

**SPECIAL COUNCIL MEETING MINUTES  
MARCH 29, 2004**

At the call of Mayor Cervenik, a Special City Council Meeting was held on Monday, March 29, 2004 at 7 PM in the Euclid City Hall Council Chamber. Present Sustarsic presided.

Members Present: Daly, Delaney, Gruber, Holzheimer Gail, Hufnagle, Langman, Mancuso, Sustarsic, Sustarsic.

Others Present: Mayor Cervenik, Law Director Frey, Finance Director Johnson, Service Director Gulich, Police Chief Maine, Capt. Repicky, Acting Fire Chief Cosgriff, Acting CS&ED Director Gliha, Housing Manager Tollerup, Acting Parks & Rec Director Will, Senior Programs Manager Hastert-Wolf, Sgt.-at-Arms Nagy, Clerk of Council Cahill.

**ADMINISTRATION REPORTS & COMMUNICATIONS**

Mayor Cervenik – Other than welcoming everyone here tonight, we will reserve all of our comments for the legislation portion of the meeting. Thank you.

**COMMITTEE OF THE WHOLE**

Councilman Gruber moved to go into the Committee of the Whole For Legislative Matters Only. Councilwoman Holzheimer Gail seconded. Yeas: Unanimous.

Ms. Regina Hauck – 116 E. 197 St. Before we start the clock, I'd like to ask a procedural question. I took a survey. I talked to 123 residents and I have the results here. It is about 3 pages. It will take more than 5 minutes for me to read because there's a lot of numbers and percentages and I really don't want to rush through it. I would like to ask Council to waive the 5 minute rule, so I can read my comments. There's not, I don't think we would be setting any kind of precedent, there's not a lot of people here waiting to speak.

President Sustarsic – What were those comments referring to?

Ms. Hauck – To the budget. They're all budget related. It definitely is what's on the agenda. I'd like to ask somebody to make a motion to let Council vote to let me speak and give these comments.

Councilwoman Mancuso moved to waive the 5 minute time limit. Councilwoman Holzheimer Gail seconded. Yeas: Unanimous.

Ms. Hauck – Thank you. I want to go on record as saying that I am against borrowing money to balance the budget. A budget that needs to borrow money to make ends meet is not a balanced budget. I feel that I am qualified to make these comments because of my background. I have over 15 years of experience in creating budgets. My budgeting experience spans many industries including oil and gas, consulting, publishing, education, retail and health care.

The Administration tells us they must borrow \$2 million for health care cost. Before we borrow money for an employee benefit, I think we should make sure that benefit is in line with what the residents of this City are receiving in their lines of work. After all, it is the residents who will be paying for this benefit for the city employees.

With that in mind, I surveyed a sample of residents from all over the city. I stopped the survey at 123 responses. To be honest, I could have collected more, but I resent spending more time on this budget than some members of Council.

My survey consisted of 7 questions. Do you have medical coverage? If yes, what is your cost for this coverage per month? Is this single, couple or family coverage? Do you have co-pays when you visit the doctor? If yes, how much? Do you have prescription drug coverage? Do you pay co-pays on drugs? If yes, how much? Do you have an annual deductible on your drug coverage?

Let me share my results with you now. Of my 123 responses an astonishing 27 do not have health care coverage at all. When asked why, the majority of these residents responded, it is just too expensive. Please keep this in mind. If my sample survey is as true sample of Euclid, that means that almost 22% of our residents don't have any type of health care. Not only is that alarming in itself, but keep in mind these people are doing without health care themselves, but are paying for the health care of the city employees.

Back to my survey responses. 22% of respondees don't have health care and 78% do have some sort of health care coverage. Of the residents with health care, the average cost for single coverage is \$67 per month, \$148 per month for couple coverage, \$229 per month for family

coverage. Of the residents with coverage, 93% of them have to pay co-pays when they visit the doctor. The average co-pay is \$16. 98% of the residents with health care coverage also have some sort of prescription drug coverage. 99% of the residents with drug coverage must pay some sort of co-pay for their drugs. Some must pay a percentage of the drug cost and some have a flat fee. The percentages range from 10%-50% and the flat fees range from \$5 per script up to \$75 per script, depending on the drug and if its within the formulary.

Of the residents with drug coverage, 52% of them have an annual deductible before their coverage kicks in. The average annual deductible was \$113 for single, \$247 for couple and \$313 for family. I believe these results are typical and fairly represent the average Euclid resident.

Now let's look at the health care cost for the city employees. My plan was to do a complete analysis of this health plan, but I have not gotten any cooperation from the administration. I sent an e-mail to Mr. Cervenik and Mr. Johnson offering my help with the budget. Since I have health care experience, I offered to do a complete analysis of the city's plan. I asked for a copy of this plan to complete this work. Needless to say neither Mr. Cervenik, nor Mr. Johnson even had the decency to respond to my e-mail.

President Sustarsic – Ms. Hauck, I'm sorry you're out of order on that remark. If you would just stick to what you were talking about which is relative to a study of the residents.

Ms. Hauck – This is.

President Sustarsic – No, you're going after members of the administration.

Ms. Hauck – Excuse me, I'm explaining why I could not do the complete analysis to the city's. Would you like me to speak slower? Needless to say neither Mr. Cervenik nor Mr. Johnson ....

President Sustarsic – Ms. Hauck, Ms. Hauck.

Ms. Hauck – even had the decency to respond to my e-mail. The information I can give you about the employee health plan for city workers, I obtained by watching Council and budget meetings. This may not be completely accurate, but I believe it is very close.

The union employees pay \$15 per month for single coverage and \$30 per month for family coverage. Non-union employees, including Council members do not pay anything for their health care coverage. Let me repeat that for those residents watching this right now in shock. That's right, non-union city employees contribute nothing towards their medical coverage. According to Mr. Johnson at one of the budget meetings, the non-union employees also pay nothing for generic drugs, and only pay \$2 for brand drugs.

I am formally asking Council tonight to put an end to this practice. I am not asking you to take any benefits away from the city employees. I am asking you to make them contribute to their benefits as the residents of this city must contribute to theirs.

We seem to be in a Catch 22. When negotiating union contracts, nobody wants to be the first to agree to higher health care costs for their members. They aren't going to agree to something that the non-union workers don't have to do. Here's the solution. Change the non-union worker's contribution cost and deductible limits now. None of this \$15 and \$30 per month either. Make them comparable to what the residents are paying. That will lay the foundation for further union negotiations.

I would like to take this one step further and ask the unions to renegotiate their contracts. If faced with either paying increased medical or being laid off, I would guess the members would opt to pay for their medical cost. Every other employee in the state, not to mention the country, is responding to increased health care cost by passing more of the financial responsibility onto the health care consumer. Why should an employer that's funded by taxpayer money be any different? You are shifting the burden for other people's health care onto an already cash-strapped tax base made up of residents who are paying more than ever before for their own health care.

I'm asking Council tonight not to approve the budget until two things happen. Number one, the administration agrees to these health care changes. And number two, the administration agrees to balance the budget without borrowing money.

I also want to go on record as saying that I'm against charging the residents extra for garbage pick-up and street lighting. We are already paying for these services through our taxes. Since we already have such a high tax rate, if our taxes are not enough to cover these services, it must mean that our money is being mishandled. Some may call these extra charges taxes, some may call them revenue enhancements, I call them lies.

All ten of the elected officials here tonight campaigned against higher taxes. Yet here you are proposing to take more money away from the residents. You think you can get away with it because

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you are not calling them taxes. Well guess what, when it costs us more money to live here, it is a tax. The Mayor has lied to us. If you approve these charges, you will have lied to the residents also.

President Sustarsic – Ms. Hauck, you are out of order again.

Ms. Hauck – It is the administration's job to balance the budget. The job of Council is to set the spending limit for the year. Not to decide how that money will be spent. You were elected to represent the residents of this city. If you approve a budget that borrows money that is not in the best interest of the city or the residents. Set the spending limit at the estimated revenue level. Make the administration live within its means. The administration is telling us that if they can't borrow \$2 million, they will have to lay off the safety forces. If I remember clearly, the Mayor campaigned that he was going to strengthen the safety forces, more lies.

The finances of the city are public record. The Mayor should have done his due diligence before he was elected. If he cannot balance a budget without borrowing \$2 million, he is either not capable of running this city, or is not surrounding himself with capable people.

President Sustarsic – Thank you for your comments. Mrs. Hauck, you're out of order. At the same time you have diverted way away from the subject which you said primarily was going to concern yourself with the study taken by residents of the City of Euclid.

Ms. Hauck – This is about the budget. Excuse me, I did and now I would like to talk about the budget.

President Sustarsic – We've heard the results of the study taken by that and so we appreciate your comments. Thank you.

Ms. Hauck – Are we going to live within our means as you campaigned for? Are you going to stand up for what you campaigned for and live within our means? Or, are you going to approve a budget that you're borrowing \$2 million for and turn your back on your values? Are you going to do that?

President Sustarsic – No, I am not. At the same time, this is not the forum for political statements. This is a forum to help us with the budget.

Ms. Hauck – But you've made it that way by not letting me speak. I was giving you valid reasons and you were not letting me speak. I will not give you the other two that I have that would save the city \$500,000 because you, Mr. Sustarsic, are clearly not interested in it. So I hope you have a plan today to save \$2 million because its not fair for you to take it out of the taxpayers' pockets. Good night.

President Sustarsic – Please refrain from applauding, it is called out of order. Would you like to leave the, we could find an escort for you, if you want to leave the council chambers we can run this in an business manner.

Mr. Dale Vernon – 1497 E. 196 St. My wife sent out an e-mail to 4 council people this week. I'd like to read what she said. It would be much easier to be council people if the economy was flourishing. However, it isn't and you have tough decisions to make in resolving budget issues.

Having attended some of the budget discussions in addition to reading various items in the paper about expenditures, I am truly concerned that the city does not spend our money wisely. I strongly object to the Mayor's suggestion that residents pay for trash collection and street lights as we are already paying for those items via property taxes. There's certainly enough fat left in the budget for more cuts that can be made to balance it without putting more burden on the taxpayers.

First thing that comes to mind is to reduce the recreation opportunities for the summer, namely the city pools. Not opening the pools this season would save us salaries, maintenance costs, and liability exposure. The pools are a luxury and not a necessity and even in better economic times the City did a poor job of maintaining and staffing the pools, as evidenced by the death that occurred.

I also believe that creating secretarial/clerical pool in City Hall would be an efficient step. It might eliminate another job or two, or at the very least avoid the necessity to have to hire additional personnel. It also would reduce the cost for supplies, equipment and telephone lines. I'm sure that each department or director wants his or her own staff, but we don't always get what we want or keep what we want either.

In a time when private industry of which I'm a part, is reducing costs daily via reduction in work forces, paring of benefits, combining job duties, restricting expenses, etc., it seems that the City

needs to do the same. Questions raised by Mrs. Mancuso at a recent Council Meeting were really on target when she asked about co-pay costs for city employees for various medical expenses.

I am astonished to discover that in some cases there was no co-pay for prescriptions or at best a token amount. We in our family are paying \$20, \$40 or \$80 per prescription and that's for quite a few medications by the way, I'm a heart patient. Depending on the drug and that's with a good corporate insurance program. What's wrong with this picture?

I believe that a small team of volunteers made up of people who work in the real world and homemakers who are forced to live within a budget could find many ways in which the City wastes money as well as many things that could be eliminated. I also know that the administration would never allow this to happen. Fiscal responsibility is an oxymoron in Euclid's administration. I believe it is unconscionable that while we the people are forced to reduce our own expenses and give up luxuries and some necessities during tough economic times, the City of Euclid continues to spend our money haphazardly knowing that the administration will always find a way to get back into our pockets for more dollars.

That may sound political ladies and gentlemen, but let me tell you something. Every time you raise taxes on the citizens in Euclid or any other community, what you're doing in effect is telling us to take less money in order to live within our budgets. I think we could start by having the Mayor and his administration reduce their income by 10% and that would kind of balance it out with the citizens. We'd be more ready to listen to what your proposals are. Thank you.

Mr. Jerry Corbran – 24250 Maplewood Dr. Some ask how did we get into this financial mess? And what can we do about it? For the answer it is instructive to look back further than the year 2000 shown on the administration's charts for revenues and expenditures. Study the data from 1994, the year public took the bait and passed the .85 additional income tax. The general fund spending and income levels were about \$25.4 million in that year. In 1995 with the new revenues rolling in, Council approved Mayor Lynch's \$2.2 million spending request.

Thus began an era of unprecedented spending with \$3 million by the new Oyaski administration. Followed by a \$3 and a \$2.9 million more, up to 1999 when spending levels reached \$36.4 million. That's \$11 million over the pre-tax level of 1994. A whopping \$32 million in new tax money had been squandered in that 5 year span.

The bright spot was that regardless of the increased spending, the tax revenues actually exceeded that spending and there was a surplus of over \$7 million. However, if the administration had kept pace with the cost of living percentages, my calculations show that a surplus could have been as high as \$23 million and the senior centers, marinas, golf club houses, Shore Centre, would have been paid for.

Then in 1999 the bubble burst following several failed real estate ventures by the City and the lack of business development and the out-migration of long time residents, tax revenues dropped dramatically and continue to do so to this day. Some heroic measures were implemented to keep the ship afloat during 2002 and 2003 and that must continue.

The only suggestion I can offer at this time is to study decisions made during those carefree years to see if the ongoing costs of these decisions square with current income levels that have fallen below those of 1996. That's 8 years ago. Mr. Cervenik was Chairman of the Council Finance Committee during those faithful years and he knows the details. These are troubling times that require biting the bullet.

To the Council I say this is Mayor Cervenik's budget. He and his administration put it together. If you are not comfortable with it, don't vote for it. If you don't vote for it, you share the responsibility. That's the end of my remarks but I do have some charts that I would like to make available to all of you regarding all these things I talked about. Thank you very much.

Mr. John Conway – 291 E. 276 St. I think during the last council meeting I came up here and I was making some comments about how borrowing \$2 million could adversely impact the bond rating. And Director Johnson and I exchanged several e-mails about the spirit of the comments that I had during that time. I think one thing I want to make clear to everybody that's listening that night is, I understand that there's non-issuance of bonds that are going to be able to fund the \$2 million that's proposed to be borrowed and I've also since heard that it may be a lower number based upon some of the changes that were made at the golf course so we can talk about that a little bit later.

I thought it was important to take a look at what bond ratings are all about and what my understanding is, even though we are not issuing bonds for that \$1.2 million or the \$2 million that we're looking at borrowing. For those of you not familiar with bond ratings, they really are a lot like a credit rating. When the ratings are good, they lead to lower interest rates. When the ratings are bad, they lead to higher interest rates. One of the main factors they look upon is a city's ability or anybody's ability to repay their debt. When they take a look at the overall picture of the financial stability of the institution or the city that is borrowing money or making repayment.

The spirit of my comments was is that when evaluators come in and take a look at our bond rating on either our existing bonds, or our future bonds that we're going to be paying a higher interest rate. From what I've heard you've had conversations that said the bond rating won't be impacted at all by either the \$1.2 or the \$2 million loan. Is that correct statement at this point? So there has not been any conversations with any authority about can the bond rating be impacted?

Director Johnson – That's not what I said Mr. Conway. I said that an issue about bond ratings does not apply at this present moment. The issuance of these notes, has at this moment, has no impact. We're not talking about rating for bonds.

Mr. Conway – But would a loan to balance the budget not have the potential by an outside independent observer when looking at the financial stability of the city who's borrowing the money, have impact for future rating on bonds if we need to go down that path, could it not get that bond rating down graded from the existing down rating today?

Director Johnson – That's a hypothetical question that ....

Mr. Conway – But it's a realistic question. Why is that a hypothetical question, sir? Why not?

Director Johnson – No it's not. We have no intentions of going to the bond market ....

Mr. Conway – How can we say that?

Director Johnson – ...at this particular time.

Mr. Conway – How can we say that looking down the next 5 years?

Director Johnson – Because I'm telling you right now, we just renewed about \$5-\$6 million worth of notes. We issued an additional \$1.2 million just several weeks ago. The reason why those notes were renewed rather than rolled into permanent financing known as bonds, is because of the current fiscal condition of the City. Not only that, the fiscal condition of the region and the state and national economy.

Mr. Conway – Right, I understand the main 5 factors that most agencies look at when they are evaluating the bonds. I just don't think you can say the financial stability of the city cannot negatively be impacted by this loan. I think its hypothetical on both of ours, but I think it's a realistic consideration. Sorry, didn't mean to cut you off.

Director Johnson – I think that we do more damage to our bond rating by not addressing our fiscal crisis.

Mr. Conway – Correct.

Director Johnson – If a city cannot address its fiscal crisis, does not have the wherewithal to address the fiscal crisis that it faces, I think that we do more damage to our bond rating by not addressing that crisis.

Mr. Conway – I think we do have to address it and whether its \$1.2 or \$2 million of a loan, I think it is still something that has to be considered. I realize it's a big picture right now, when you're looking at the financial stability of the region and the city as well. My main point of coming up here tonight was to clarify as I think some of the statements I made previously were under the assumption that I was saying that we were going to go out and get a \$2 million bond. I want to acknowledge that is not what my intent was. But looking at how bond ratings are for existing business, knowing the financial stability of the city plays heavily into that rating. Is that one I wanted to clarify my statement. Two it's a concern and we probably have a difference of opinions and that is certainly fair. Just my understanding of how it could impact globally how this loan could.

Could I just clarify because I've heard different stories and we might as well come here and get them straight. Are we now looking at a \$1.2 million loan or a \$2 million loan based upon the \$800,000 savings at the proposed golf course?

Mayor Cervenik – We're looking at a \$2 million loan against health care to balance the budget for this year. The net effect though, when we talk about a bond rating, the net effect of not borrowing for a building, will all come into play when they look over the total financial health and stability of a

city. So, no, by not spending \$800,000 on the golf course, that doesn't help the general fund. What it does do is helps the balance sheet for the city as a whole and the bond ratings, if someday when we go out for bonds, we'll look at the financial health of the city as a whole.

Mr. Conway – I think what people are confused about, if you could clarify, is I think people were understanding that we already had \$2 million set aside for the golf course. The proposal was the \$1.2 million. In theory that was a pool of money, \$800,000 would be allocated and the new loan would be for \$1.2 million. Maybe I just misunderstood that, but I just think that's something that needed clarified.

Mayor Cervenik – Yes, that's exactly what would have happened, Mr. Conway, yes.

Mr. Conway – So there already is \$2 million, so its an additional one too?

Mayor Cervenik – No, no, no, there's only \$1.2 million allocated for the building at this point. In order to do it as it was proposed, Council would have had to authorize another \$800,000 for the building.

Mr. Conway – Okay. I think people were confused thinking we already had \$2 million that was taken out last year and that we were looking for the additional \$800,000.

Mayor Cervenik – The other \$800,000 was never done.

Mr. Conway – Okay, very good. Thank you for your time.

Councilman Gruber moved to rise and report. Councilwoman Holzheimer Gail seconded. Yeas: Unanimous.

#### LEGISLATION

##### **Ord. 44-2004 (072-04) 2004 Budget Approp.**

An emergency ordinance which makes the annual appropriation for all expenditures for the City of Euclid for the period ending December 31, 2004. (Sponsored by Mayor Cervenik & entire Council)

Councilwoman Holzheimer Gail moved for passage, Councilman T. Sustarsic seconded.

Mayor Cervenik – Thank you and good evening. I've met with many of you over the past two weeks, tried to answer as many questions as we could. We'll try to answer any more you have tonight. I think it needs to be made very clear that the Administration is not any happier about being in a situation where we need to borrow \$2 million to get our financial house in order, any more than you or the general public. At the last meeting, people said, make hard decisions. I can make hard decisions. I announced some hard decisions and people said, don't make those decisions.

When we're talking about over \$2 million shortfall, there's going to be a lot of changes made. I met with 4 of you talking about health care changes. We are going to study and propose health care changes. That's not going to happen overnight. It does need to be done, in my opinion, in a fair and equitable way. I am going to sit with the unions. I can't tell you that I'm extremely hopeful that we will get any concrete change done between now and the expiration of most of those contracts that are in December, 2005. But I guarantee you that we will not see negotiations and the results of negotiations happen at the end of 2005 like they happened in the past.

We talk about the drugs and the co-pay. We had an arbitrator, binding arbitration reduce from \$12 to \$2 the co-pay on drugs, formulary drugs. It is our estimation that decision alone by one individual is costing the city about \$143,000. It's binding arbitration. Whether we stated our case correctly or not, I can't tell you because I wasn't here. But I pledge to you we are going to work daily to make some changes.

We've cut, I believe on an annual basis over \$1.4 million of salary and benefits out of the general fund since I took office. We have totally revamped the way the Building Department is going to be run. Besides the savings in salaries, the income we produce to pay for the overhead in that department, is probably another savings of close to \$140,000-\$150,000. All of that is being embraced by the business community because they know the department will be run more efficiently.

This is an ongoing process. But to handcuff and administration to where they can't make the decisions that need to be made over the next year; to force our hand by not borrowing, so that I sincerely have to consider laying off safety forces. I don't bring safety forces up to scare anybody. You know as well as I do that our safety forces comprise of about 60% of our budget. If we want to do real savings, we've got to touch part of that 60% of our budget.

I don't feel the citizens of Euclid want that at this time. They want us to go through each department as we did through the Building Department and make changes. They want us to examine our health care and to fairly charge all of our employees for health care. To get co-pays on drugs and to get co-pays on wellness visits and doctor visits that make sense. My own son pays \$225 a month for health care. I understand that. When I was self-employed, I paid twice as much as that. I didn't have an employer paying it for me. We have those problems.

We, here, didn't cause all of these problems. They've been ongoing. They need to change. They will change. Borrowing is not the best thing in the world to do, but under the situation and what we presented to you with the 27 pays and all of the deferred money that came in this year, more than half of that borrowing is just to take care of things in 2004 budget that are odd, different, that are being deferred from 2003 and 2002. That's why we proposed to you what we did.

We're working hard. We will continue working hard. We are going to continue working hard with you. I strongly ask that you support this budget this evening, so that the City is not decimated. Mr. Johnson made a comment concerning the bond ratings. If we don't take action to pay our bills, so whether we either increase revenue, or greatly decrease the services we provide, that will do as much damage to our bond rating as having this loan outstanding. We need to be able to prove to the financial world over the next 2-3 years, that we can do this, that we are up to the task. That the citizens want services and they're willing to pay for them. If they're not willing to pay for them, then we need to cut those services. It's as simple as that.

I can honestly tell you there are very few if any jobs left in this building that could be eliminated without stopping services we give. We've got a Housing Dept. that has two less inspectors now. It makes no sense to get rid of any more housing inspectors, because if we stop doing housing inspections we also lose the \$140-\$190 fee that comes in. Even though we're not really supposed to be making a profit on fees, we are. But we're not because we're paying for overhead of the department. We're getting to that point where other cuts we made inside this building, aren't going to help, they are going to hurt. We have to examine the whole situation here.

There was a comment made about, and I normally don't comment on these, but I will tonight, about my administration taking a 10% cut in pay. They haven't had a raise in a few years either. I will tell you this. As the Mayor, I'm allowed a city car. I'm allowed city gas, city insurance, city repairs, and I refused it all and I won't do it because I don't feel its necessary. I feel its my way to contribute a little bit. But when I go somewhere with the Directors I'm going to make them drive because they got a \$250 car allowance. We're all trying. The work much more than 40 hours a week.

To try and balance all of our health care problems on the non-union help, is wrong. The non-unions will be talked to. We will work with them. They will have co-pays. They will have the \$15, \$30 or more that the unions have. They haven't had a raise going on three years now. I don't know how many of you in the private practice would be real happy about your job if you didn't have it. But, I'll tell you this. Our non-union employees that are working harder than ever now, as well as our union employees are working harder than ever now, they're thankful they have a job and they'll work with us. But don't talk about them like they're worthless. This isn't so much a comment to you, but it is a comment to some of the e-mails I've received.

Speaking of e-mails, I did not receive an e-mail from Regina Hauck. Why? Again I don't know. More and more people come up here and say they sent me an e-mail and they didn't get it. You can look at my e-mail record, Mr. Johnson, everything that comes through is there. I didn't get it. If I got it, I would respond. I respond to e-mails, if they ask for a response, I respond. Many times I call. I would have given Ms. Hauck anything she wanted and in fact, she can pick up the phone and call me. The number's in the book, I'll answer the phone, Colleen, or send it in.

We want to get everybody to understand the seriousness of our financial problems and we want to fix them. We want to fix it in a style and a manner that will not damage the community presently. Jack has a few comments, Mr. Johnson has a few comments, and then we'll answer any other questions you have, as best we can.

Director Johnson – Also I would like to state for the record, Ms. Hauck that I did not receive any e-mails from you. If I didn't respond and you think that I should have, I apologize, but I did not receive any e-mails from you.

I'd like to comment on her earlier comment that non-union employees don't contribute anything towards their health care. That's not totally correct. Even non-union employees do pay the first \$385 of their health care costs in the form of deductibles. I understand the prescription co-pays need to be adjusted. But there is a co-pay for prescriptions. Non-union employees do contribute a portion of their health care. No, its not what we think it could be or should be, but they do. That was not totally true.

I would like to respond to Mr. Vernon's comments about closing the pools. You need to understand that there is a property tax, recreation property tax, that pays for the operation and

maintenance of all the recreational facilities. All the operations for the swimming pools are either made up of the fees that are charged to the users of the pool. Or, the property tax, that goes into the Recreation operating fund. So we could completely shut down all the swimming pools and have no effect on the general fund.

To Mr. Corbran, I'd like to address your comment of wasteful spending in 1999 & 2000. As I pointed out in my presentation, the spending in those years, while you call them record expenditures, included all of our capital budget, the street resurfacing, the sidewalk replacement, all the Issue II projects that were done. Including paying \$2.5 million cash for a brand new fire station. Those years, is what is reflected in those expenditure amounts. When you say its record expenditures, yes, you are correct. But people need to understand that it was not wasteful spending that our entire capital budget during those years accounted for those increases, over and above where we're at now. So our expenditure levels have not changed significantly.

I would like to say that in addition to the capital projects, we sufficiently funded our self-insurance fund. We created a worker's comp reserve fund. We provided reserves to all the funds that needed to be provided reserves for. So, yes, those expenditure levels were higher than prior years. But so were the revenues. One thing that I've got to point out is that in January, 1999 our General Fund balance when we started out January 1, 1999 was \$7,129,000. At the end of 2001, December 31<sup>st</sup>, our General Fund balance was \$5,566,000. Between January 1, 2002 and December 31, 2003, that General Fund balance went from \$5,566,000 to \$647,000.

In my estimation what happened was we drained the savings account, we put it into the checking account and then in 2003 we put the balance on the credit card. Now the credit card is due. The credit card payment is now due. That's where we are at.

I'd like to make a comment about the, there was a comment as to why we are not saving more than \$72,000 in the combination of the Administration Dept. and the Finance Dept. That savings actually results in a decrease of expenditures of \$252,000. We eliminated positions. I've still retained some of the duties that I previously had, and I'm also trying to operate this Finance Dept., along with my secretary coming over doing the same thing. We're both doing double the work. We've eliminated two positions in the Finance Dept. We eliminated two more positions in the Human Resources area. All that work still goes on. Those are still things, functions that are still carried on. We've reduced at least the responsibility area that I'm responsible for, a quarter of a million dollars. To me that was a sacrifice that I think should not go unnoticed.

My last comment, another thing I'd like to make, is that I have made a mistake and I will tell you what it is. I have been telling you that a part of the reason for the increase in the Tax Administration area was one that we were going to hire a full-time person mid-year to do the Oscar Knicely chore, which is a \$24,000. I also told you that there was a \$52,000 increase in the overhead that we expected CCA would charge us. I also told you that there was \$103,000 payment that came from Lincoln Electric. I think I told you that it was a payment to Lincoln Electric. That is not correct. That was a payment of income tax from Lincoln Electric that actually goes to the Euclid Schools. I was incorrect. The \$103,000 is a payment that's made to us, it is income tax money from Lincoln Electric, but its actually made to the Euclid Public Schools. Just so we're clear on that. That is the bulk of the increase in those departments, which is \$179,000. But if we look at just the combination of those two departments, without the increases that I've just stated, it's a decrease of \$252,000.

Lastly, I'd like to talk about an article in the Sun Journal that talked about the lay off of 100 employees that should have saved \$1 million.

Mayor Cervenik – I'd like to interject in here. Mr. Langman, Councilman Langman, that would be question #1, that you asked about when we met on Tuesday.

Director Johnson – And I apologize for just coming up with this number. But, in 2003, we laid off 46 employees. 46 employees. Of the 46 employees, 26 were general fund employees. The other 20 were all other funds, which included the Streets Dept., Recreation, all the other funds, Community TV. Of that 46 employees that were laid off, 17 of them were returned to work. Of the 17 that returned to work, 11 of them were General Fund employees and 6 were all other funds.

So what that amounts to is that there were 15 employees that remained terminated in the general fund. When I tell you that the figure is about \$400,000, hopefully that makes a little more sense then.

Mayor Cervenik – Those lay offs, Mr. Chairman, did save money in other funds and we're grateful for that or we wouldn't be able to do some of the things we're doing with the other funds. But, we're talking about the effect on the General Fund and it obvious is not nearly as large as you might have been led to believe at that time. That explains where you're looking for \$1.2 million in lay offs, it is not there, in the General Fund.

Councilwoman Holzheimer Gail – Question to clarify while we're on that point. The 17 that returned to work, the 11 that were from the General Fund, are those crossing guards and people that came back as either seasonal or part-time?

Director Johnson – Yes. That is the crossing guards. There was a person, our receptionist was laid off. She was called back in the Courts. There were 1 or 2 dispatchers that were laid off and they were called back. So, the majority of them were the crossing guards.

Councilwoman Holzheimer Gail – My question is, some of them returned to other positions, so are there actually 11 General Fund positions? I guess I'm not asking this the right way. There were 11 that were brought back from the General Fund. Were 8 crossing guards or 10? Ten were crossing guards.

Director Johnson – I think it was more like 9.

Councilwoman Holzheimer Gail – The Schools paid for half and we paid for half. Those are positions that, I'm making sure we're not counting them as coming back if they replace somebody else that left.

Director Johnson – Right, there were 10 crossing guards.

Councilman Langman – Thank you Director Johnson. I'm looking at the spreadsheet here that you and Mr. Beckwith provided, I appreciate that. It has a list of all those employees out of fund 101, General Fund. I simply took the figures that were there and I factored out the folks that were being called back and the commissioners that obviously would be replaced, council people that would be replaced, etc. And, our arithmetic still does not match. Either these folks that are listed here were replaced in the General Fund, or something else happened because the math doesn't come to \$400,000. That's the accrual amount.

Director Johnson – Councilman Langman, I think probably the error is, is that you asked for a list of all the people that have left, what their pay outs were and if they were returned to work. I gave you that list sorted by fund. I think probably your error is in the number and who those people were. Who the people were that were actually laid off, versus, there were retirements in here. There were some council people.

Councilman Langman – I don't care whether they were laid off or retired. We're not paying them any more. That's what this list shows to me. Whether we sort it however you want, you're listing people under Fund 101 that a great majority of them are no longer working for the City. So, I still don't follow your arithmetic. We've gone over this now, time after time, and I still don't have a satisfactory answer. I'm sorry if you think my math is wrong, but show me where I'm wrong. I don't see that. I don't think we got rid of all those people out of the general fund, just for a carry over savings of \$400,000. Not paying those people their salaries any more. They are not part of our administrative costs for health care. Not paying in their Medicare fund. I don't see that.

Director Johnson – I too gave this a lot of thought, Councilman Langman after we've had these extended conversations about the subject. I went through all of the minutes for January, February and March of 2003. I could not find evidence of anywhere that Director Balazs had presented anything to Council in writing, in terms of what the projected budget was before the cuts were made. However, in reading the minutes, in reading the minutes, the inference can be implied from Director Balazs, that the expenditure level would have been somewhere in the \$36 million range. Which that was never presented to you except for in the minutes. I would invite you to read the minutes because the minutes, and if you follow the discussion between President Gudenas and Mayor Oyaski and Director Balazs, it's real obvious that the budget would have been somewhere around \$36-\$35 million.

Councilman Langman – Director Johnson, I was here. I heard all the conversation, all the dates. We're talking about right now. Okay? This should be a pretty straight forward arithmetic problem to solve. Yet, we still keep talking round and round. I don't care. Come up with the figure, but it has to be more than \$462,000 for the accruals that we should be saving this year. Until you can get me that answer, I will not be satisfied.

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Director Johnson – 46 people totally were laid off. 26 people were in the general fund. 11 of those people were called back. That left 15 people that remained on lay off. 15 people. Even if you were to use Mr. Priorkowski's estimate that they were all paid \$40,000 a year, that still does not come to \$1 million.

Councilman Langman – We can debate this like we've talked about before, Director Johnson. Until we sit down and go through it step by step. To say that I'm not getting it or whatever, I don't think you're getting it. Mr. Chairman, I don't want to take up any more time. I'm not satisfied with that answer. Thank you.

Mayor Cervenik – For the first time in the history of City Council, we've done a zero based budgeting process which is something that financial people say government should do all the time. I'm going to find a way to make you understand Director Johnson's figures. You do need to understand and I'm sure you've gone through it and our employees that are on this list, tie into the budget we gave you. I did not take X number of dollars for labor in 2003, multiple 5 or 7 or 8% to those figures and say this is our budget, this is what we need. We went through and listed every employee, their rate of pay, their pay outs, their PERS, longevity, clothing allowances, everything and that is what is contained in your budget. Now I do want to get to the bottom of this. But the fact is that really isn't affecting what we're presented to you tonight. It is something in your mind, yes. But you not understanding those numbers does not affect the numbers we're giving you if you take the figures we give you on here and trace them into your budget package. They are dollar for dollar, except Mr. Sustarsic found a \$3 rounding error. We'll find a way, but I don't know where you're going with it. Because its right here.

Councilman Langman – I think Mayor you're over-stating the spending. Even in the Power Point, you take last year's budget and you add the increase in spending to get that figure. That's what was presented to us.

Director Johnson – Councilman Langman we tried in a number of ways to present this budget from a number of different angles. One was the Power Point presentation.

Councilman Langman – Do you stand by the Power Point presentation?

Director Johnson – What I stand by is the budget that I submitted to this Council.

Councilman Langman – I asked you a question. Do you stand by the Power Point presentation?

Director Johnson – Absolutely.

Councilman Langman – Okay. Then on your highlights here you have expenditures from last year and you add on the increase in spending. That's my point. If you want to sit down, fine, we'll go through it. Okay? But to say that, make the inference that somehow that this is not right, or we've done everything we can, I don't buy that at this time. That doesn't mean that other parts of the budget are not good, etc., I don't understand what you're doing here. I've talked to other people that don't follow your reasoning either. Okay? So we're not seeing eye-to-eye here. If you can answer that question, I could feel more kindly about where you're going with this budget. If you can't, then I would have my doubts. That's where I stand on what the Mayor said was question number one. Thank you.

Councilwoman Holzheimer Gail – I've been thinking about this a lot too and going through all these numbers, many, many times. I have a way maybe, what I came up with that maybe will help. If you look at page 10, this was the hand-out that matched your presentation. The middle column is expenditures by account. What I looked at was just the wages category. Director Johnson, I apologize that I didn't ask you about this earlier, but it was kind of later today when I figured it out. That line item that's called personal services/ wages. I'm assuming that is the only salary line item from the budget. Not the benefits. It's on page 10 of ours which has the 3 columns. It's titled Expenditures by Account Classification. The top line is personal services/wages. I'm assuming that only the salary line item?

Mayor Cervenik – I'd like to answer that, but the printing's so small I can't read it anymore.

Councilwoman Holzheimer Gail – My question was, the top line that says personal services/wages. Is that made up of only salary?

Director Johnson – That's only salaries, that's correct.

Councilwoman Holzheimer Gail – Is that only general fund?

Director Johnson – Yes, that's correct.

Councilwoman Holzheimer Gail – Your columns across go from 1999 to 2003. I didn't see anywhere where the 2004 number was totaled up. I don't know if you have that. But what I did was look at 2002 which \$20,611,301, oops, no. Let's just take 2003 versus this year. 2003 was \$18,523,948. What I did and I only did this once, so I don't know if my numbers are exact. I went through the budget book and just added up all the salary line items. That came to \$16,314,395. Then I added in overtime, which I'm assuming is part of salary, correct?

Director Johnson – Yes.

Councilwoman Holzheimer Gail – That was, I based off of your overtime sheets you provided us. That was adding \$1,433,826. That came to \$17,748,221. That difference from 2003 is the negative \$775,727. That's actually \$775,000 less than last year in salaries. Then I added on the extra pay, the pay outs, the retro active which all go under salary, correct?

Director Johnson – Right.

Councilwoman Holzheimer Gail – That's when I got to the higher number. But if you just compare the salary, plus overtime, to your salary line item through 2003, it is \$775,000 less. That may answer it. I would prefer that you check those numbers because I just went through manually and used my little calculator. Does that help to explain it perhaps?

Councilman Langman – Whatever the number is, it could be between \$1.2 and \$400,000. But its not \$400,000. It may not be \$1.2, but just adding up your spreadsheet here. Whether we're talking about different information or not, there should be a factual number that we could say, this is what it is. That's what I've been driving at. Thanks to Councilwoman Holzheimer Gail.

Councilwoman Holzheimer Gail – I apologize because I just figured this out this evening. Before I got here I was playing around with numbers and I thought that number, and I would prefer to see that from yours. I've been looking through this budget. Nobody wants to borrow \$2 million. People want to see us make some cuts. I went through and I don't know if we need to go through line item by line item, but if we can do that, I actually came up with about \$140,000 nickel and dime-ing us. If we want to go that far to cut that, that's probably a good faith effort. That \$140,000 is really the changes, and there's probably things that I'm saying we can cut that maybe we can't.

What I was looking at, the \$140,000 is from the General Fund. Nothing to do with salaries, benefits, anything. Because those are, other than non-union, contractually bargained. We really can't touch any, Motor Maintenance, is the only union contract that goes to the end of 2004. Every other union, if I'm not mistaken goes through 2005. To make any changes in salary, longevity, benefits, uniform allowance, any of those things, would have to take an agreement from the unions in order to do that. I'm just kind of taking those off the table for now, although I'm hopeful that the unions in time will work with us on those. What I looked at was simply 2003 versus 2004 expenditures. It's little things. \$300 here, \$1,000 here. Mostly what I went by is if we take 2003 expenditures on things like printing or office supplies, things like that, we could go through it, but I came up with about \$140,000. That doesn't solve \$2 million, but I think it shows people we need to try to, go ahead.

Director Johnson – On wages, there are a number of other things that are in the wages, such as employees that are contract savings which is an additional amount over and above their base wages. There are a number of other things. I think you do come close to it. I'm also not real sure if you also took into consideration retirements and retirement payouts that may have occurred, or retirement payouts that are going to occur this year that didn't occur last year. Retirement pay outs, are more dramatic in the safety forces area, but they occur throughout all the departments. Some of those things, unless you know specifically where they are, could account for some of those differences.

Councilwoman Holzheimer Gail – You're talking about the expenditure, this wage item that we just talked about. I just went from the budget book, that top line item which typically includes retirement pay out, correct? That's \$775,000 less this year than last year.

Councilman Daly – I, too, was trying to follow along with Councilman Langman’s reasoning and I think Kirsten, Councilwoman Holzheimer Gail, at the last meeting directed us right. The budget number from 2003 was just something so we could compare it to. What we actually bottom line spent. That wasn’t a base-line. It was this is what we actually spent, as a comparison to what we are budgeting for this year, or we’re forecasting. Now, the budget forecast is just based on, and correct me if I’m wrong, the people that are still actually here. So, we take the people who are still actually here, figure in the extra pay, figure in the raises we approved that they’re do, the allowances, the health care, everything else, and we come up with the budget for this year and \$2.2 million higher than what we actually spent last year. Just as a comparison. They broke it down by fund number in the general fund, where those differences break down. So I would agree if we used 2003 as a base line, then using non-recurring costs would throw your numbers off. But that was just a comparison though. 2004, we are not going to be sending checks to people that don’t exist. It is people that are actually here in the building and we owe them. We’re \$2.2 million higher and just showing where the pay outs are going. Is that correct?

Director Johnson – Absolutely.

Councilman Langman – Okay, I didn’t want to but I’ll come back to it. I took the figures that were presented at Power Point, the self-insurance, extra pay period. These are absolute figures? For example, Director Johnson, the extra pay is going to come to \$835,000? Is that correct? Fire Comp pay out is \$28,000, unused holiday is \$7,000. Police comp is \$222,000, etc., etc. That comes to about \$2.5 million when you total all of that up, correct? Yes? No?

Director Johnson – Yes.

Councilman Langman – Again, I’ll come back to your Power Point presentation. You add this right to the 2003 expenditures and you’re at \$35 million. Now if you came up with this without using that, and I assume that you did, then our increase in spending, when you factor out all those other people, is increasing more.

Mayor Cervenik – Mr. Chairman, as I said, I’m going to find a way to get Councilman Langman, within a couple thousand dollars of where he needs to be to really understand it. But the fact remains, those numbers and that differences is not included in the budget I presented you. It’s not in there. It doesn’t have a factor other than understanding it. The fact is, salaries and wages, which is probably 70-75% of the General Fund budget is all right here by position, by pay. It is in your budget package. Its all I can tell you, as far as making a decision on our expenditure level at this time.

Councilman Delaney – I think we’re all up here, only to do the best job we all possibly can. We all want to see a means to an end. Many of the comments here, very trite, it’s never an easy task, previous years where not any easier. The problem is that I don’t think this is going to end. I think that everyone is going to have to continue to work through this. We’re all going to be back here next year and the problem might be worse. I think that perhaps, I disagree that we’re forcing the administration by bringing this out this long. But we did have the budget come in a little late, two months late. Hopefully by working on this, day-to-day, day-to-day, that come January next year, we will find ourselves in a situation where Council, the Administration can work together.

The decision I make is not political and has nothing to do with how much I might like everybody. It really is the seed to the voter, bigger than me and bigger than all of us here. I can’t conceivably, its not a balanced budget. Its not a balanced budget when we have to borrow. I disagree in trying to prove the task to the business community at large that. That is the worst message we could send to Wall Street. We have to continue to analyze all of our options. Hope that this budget evolves and bring a means that we’re not putting this off to future generations of the city. That’s what borrowing will do. Its never easy. There are no simple solutions. There is no money anywhere within Euclid, Ohio. We’re all in this together. So I just hope that people will be patient. And that we can all hope for a better means in the near future.

I want to continue to offer solutions. I want to continue to bring more work to the table and set a common goal that we can maybe protect ourselves in the future. Thanks.

Mayor Cervenik – Councilman Delaney I appreciate your comments. A couple things. We’re not going to wait until January. At the Director’s meeting today provided this is past tonight, I’ve informed my Directors that they have 30 days to put together their 2005 and 2006 budgets, so that we can begin the three year planning process. That will be done. That will make things a little easier for us to gauge. We will be able to see with the three year plan that not paying for say our testing of

employees until January doesn't really help us in the long run. That's what a three year plan is all about. So that we finally all understand on paper, together that deferring payments means nothing, but just deferring payments. We end up paying for it eventually. We will be presenting you with the monthly reports once this budget is passed. We will be working on, with you, on changes the administration is making. I've got a report Thursday from CT Consultants evaluating the Building Dept. I will forward that to you. Its very encouraging the way it can be done. We're going to do that with every department. Can't be done overnight. It can't be done alone. We can't do it ourselves. We need your help and we need your input. It won't be until January before you hear from us.

When I was Council President and Finance Chairman, we had 3-4 overviews of the budget, even though we got monthly reports off the AS400, we still had the meetings so we could physically ask questions. We're going to do that. We need to do that. We need to work together and we'll be fine. There's a lot of good things happening in the City. The Mall has been sold. We've got people coming in from PMX trying to clean it up with Brownfield money. Lot of businesses calling with interest. Lot of new housing starts, some good, some not so good, some residents like the new homes proposals, some don't. There's a lot of good things on the horizon for this community. We can't be all gloom and doom. Things are getting better. Our mantra around here is Better Days are Coming, and they are. We'll all enjoy working on them together. You've got my word.

President Sustarsic – I think its, the budget is always a work in progress. The fact of the matter being that we do have a deadline to meet, as far as getting together with the State, what their requirements might be. At the same time, as was said by Mrs. Holzheimer Gail and others that we can tweak it. Somebody can win the lottery tomorrow and we can get the money because the laws are down to accommodate that. We never really know what's going to happen, but at the same time, we have to be persistent, we have to be diligent, we have to keep up the communication. Only in that way can this city effectively move forward. Are there any other comments from Council?

Councilman Langman – Mayor, even though we don't see eye-to-eye on point one and I still don't agree, maybe I can convince you in the very near future. But we did discuss other points of interest as far as the health care goes. I think Director Johnson will tell you I've been kind of pounding on him for almost a year now to look at how we funded, besides the benefit structure, so that we create something that's almost invisible to the actual consumers of the health care, be it union or non-union. I know you've had a meeting and I'm kind of anxious to hear your take on it. Also you mentioned talking to the unions about it. We want to make sure that in fact our safety forces remain at the highest level of strength. If they understand the predicament that we're in, hopefully they'll be cooperative.

Something that I've been interested in is that obviously part of the problem is on the revenue side. Our economy is not doing well, the region's economy is not doing well. How close are you to brining on your Economic Development Director?

Mayor Cervenik – He's been offered the job. He's accepted the job. Until he tells his boss which will happen this week, I can't tell you who he is. Professional courtesy. You'll like him. He's very well versed in economic development. I think he'll fit right in. I think he'll take off running. He's looking very forward to working in the community. So unless some unforeseen thing happens, we'll have him. But I need to give him the professional courtesy to leave his present place of employment on his own terms. Anybody else, you would expect that, public or private sector.

Councilman Langman – Then it is to late for me to say perhaps hold off on it and maybe use the CDC in a more pro-active fashion.

Mayor Cervenik – I've thought about that. We need this person on board constantly, it needs to be done. It is not a great experiment. It needs to be done. The experiment is going to be that this person rather than being bogged down in a lot of the paperwork in the Community Development end of it, is going to because of the expertise we have with Mr. Gliha, is going to be able to go out with and really concentrate on the economic development side of it. We're going to succeed.

Councilman Langman – I don't want to see the CDC simply whither on the vine.

Mayor Cervenik- The CDC has a role and the City has role. They are different roles. The CDC being new and myself being new, we have to feel ourselves out and find ways to compliment ourselves. There are things that the CDC does that we can't do and vice versa and shouldn't do.

Councilman Langman – I think competition would be fairly healthy in those areas that we overlap.

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Mayor Cervenik – To the best of my knowledge, I've got a very good relationship with the CDC at this time. We've been in constant contact and we're working on it, at least one joint project together and hopefully that will come to fruition, because that's 75-80 jobs, new into the city. We're there, we're working.

Councilman Langman – My final concern that mentioned in the meetings is that this is not a one year problem that we're facing. We're facing what could be a chronic problem. It concerns me that we through out raising garbage fees and street lighting. I've had people already tell me, turn the street lights off, pick up the garbage every other week, etc. We simply can't expect to shift cost to the residents without combing the budget continuously. We have to do that. Whether we disagree or not, that's fine.

Mayor Cervenik – If you've listened to anything I've said tonight, I said we're going to do that and you are going to be a part of it all 9 of you. You are going to be a big part of it.

Councilman Langman – Remember that dialogue, listening, that's always a two way street.

Mayor Cervenik – Yes, and remember that okay? Because I will.

Councilwoman Hufnagle – As I was going over the numbers again today, looking at the numbers that were presented in the Power Point presentation, there isn't any point in those numbers where our revenue exceeded our expenditures, going from 1999 to 2003. With the biggest year being 2002, with over \$3 million in a deficit. So even if we have money in the bank, if we spend more than we bring in, is that a balanced budget? No? So we haven't balanced this budget in quite a few years. Would that be an accurate statement?

Director Johnson – Generally the definition of a balanced budget is that your expenditures equal or are less than the revenues.

Councilwoman Hufnagle – How many non-union employees do we have in the city?

Mayor Cervenik – Seventy and falling. Right around 70, 74 maybe.

Councilwoman Hufnagle – If I remember correctly they haven't been given a raise since 2001?

Mayor Cervenik – Yes.

Councilwoman Hufnagle – Have we ever looked at the private sector in jobs comparable and see what the pay rate is and where our employees fall in that area?

Mayor Cervenik – We did that in 1998, 1999.

Councilwoman Hufnagle – Were we below, above, about equal?

Mayor Cervenik – We were all across the board. The study was done, I believe Patrick Graham, his first year in Human Resources. It was done so that we could start making those adjustments inside the various departments. To bring people, all the Directors and Supervisors, assigned classifications to the various employees, an average wage scale was put to that from outside sources. Like some other things, it never really was continued once it started. One reason is some people were overpaid, some people were underpaid. It is very easy to deal if you have money and someone is underpaid. You give them a raise. But it is a little bit tougher to deal with somebody who is getting overpaid because then you are taking money away from them.

It was looked at. We're looking at it now. I'm not going to ask for any money to do a study. But each Department Head, as we're going through this 3 year process is examining the pay scales of their various employees. If there is a pay raise, it will not be a 3% across the board. That's really an, an inequitable way to give a pay raise to someone. It should be by the job they perform. That's the way you manage a city. That's the way you manage a business. You don't just say I got a pot of money and everybody gets 3%. That's not the way you do it. At the same time, it needs to be done in a fair manner and we're going to do that. Nobody is getting raises tomorrow, I promise you that. Its just not going to happen.

Director Johnson – In addition to the fact that non-union and I hate to sound repetitive, but in addition to the fact that non-unions have not received a salary increase in 2002 they went for 6 months with a

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6% pay cut. We had our hours reduced by a half an hour a day. I think its 2 ½ hours per week for 6 months.

Mayor Cervenik – It is not just the non-union. The union employees are out there working. They've got cuts. Police Dept., Fire Dept., Streets, Sewers, everybody, Waste Water Treatment. As solid as that fund is right now, they don't have as many people working there as they did. Everybody is contributing, union and non-union. That's one thing I've noticed in my three plus months here is that the employees we have for the most part, no we're in a problem and they're working hard. I'm very thankful that they are because we couldn't succeed without them.

Councilwoman Hufnagle – Director Frey, may I ask you a question please? In our Charter, Article VI, Salaries and Bonds. It says and I'm reading from it, The annual compensation of each member of the Council shall be fixed at least 30 days before and no more than 150 days before the time for filing nominating petitions for the Council term beginning on the next succeeding first day of December, and shall not thereafter be changed. Mr. Frey, do you know if health care benefits that are provided to City Council fit the description of compensation as provided for in the Charter?

Director Frey – They do.

Councilwoman Hufnagle – Therefore they would be subject to the provisions of the changes?

Director Frey – Absolutely.

Councilwoman Hufnagle – But it could be a voluntary?

Director Frey – I believe several council persons do voluntarily decline to take health insurance through the city.

Councilwoman Hufnagle – I know that if you look at our pay stubs, we're probably considered full time employees, paying on a 40 hour. But it is obvious from the salary that we make that nobody could live on that as a 40 hour pay. Would really technically be considered part time employees. Do you know if we provide health care for any other part time employees?

Director Frey – I don't know at what threshold level employees receive health care coverage.

Director Johnson – We do not provide health care to part time employees. You must work at least 32 hours a week and you're considered at that point full time and you're eligible for health care benefits.

Councilwoman Hufnagle – Mr. Johnson, if I might as you a question, Director of Finance. Reading from the Charter again, Article V, Section 4 states. He shall serve the Mayor and the Council as financial advisor in connection with municipal affairs. Further down it states, He shall perform such other duties consistent with his office as the Mayor or the Council may direct.

Director Johnson, by Charter, the Director of Finance has the responsibility to serve the Mayor and Council as financial advisor. With respect to this 2004 budget, do you feel that you have done that?

Director Johnson – Yes, Mrs. Hufnagle, I do.

Councilwoman Hufnagle – The Charter also specifies that the Finance Director shall perform such other duties consistent with his office as the Mayor or the Council may direct. Again, with respect to the 2004 budget, do you feel that you have performed your duties as this Council has directed you to?

Director Johnson – Yes I do, Mrs. Hufnagle.

Councilwoman Hufnagle – Mr. Johnson, in your experience as Finance Director, is there anything else that you would advise the Council on with respect to the 2004 budget, that we have not previously discussed?

Director Johnson – No, I can't think of anything else.

Councilwoman Hufnagle – Mr. Mayor, reading from the Charter, Article IV, Section 2. The Mayor shall submit to the Council an annual estimate of revenues and expenditures, and he shall advise the Council as to the financial condition and needs of the City, including necessary appropriation

measures. By the Charter you are responsible to submit to Council an annual estimate of revenues and expenditures. With respect to the 2004 budget do you feel you've done that?

Mayor Cervenik – Yes, Madame Prosecutor, I'm mean Councilwoman, yes.

Councilwoman Hufnagle – The Charter also specifies that you are able to advise Council as the financial condition and needs of the city. Again, with respect to the 2004 budget, do you feel you have done that?

Mayor Cervenik – Yes, Councilwoman I have.

Councilwoman Hufnagle – Are there any other needs that you would advise the Council on with respect to the 2004 budget and the financial condition of the city that we have not previously discussed?

Mayor Cervenik – Not at this time, no.

Councilwoman Hufnagle – Thank you Mr. Chairman. My point in only asking these questions is that through the e-mails and the mail and telephone conversations I think there's been some confusion as to whose responsibility what was during this. I just wanted to clarify that because I was asked, what my part was. Thank you.

Mayor Cervenik – Can I get off the stand now please?

President Sustarsic – If I can add to that too, yes, there was some discussion and confusion out there amongst people as to what the exact responsibility of the council was in the budgetary process and the responsibility of the administration is. As was mentioned before, that it was the Mayor's budget. I believe it is the budget prepared by the Mayor and his Administration. But if I can quote from the Charter, Article VIII under Finances, it says, Except as limited by the Laws of Ohio relating generally to budgets, appropriations, deposits, expenditures, debts, bonds, contracts and other fiscal matters of a municipality or as otherwise provided in this Charter, the Council shall have the power and authority to provide by ordinance for the exercise of any fiscal power of the City. So I think the bottom line being is that for whatever budgets might be put together, and like was made mention in earlier comments at the meetings, that these gentlemen have the expertise, background, education, the day-to-day work, but at the same time, this Council also brings something to the table. It is not saying that we can't question what they do, its not saying that we can't make suggestions as to what they do. Ultimately we have to work together, but more importantly that ultimately we have to decide which direction this city is going financially and that is our sole responsibility as members of Council.

Councilwoman Mancuso – As the freshman council person at-large here, I came to these meetings hoping to learn and did learn. If you follow the meetings, I obviously asked a lot of questions and will continue to do so. Tried to clarify things that were not clear and obviously we still have some things that aren't clear.

However, I also spent a tremendous amount of time going through this budget. Not just alone, but with three other of my colleagues and eventually with the Mayor so there's a tremendous amount of work that has gone into this. At the budget hearing where we were told this is our budget, this is what we propose, this is the best we can do, and your request when you said don't just criticize, make recommendations, I think most of us took that very much to heart and went to work.

I think my disappointment is that I don't feel that \$2 million is where we need to be. That's a tremendous amount of money to borrow for a one year amount of time. I think I would have been much more agreeable to this budget, if after a long work session, after talking with my colleagues, many of us came up with more questions, some of them have been clarified, some of which have not. Recommendations and sitting with the Mayor, when I walked out of the office and then coming here tonight, other than talking about health care, which I think we all agree we need to do something about. We have not made a dent in the \$2 million spending. I find \$2 million still unacceptable for the city. I understand that's my opinion as a professional and as a council person at-large. I would have been much more likely to be cooperative, if I could have seen something, something else solid that would have brought it down, \$140,000, \$400,000, \$500,000, borrow \$1.5 million, anything.

I feel after all the work has been done, that the original budget is what it was and council's job is to limit that spending based on what our experts have said. At this point in time, I have to say representing 50,000 its not acceptable to me. With that I'll close.

Councilwoman Holzheimer Gail – I guess just what we haven't heard addressed and I know you've addressed it before and we've talked about it. The borrowing and how that impacts us not only this year but potentially next year. As we've heard over the last two years we've had the luxury of using the surplus, \$5 million over the last 2 years. In essence we were using money that wasn't coming in. So it's a different way of borrowing.

The borrowing this year, we always borrow every year for capital improvements. That's what suffers this year. We will not be borrowing for capital improvements. The borrowing instead will be for general operating. I don't like that, but I don't, I personally can't sit up here and say, I do have \$140,000 if anyone wants to go over it. I guess maybe I'll just ask that Director Johnson and the Mayor, you work with the Directors and ask everyone to try to stick to their 2003 numbers or things like supplies, travel, that kind of thing. I don't want you to have to come back to us every time, if it goes over. I think everybody needs to understand that this is not the answer. Next year and the following years, we're really going to pay for this if the economy doesn't turn around. I believe very strongly we need this economic development director to get out there and get some jobs in here. That is where we'll see the increase in revenue.

If anyone remembers my little chart from the Hillandale discussion, 70% of our revenue comes from income tax. That's jobs here. If you work out of the city, you pay that extra .38, but it's the people that work here that pay 2.38, right?

Director Johnson - .85.

Councilwoman Holzheimer Gail – Yes, but part of that goes to the schools. I'm taking out the schools part. That's where we get the impact on the budget. This economic development director, I have high hopes for. We need to get the empty buildings filled. We need to get jobs and companies coming in here. I don't want to have to ask people to raise money for garbage. I know that's something we need to talk about. I'm not prepared to do until we cut some more I don't think. And I've gone through this since, you know, inside and out and I'm not prepared to tell you cut an extra, I'm not going to tell you to layoff police and fire. Not going to tell you to layoff the Senior Services workers. That's not to say that I think everybody in City Hall, and I know the workers are doing their best; and they're doing very good jobs. I'm not trying to take anything away from anybody, but we need to be aware that next week we're going to be in serious trouble. That's why I look at \$140,000, yes, that's a little amount but we need to get into the mentality that we need to be doing absolutely everything we can do to protect the next couple years. We're not going to be able to borrow again so we're going to have to come up with a budget that meets next year. I'm going to assume we're going to be able to do that without having to raise taxes. If that's the last resort, well, I think we should ask the people. I'm not trying to shirk our duties, but that's a decision, a lot of people are in the same boat as City workers, haven't had raises, getting laid off. People, the general residents are in the same boat. So that's a discussion for another day. I guess, I forget why I started talking.

My point is are we, talk about the borrowing what does that mean to us and also in your interaction with other communities, are we the only ones that and I know we're not so.

Mayor Cervenik – I probably forgot some of the questions that you started with, but for the most part, yes, we are in the same boat with many other communities. We meet with the First Suburb Consortium and other inner-ring suburbs as well as outer-ring suburbs and there's trouble everywhere. The economy is slow. Some of the outer-ring suburbs that have a lot of the retail they're having trouble with their school systems. They're having trouble with real estate tax collections and things like that so Mentor, Beachwood, you know, all. So we're all in this boat together.

I'm not going to go to the past as to why we're in a little worst shape than I wished we were. I don't want to do that. It doesn't accomplish anything. The borrowing accomplishes us some time to make some changes. I don't want to charge people for garbage or street lighting either, okay? But as we said earlier if things don't get better, and I firmly believe they will, we do need to raise revenues somewhere or we do have to start making the safety force cuts. Now, there's another part to that. I don't want to make safety force cuts because I think they're probably at the lowest they can be right now. By contract and amendments to contracts, I can't do that anyhow. I can't do it to the Police Department through 2004 and I can't do it to the Fire Department 'til 2005, which again is by contract I can't control.

But I can, as far as the \$2 million borrowing goes that's, I would like to sit here and say we're not going to use the whole 2 million, but you can't also keep going to the bank and take a hundred thousand for this month and on, okay? We're going to borrow \$2 million. If we save \$500, 700,000 in operations this year, lower than we have, we have a lot of options. One, we may need to that to help us through the first part of 2005. Maybe we put half of that into a Rainy Day Fund and the balance into the Bond Retirement Fund where it technically comes from the in the first place to help

our capital. We can manage this. You know, we talk about spending through '99, 2000, 2001 as, as Finance Committee Chairman, yes, we spent money in '99, '98 on fire stations and street projects and roads and curbs. We haven't done that for years, all right? And why do we do that because we managed our money. We had, if you look at the charts, we kept around \$5 million in the, Mayor Oyaski and myself and even when Mayor Lynch was here, fought often about using these surplus. So it's a management, we're going to manage our money. Get us back into a healthy situation. And I firmly believe when we get rid of some of nuances of this year's budget, some of the deferral pays, the 27<sup>th</sup> payroll and others, our budget in 2005 when they're done here isn't going to increase that much. And I will also say this, I've got the Police Chief and the Fire Chief over there that are going to be instituting some changes to help with our overtime. They will reduce our overtime with affecting negatively the operations of either department. So we are doing those things. And as they come to fruition and as other things come up, Councilman Mancuso, I'm going to use you strongly to look at our hospitalization because I know that's something that you know a lot about. We're going to use all of you. We're going to manage the company and bring this back to financial health. We will do that.

Director Johnson – Councilwoman Holzheimer Gail, I'd like to talk briefly about the borrowing. I, just as you, am dismayed by the fact that now, you're right, there is no cash balance for us to be able to rely on. And we do have to contemplate borrowing for operations. This \$2 million is probably what we normally would have borrowed for capital projects and I am disappointed by that also. But I don't think the sky is falling because of it. I don't think that at whatever point these notes get rolled over into a bond issue, and keep in mind I'm not guaranteeing this because I am not a bond rating agency. All I'm saying is just in my opinion, in my opinion this borrowing, provided that it doesn't continue ad infinitum, is not going to have a negative effect.

And another thing, let's talk about bond ratings. I've talked extensive to our bond counsel and our underwriters. A drop in a bond rating from a double A to an A amounts to maybe 1%, ½%, ¾% in the interest rate that we pay. It's not a deal maker and it's not a deal breaker. Say if Cleveland bonds have gone through lowered ratings, not because they've issued money for health care, it's because the general, their general economy. I'm reading a book now that I find very fascinating and I would recommend it. It's a book by Bill Hudnut. He's a former mayor of Indianapolis and the book is called, Halfway to Everywhere. And it talks about first tier suburbs, such as Euclid and Lakewood. And it's amazing I just finished reading a chapter on Wilkinsburg, PA, which is a first tier suburb of Pittsburgh. And you could almost take out the Wilkinsburg and substitute Euclid. I mean, it's just, I was just fascinated by the similarities of the things that are going on. They're a little bit further advanced in terms of where they're at with their financial crisis, but they are trying to deal with it.

Councilwoman Holzheimer Gail – I guess just to follow up. Do I have your words and the Directors that we will, I heard you say it, but I just want to clarify. In passing this, that doesn't mean we don't want to continue to see work at making cuts.

Mayor Cervenik – No and as our revenues increase, and they will, there will not be a corresponding increase in the spending, except in very critical areas and those would be discussed with Council. That's not going, there'll be none this year. In the total spending we will not exceed this number. We'll be below this number. As things progress in years, then part of the 3-year budgeting process we will be able to determine where we want to put. You know maybe we want two more policeman; we want another fireman or two, depending. We can budget that out together. And that's my pledge to you; you have my word.

Councilwoman Holzheimer Gail – There will be no hires, promotions. We need a new fire chief.

Mayor Cervenik – Yes, we need a new fire chief by the statute within 60 days. I need to, Civil Service needs to begin the process. We have no choice that's by Ohio Revised Code. So there will be a fire chief.

Councilwoman Holzheimer Gail – Other than that promotions will be?

Mayor Cervenik – There will be some inner, not promotions, promotion's the wrong word. There's going to be transfers of personnel. There will have to be some salary adjustments, which we have in there for people doing one job and going to another. I can't have somebody that's getting paid \$11 an hour take a \$14 an hour person's job and not get paid close to that if they have the skills. That's management again. No, there's, no, you're not going to see that. You're not going to see that at all. We can't, we cannot operate like that this year at all.

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Councilwoman Holzheimer Gail – And in about a month after this budget is passed, we should see a projected budget...

Mayor Cervenik – Yes.

Councilwoman Holzheimer Gail – or...

Mayor Cervenik – Probably 60 days, probably 60 days, I'm giving the Directors 30 days and the Chiefs. They've gone through quite a bit through this process, but yeah, we will have that. And I don't know how long we're going to have the AS400 up and running with the present budget numbers in it. And we'll be able to do comps and percentages of expenditures through the year. On that AS400 you can go in and find out what checks were written every single day of the week. You know, we write a \$5 check, Council and Administration has the access on the computer to look it up. See who it's paid to, what account it went to. It's a pretty impressive system. So yes, you have my word. We're going to work together; we're going to get through this. Better days are coming. Okay?

Councilwoman Holzheimer Gail – And my last, sorry, my last question, the Waste Water Treatment budget we haven't discussed. You know, I did have some concerns about the large jump in that budget and I understand a good portion of those are do to capital improvement. Waste Water Treatment has both operating and capital in its own budget, but we will be having DMG come in and go through that in the near future?

Mayor Cervenik – Yes, DMG will give the results of the audit, recommendations. We'll be able along with Director Gulich and Superintendent Gall will be able to answer any and all questions in that department. That department through very hard work of the employees, I believe, the cash balance increased close to half a million dollars this year without deferring payments. They, they've really instituted some good, strong savings practices down there and it's paying off. And what that means is we don't have to raise sewer rates and that's a good thing. That's a good thing.

Councilman Gruber – To dovetail on Councilwoman Gail's comments and some suggestions she had made, I'm interested in your \$140,000 and we can sit down. I found, also, about another 80,000, I think, that we could probably trim by outsourcing some things that we do in-house now. But you asked about other cities and even Eastlake, they just built the new stadium, they're having serious financial troubles so, you know, build it and they will come. That might happen, but they've had safety forces layoffs. They're charging for garbage collection and it's not only us. It's everybody. Even with new draws and new revenues and new venues, there's still issues to be addressed.

And as we sit here tonight in effect, if we don't pass a budget and voting no is everybody's option, they can do that. In effect, April 1<sup>st</sup> the City of Euclid shuts down. Theoretically, when Mrs. Jones picks up the phone to call the ambulance, it won't come. I can't sit here and do that to the citizens of Euclid. I don't like borrowing \$2 million, but I'm not going to jeopardize the health, safety and welfare of the people of this town. Would it happen? I don't know. Director Johnson, could that happen? Could the City effectively shut down?

Director Johnson – I suppose hypothetically, yes.

Councilman Gruber – So we would endanger our citizens and I don't think anybody wants to do that. This is a tough pill to swallow, but Council did work together on this. This was something that I was pretty proud of that we might have our differences as we sit here, but we did come up with suggestions. While there's a lot of information exchanged, lot of time spent, lot of meetings, the Administration was very helpful and gracious and we did work together as best a team we could. There are some minor things we could change and like Councilwoman Gail said, we could always bring this back and amend the budget to tweak it a little bit. But I can't sit here and jeopardize the health, welfare and safety of the people of the City of Euclid. I appreciate the Administration's efforts on this and also the Council's. I think that this is something that we pulled together and it's the best we can do right now, but we can't keep borrowing. Thank you.

Mayor Cervenik – And my staff and myself appreciate all the help and input we've received from City Council and look forward to it's continued existence.

Councilman Delaney – Hypothetically shutdown, fiscal emergency is different than nothing at all.

Councilman Gruber – Send that message to Wall Street.

Councilman Delaney – Director Johnson, just a quick comment, you explained about the bond counsel and the rating, could we possibly get that in a kind of a written format to explain the rating, double A, single A from our bond counsel and the percentage rates and the interest rates?

Director Johnson – I can give you the ratings and the definitions of the ratings and what those ratings mean. There will not be any interest rates attached to them because the interest rate is attached to the debt issue itself when it's issued.

Councilman Delaney – Right, that's exactly what I'm after.

Director Johnson – There's not even ranges of interest rates that are associated with ratings. It's, you know, personally, you'd be, I can't attach an interest rate to you to loan your car based on your credit rating. There's, you know...

Councilman Delaney – Would our bond counsel do that?

Director Johnson – I doubt very seriously. There aren't, interest rates aren't, well, I don't know how they would attach it. The rate is based on the market conditions at the point that they go out to market and that's going to change every hour. It changes every day.

Councilman Delaney – That's right.

Director Johnson – So there are no interest rates that I could tell you. I could tell you what yesterday's rate was. I could tell you what the rate was 2 days ago and first thing in the morning I can tell you what that rate is at that moment. But it changes constantly so there won't be any rates that would be attached to ratings. But I could surely give you, find out if I could get you something that shows ratings.

Councilman Delaney – Yeah, really I'd like to see the opinion of our bond counselor. Have them put it in writing.

Mayor Cervenik – We can do that.

Councilman Delaney – That would be very helpful, thank you.

Councilman Sustarsic – It's one of the concerns I get from residents that are calling. I mean, the \$2 million borrowing it's going to, it's not going to cost the Euclid homeowner any money at all, am I right? It'll still be able to provide the same services they've been accustomed to for years without taxing or anything.

Mayor Cervenik – Yes, at the moment, yes. Yes.

Councilman Sustarsic – In this budget here that we're looking at tonight has nothing to do with charging for electricity or garbage collection?

Mayor Cervenik – No, there is no, everything in this budget can be accomplished without any other revenue enhancements or user fees subjected to anyone in this City.

Councilman Sustarsic – Okay. Say this is a work in progress, we have the whole year. I'm ready to work with everybody. I think we can really make it better. I think we can work hard and make it that.

Mayor Cervenik – Thank you, thank you.

President Sustarsic – If there are no more comments, I need a motion to close debate.

Councilman Sustarsic moved to close debate; seconded by Councilman Gruber. Yeas: Unanimous.

Councilman Daly moved to suspend the rules; seconded by Councilwoman Holzheimer Gail. Yeas: Unanimous.

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Roll Call: Yeas: Daly, Gruber, Holzheimer Gail, Hufnagle, Sustarsic, Sustarsic  
Nays: Delaney, Langman, Mancuso  
Passed.

President Sustarsic – That concludes the special Council meeting. Thank you for your attention. I think if we're all working together it will be a work in progress.

ADJOURNMENT

Councilman Gruber moved to adjourn; seconded by Councilman Daly. Yeas: Unanimous.

Attest:

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Clerk of Council

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President of Council