

**Cuyahoga Falls City Council**  
**Minutes of the Finance Committee Meeting**  
**March 18, 2013**

**Members:** Carol Klinger, Chair  
Jerry James  
Vince Rubino

Mrs. Klinger called the meeting to order at 6:30 p.m. All members were present.

**Legislation Discussed:**

None

**Discussion**

Mrs. Klinger stated the Committee would be discussing the three-year projection given to Council by the Finance Director last week. She asked how positions currently open with the City were handled in these projections. Mr. Brodzinski stated projections were based off various activity in the 2013 budget. If a position was to be filled in 2013, it was kept in the 2014 and 2015 projections. Cost assumptions for personnel were kept flat with no increases in salary or healthcare. Mrs. Klinger stated looking at revenue, after 2013, there are no more estate taxes, which is consistent with the change in the state law. Income Tax shows 1% increase in 2014, 2% in 2015. She asked about the transfer for self-preservation insurance in 2013. Mr. Brodzinski stated that was a placeholder for money going back into the General Fund for the 27<sup>th</sup> pay in 2015. It is an accrual that is coming back. Mrs. Klinger commented that in 2015, the SCMR transfer-in drops from \$600,000 to \$500,000. Mr. Brodzinski stated that is based on the projected need within that fund. Years ago, the capital reserve fund received all of the interest, which was used to transfer a portion that went to the debt service fund and SCMR fund. When interest rates hit rock bottom, the City lived off the balance and now the General Fund kicked in for debt service fund and SCMR fund. It is anticipated to go up. Mrs. Klinger commented on the expense side of personnel services, that it is flat then decreases in 2013 to 2014. Mr. Brodzinski replied it was due to a slight change that was made to workers' compensation. The difference in various accounts in Other Operations in 2013, is the revised budget to include carryover POs. In the Law Department, the difference is also due to carryover POs. Mrs. Klinger stated this report is showing a decline in the fund balance. She asked why the numbers show no increase in personnel services when there has been an increase in healthcare each year for the past five years. Mr. Brodzinski stated the City is self-insured. There were some years with people close to stop loss and other years with only one. Mrs. Klinger asked if, in the past five years, the City had more ups or downs or flats. Mr. Brodzinski stated some years went up and some went down. Mrs. Klinger felt that changes in the health care law will have a big impact.

Mr. Rubino stated if you look at the number for unencumbered fund balance at the end of 2014, that same number is also used as the projection for the beginning balance of 2015. That same logic also applies for the projection at the end of 2013 and beginning of 2014, however, it does not apply when looking at the actual 2012 number. Mr. Brodzinski stated he rolled the encumbered numbers into 2013 and put it by department. Council appropriated funds in 2012 but they did not reappropriate what was already appropriated so that line item will include current year plus what was left over. Mr. Rubino stated the projections show a decline in the unencumbered fund balance from \$7 million to just under \$3 million. He asked what the explanation would be as to why it is being reduced so much. Mr. Brodzinski stated the City is losing over \$2 million annually due to what the state did in the last round of budget negotiations, which cut estate tax and local government funds, then you couple that with the history of how real estate taxes always worked. In the last round of reappraisals, property values went down vs. an influx as in the past. Mr. Rubino stated the City is anticipating a lower amount in the General Fund than it has had in a

long time, and he asked if Mr. Brodzinski felt it was too low. Mr. Brodzinski agreed it is too low but he pointed out that the numbers in the projections are only if the City continues to do business as usual. The City was faced with this same situation three years ago so they made different decisions by adding revenue wherever possible, not backfilling positions, sending some departments to the County, and laying off the cleaning personnel. This projection is if the City does nothing going forward which, of course, it will not. Mr. Rubino felt, as a matter of vision for the City, steps need to be taken to keep the fund balance from going that low. He has not heard anything concrete to prevent that. Mr. Brodzinski stated there are a couple of years before that happens. They are working on a weekly and daily basis to prevent it. Some things are predictions on the union negotiations, which is not wise to talk about in Council. Mr. Rubino asked why it is being assumed that just cutting expenses is the only way to resolve this. Mayor Robart stated they will do whatever is necessary and boost revenues wherever possible. The key phrase is as things go forward, the Administration will need Council's support on whatever they do whether it is raising revenue or cutting expenses. They do not know right now what those plans are. Mr. Rubino stated that a decision should be made now to keep the balance from getting so low. Mr. Brodzinski stated they are always looking at opportunities for regionalizing and reducing costs but could not provide anything specific at this time. Mr. Rubino asked for an example of how revenue could be increased. Mr. Brodzinski replied that creating additional jobs, bringing additional businesses into the communities, and working with departments to see if there are grant opportunities would be a few things. Mr. Rubino asked what about raising the income tax as they did in Akron. Mr. Brodzinski stated that Akron's 1/4% increase was done to go to the schools. Mr. Rubino asked if the City could increase its income tax rates to provide additional revenue. Mayor Robart stated this is not the time to talk about a tax increase and, in fact, it would never be the time to talk about it. He did not want to increase taxes for people who are struggling. Mr. Rubino understood the reasons why cities have had difficulties balancing budgets. He does not want to wait until 2015 to find this is all the money that is left because the City did not have a plan. Mayor Robart stated that three years ago, if the City had done nothing, it would not have the current balance it has. But it did not do nothing. Just because they cannot be specific right now on what they plan, does not mean they are doing nothing. Mr. Rubino stated that Council needs to know if there is money available in order to approve budgeted items. Money is available right now because the City is drawing down its General Fund. Mrs. Klinger stated that the Administration is speaking in generalities and Mr. Rubino is looking for specifics. She understands that. The City has no specific plan and is talking about small tweaks. There are alternatives to make this not happen as projected out in this document, but it is something everyone needs to be cognizant of and working towards. Right now, there is not a clear path. This is just a forecast. Mayor Robart pointed out that three years ago, there was not a clear path but the City got there. Mr. Brodzinski added that the City was able to balance the budget three years ago when it was faced with similar numbers. As far as raising income taxes, that would actually have a detriment to the City considering the possible negative reaction of businesses who represent 70% to 75% of tax money to the City. There would be a risk of those businesses leaving.

Mrs. Klinger stated when Council looked at this three years ago, they looked at the impact if the City did not take action. The City faced a choice of decisions that impacted that projection. This figure is just looking at business as usual. Mr. Rubino has a valid concern. No one says bury our heads in the sand but we need to start looking long term.

The meeting adjourned at 6:54 p.m.