is our authorization to say we want 11 mills that are certified to the City to receive. Mrs. Klinger asked when the City filed its alternative tax budget. Mr. Brodzinski believed it was filed around July 20. He will get the date for Mrs. Klinger. Mrs. Klinger also requested a copy of the budget in the future whenever that filing is made.

Committee recommended bringing out Temp. Res. B-105.

Other Business

Mr. Arrington stated he was prepared to discuss Temp. Ord. Nos. B-96 and B-97 this evening. Mr. Walters stated that since Council members did not know those pieces of legislation were going to be discussed, they did not have their budget papers with them. He stated since there is a Finance Committee meeting called for the following week, B-96 and B-97 could be discussed then. Mr. Arrington indicated that would be fine.

Meeting adjourned at 8:30 p.m.

