

EXECUTIVE & FINANCE COMMITTEE MEETING
JUNE 6, 2012

Chairwoman Holzheimer Gail held an Executive & Finance Committee Meeting for Wednesday, June 06, 2012 at 6:30 PM in the Euclid Municipal Center Council Chamber.

AGENDA

Ord. (102-12) An ordinance enacting a special assessment upon all property within the City of Euclid to be used for the payment of street lighting within the City. (Sponsored by Mayor Cervenik)

Ord. (103-12) An ordinance authorizing the continuation of the solid waste collection fee for residential accounts for the years 2013 through 2015. (Sponsored by Mayor Cervenik)

GENERAL BUDGET DISCUSSIONS

Present: Gilliam, Scarniench, Jones, Lynch, O'Hare, Langman, Holzheimer Gail.

Excused: McLaughlin, Van Ho

Councilman Langman moved to excuse Councilman McLaughlin and Councilman Van Ho. Councilman O'Hare seconded. Yeas: Unanimous.

Others Present: Mayor Cervenik, Finance Director Malone, Law Director Frey, Clerk of Council Cahill.

Mayor Cervenik – Did everybody receive the monthly Finance Report for May? I wanted to make sure everybody got that. We're here tonight to talk about a number of issues that are on the agenda and some other serious matters that will affect us in the future. First we'll do an overview of the general fund, which is why I wanted to make sure you all had that report. Then we are going to discuss on the importance of the continuation of charging for street lighting and trash pick up. Director Malone also has some statistics and a willingness to discuss some of the challenges that we and other communities are going to face over the years because of the decrease in our total evaluation that we expect to have happen again this year as we did six years ago. We are not alone in that situation, I was down meeting with the Mayors and Managers Association as well as Mr. Fitzgerald and his staff and it is going to be a problem for not just communities but many organizations and school systems as well. I'm going to turn the general fund report to Mr. Malone and let him take over the meeting. We're here to answer any questions that you have. Please feel free to interrupt us as we're talking about different subjects.

Director Malone – I'm the new person here at the City of Euclid and this is a committee, I'm going to try to be informal. I know you have your procedures and if I'm out of line, just let me know and that's the way I would like to proceed at a committee meeting.

A couple of things I would like to hone in on, I'm not going into detail of the general fund but I'll state the obvious to you, the good points to start off, I think that's a good way to start. Number one your income tax collections are strong for the first five months of the year. That is obviously very good to hear. In my short time here I've realized it is an employer withholding city, with full credit to the residents who live and work here. On the good side, the income tax people have done a very good job so far during filing season. In difference to the Mayor to my right and City Council, you're budget is pretty much set. There's not much, right now you're in the second quarter. There are some things you can do for the year but really you've set the course for 2012. There's not much you can do at this point, later I'll be talking about the note issue that's coming due this fall, the internal borrowing the city has between the bond retirement fund and the general fund. I'd like to hone in on the positives a little bit. The agreement with the fire fighters, it is a tough deal with negotiations in the public sector in Ohio. Believe me, my first fact-finding was in 1985 and I learned a lot that way. With the agreement with the fire fighters, there's pros and cons with everything you deal with, you have hopefully, knock on wood, an opportunity to set labor pace with your safety forces for three years. That's a good thing. A lot can happen in three years. Some things bad, some things good. It gives you time to prepare and not worry about labor issues for another three years.

There were some other good points but number one I'm just glad to be here, I think that's a good point. Even though Estate Tax is going to be eliminated in 2013 fiscal year, effective 1/1 there will probably be some residuals from tax filings in 2012. You're having a strong first half in estate tax. Just touching on the budgetary goal for the first half of the year, so far the first five months of the year. That's a good thing also, you're front loaded for your first half. You still got seven months to go but right now things are, as they say in my field, decent. If I'm using the word "decent" that means I'm really happy. Most accountants and finance directors and school treasures, we're doing a decent job so far. We can't be enthusiastic, it is just the nature of the beast. That's all I have to say about, as I'm trying to feel my way along and work with the staff in the Finance Dept., who by the way, I think are really great people. You've got some people who've held it together over the year until I arrived and they have been very kind to me. I got to send my first fax today, so I was really pleased about that. I actually ran reports and was able to balance. Nancy Fisher and Cindy have been a great help and I just wanted that noted for the meeting.

Here I go into the first exhibit. I know we're here to talk about the assessments that were put in place a couple of years ago, it is a difficult choice. Unlike other communities this was the first time around for Euclid, I understand that. I read the minutes. I know it wasn't an easy decision, but here we are in 2012. As you see some of the exhibits as I walk you through them and I'd like to keep this informal, if you want to interrupt with a question, please do. Everything is intertwined here. What you're trying to do, I feel, in my opinion to you is that you're setting the first steps and goals for 2013. The timing is appropriate because at the next council meeting it is my understanding that the preliminary tax budget has to be passed in June. I don't think you pass it in July like other communities, etc., etc., but you're starting to kick things off already looking ahead to 2013. That's where I'm coming from and hopefully this will make sense to you.

The first sheet is a single page, street lighting and sanitation assessment study. A quick look at where we stand as of today, with a look back to June 30th, the budget for 2012 and what actually happened for the full year in 2011, just a quick flash. For those who may know or I'll just repeat it, for the assessments, you receive that twice a year in property tax settlements. I should say the accounting comes in twice a year. We get advances prior to the first half and second half settlements, two real estate settlements a year. When they actually do the settlement sheet from the County Auditor's office, we get a break down of what is posted where. When I say that this is how the first half real estate settlement has accounted for the assessments as of June 6th.

As far as street lighting, last year at this time \$466,000. A little improvement, which is nice but again not a real big increase. You have to keep in mind that although it looks good for the first half settlement, you still have another settlement to go that may come back. It has been my experience that the first half settlement is a little front loaded, second half, adjustments, refunds comes back a little tad. We won't know that until we receive the settlement. The settlement sheet, we get advances but the actual settlement comes in around October of each year. That will really tell the tale of where you stand as far as the assessments that you have authorized for the 2011 tax year for collection in 2012. That's very important when you're looking at these things.

Year to date expense, we haven't made any lighting payments in June. That's just a simple cash statement. As of June 30th you had six payments, that's all. As of June 6th, we only have five. My guess is you'll have about \$70,000-\$75,000 in a utility bill to be added onto that too for the year.

Sanitation, same concept. By the way under Ohio law you don't have to encumber for utility payments, which is a key point. That's a straight bill from First Energy, boom you pay it; versus sanitation, it is my understanding you have a contract with a waste disposal. We have encumbered like we did last year, that's why you see including encumbrances as of today. That's pretty accurate statement, not far off. A little bit ahead of expenses last year, a little bit ahead on revenue, but again on the receipt side, you won't know the full tale of where this assessment comes in for the current year until we do that final accounting in October in the fall. That number for year to date expenses, that's a pretty valid number so usually you encumber your contract as much as you can. Some people do it for the entire year, some people do it on a six month basis. I don't have an answer for how we did it but that's a Nancy Fisher question, she was at a seminar today. That kind of gives you a picture of where you stand operationally on where you stand on the assessments as of today with a look back for one year. Any questions, that was pretty fast?

Councilwoman Scarniench – Director Malone, do you know off hand how much money are we allowed to have over what we collect? I know we're not allowed to make money on what we do. When you look at the actual for 2011 for the lighting we had \$51,000 over. Is there a given number to that?

Director Malone – We won't know the actual complete number until the fall. I will say this, you have your and you'll see this on the next sheet; you have a gross levy, that's the entire billing. The way things are going in real estate, special assessment is a real estate tax, even though it is for a specific purpose or improvement. No one ever collects the complete levy. Very rarely do you see the levy amount, only if you catch up on delinquencies from prior years but that's a pretty rare event. It is a roundabout way of answering your question, but very rarely does an entity collect more than its authorized to levy. There maybe collections issues, prior year delinquencies, a settlement. But on the current levy which I'll get into on the next hand out, very rarely do you exceed your levy amount. I hope that answers that.

Councilman Lynch – To clarify, Director Frey, how I understand special fund doctrines is just that the money has to go to those particular services so collecting more than you spend in a particular year, I think you're allowed to do as long as the money continues to be spent for those particular services?

Director Malone – An assessment like that has to go for a special purpose, special improvement. Street lighting, under Ohio law as far as I've learned over the years is an improvement. I'm not talking about the improvement of a pole in somebody's yard, but the improvement is the safety of the lighting for the entire community. Everybody benefits from the operating improvement of having street lighting for the

entire town. Everybody driving at night benefits from the improvement of having lighting. That's how I think you should interpret it.

Director Frey – We are authorized by State law to assess 98% of our cost of street lighting. There is a 2% set off for intersections. That's what we calculated our mill age to do. I'm guessing that why we show a positive balance between our expense and revenue is that we are picking up delinquency from prior years.

Director Malone – That's only on the expense for street lighting, is only for five months. We haven't done any payments in June as of yet.

Councilman O'Hare – This is assessments, but are these actually payments? Do these represent actual collections? Or that gets part of the reconciliation we're talking about. For example if there's a house that's in foreclosure or vacant, the assessments rolling through, but we're not necessarily receiving cash from the county, is that correct?

Director Malone – If I may, you're absolutely right. Every parcel within the City of Euclid or any government entity gets assessed for that whether they're vacant, foreclosed, whatever, they get assessed. I keep bringing up my Cleveland Heights or Fairview Park experience. We assessed them for delinquent water bills. Interesting question on that point. If a house goes off the table for whatever reason, it goes into foreclosure, if the owners go into bankruptcy, now you're talking a whole different matter on collection and legal issues.

Councilman O'Hare – This assessment unlike anything else, are we in first position on collection? Second? Or you're going to the two word answer, it depends?

Director Malone – Unfortunately we are not the primary collector. Because of the new structure of Cuyahoga County, it is the obligation of the County Treasurer to collect property taxes and assessments. Now having said that and I understand Mr. Stein certainly has some interesting functions to do over the years because the county with the real estate crisis, how they've done things over the years, it would be interesting to look at how they did on a collection effort over the past number of years. It is the county's primary function, you're absolutely right. In my experience at least on income tax, taxes certainly should be primary. I'm just not familiar with how operations are done by the County Treasurer over the years.

Councilman O'Hare – Can we find that out?

Director Malone – Can find that out by checking the county property tax duplicate. I can almost tell you that you'll see a very large delinquent uncollected amount on the Cuyahoga County Property Tax duplicate, I'm talking overall for all communities in Cuyahoga County, which has been steadily growing, even prior to the recession. It is a Cuyahoga County function to make sure they collect, do their due diligence in collecting these monies that are filed by assessment. Or if the home goes into duress.

Director Frey – There is a case recently that is working its way through the court system that challenges the position of assessments, as far as a priority. Clearly property taxes have a paramount position on a collection. This action, this case is going on with a mortgage lender asserting that they should not be behind assessments, if the assessment occurred subsequent to the mortgage, the mortgage should have a priority position. It is one worth watching. It certainly comes into play for us with issues like the nuisance abatement where we've used city funds. We haven't done that recently, but where we've used city funds for demolition and the like. We operated under the premise that we would be ahead of a mortgage. That is subject to some challenge at this point.

Councilman O'Hare – That's an Ohio challenge?

Director Frey – I believe it is and we'll have to watch how that plays out.

Director Malone – I wish I had more of an indifference to Director Frey. That's a very good response. Governments in Ohio from the State down, to even the smallest county in Ohio, the way things are going collections are going to become a way of life, clearing the book so to speak. There are times when you cannot indifference to the Councilwoman's question earlier, there are times you're just not going to be able to collect it, it is impossible, you have to write it off. Other times you may have to settle for a partial dollar amount. Welcome to the private sector on how they do things.

There are two sheets on the next hand out. Tax year 2012 for collection in 2013, is a full appraisal year. I went back to the Schedule A's that were issued by the Cuyahoga County Budget Commission. The last full appraisal year was 2006 tax year. The reappraisal update was 2009. 2012 is still a rough estimate at this time. Informal discussions with the Budget Commission, I laid out this table for your

information. It is just a personal comment, thank you very much Columbus for eliminating \$83 million of tangible personal property. There's no secret about it. If you apply 9 mils to the \$82 million, that's between \$700,000-\$800,000 that was phased out on the City of Euclid. Quite honestly they said they would replace it with the CAT tax, and the Governor's budget took care of that this year. Just a comment and this is the source of your history.

What I'm hearing is and again for 2012, again it is informal, there's more to come. I'm sure it will be coming out more and more as the County begins coming up with more concrete information. I made assumption on residential real estate and commercial industrial real estate that there would be an average of 10% reduction in AV in each category. That's a good start. Might change, might be in the ballpark. I think it is in the ballpark right now. I left the public utility tangible personal property about the same. I don't think the State is going to touch that but we'll see.

I made an estimate for the 2012, your new assessed evaluation being \$666 million versus actual for 2011 of \$738 million. I have to go back to 2006. You were at \$904 million. A lot of that was, you can see it. Using my estimate of \$666 and going back to what would be the current gross levy based upon that estimate for 2012 for collection in 2013 versus the actual gross levy that we got in 2011 tax year, 2012 collection year. I always use tax year and collection year.

The second page is using your current mill age which is all Charter by the way. Your Charter mill age, is subject to House Bill 920. When you see my footnotes there, it means your tax mill age, I couldn't figure it out at first. I thought you had voted levies here, I was looking at the schedules from the County. It is your Charter. It is very unusual to have a city have the State House Bill 920 calculations applied against the City Charter, which you've had since 1976. My apologies, I have that figured out now and we'll go on from there.

However your unvoted mill age which supplies your debt service, your debt service is exempt from House Bill 920. I'm getting to the point, I'm trying, everything is inter-related here. Everything is inter-related. Just try not to focus on one fund or the other, everything is inter-related. Again gross levy, hopefully you can understand what I was trying to demonstrate here. There's your estimated assessed evaluation that I currently think we're going to end up at versus your actual of \$738 million. Most of your mill age because of House Bill 920 will maintain its level of gross levy. Collection is a different matter, but you will have the same amount of levy as you did for the majority of your funds for collection in 2013. However, in a perverse sense because your unvoted 3.8 mills devoted to the bond retirement fund, is not subject to, you're going to lose on your bond retirement fund. That's pretty new to me, 37 years I was around when they passed House Bill 920 thanks to a guy named George Voinovich, but this is a new turn for me. I'm getting to the point.

Your gross levy will be about the same. God knows how the County will address its collections. Your AV is definitely dropping. It is affecting your bond retirement mill age. Also it will affect your debt limitations, both the 5 1/2, 10 1/2 and your inside 10 mill limitation. Again, you're going to hear me say it a number of times, everything is inter-related between the funds, what you're doing now, what you're going to do in the future. You're going to lose on your bond retirement fund. It has got to come in lower.

Councilman Langman – Director Malone or Mayor, is the \$500,000 general fund subsidy to the bond retirement fund under these numbers, is that going to be sufficient for the next few years or not?

Mayor Cervenik – The reason we are beginning the \$500,000 transfer and it may have to become higher than that because I think Director Malone is going to talk in a minute about the debt that the bond retirement is holding for Shore and Henn, it is because of the situation we're explaining here. If we don't do that we have no ability to borrow at all. We did this without expecting the additional and we hope that's all it is 10-12% decrease in properties. I was at the County meeting today and the County Executive mentioned that he knows of one city, not ours, that they're actual valuation is going to drop 30%. Our first \$500,000 was just a starting point. We are going to have to when we get the final numbers do a full evaluation of long term planning so that we can continue to take care of some of our infrastructure.

Director Malone – One of the good things that I wanted to say which I forgot. One of the good things in 2012 is you completed this note sale, the recent note sale. The city is very fortunate, rather than having their notes maturing later in the year for private or public sale, having done the deal now. When the bond counsels, Calfee Halter, Brickler & Eckler, Peck, Shaffer & Williams, Squires, they're really starting to scratch their heads now because this is the kind of thing when cities or local governments, including counties I might add, or regional authorities are approaching their debt limits, how can they issue debt without a qualified legal opinion. Whether we like it or not, the real estate market has given the full employment act to the bond counsels in the State of Ohio if not the country. I think that's important to note. We hit the market at the right time. You don't have to worry about your debt structure for this year. The internal note that the general fund borrowed, that's a different issue because that's a City of Euclid thing, not a public or private sale in the municipal markets. You have time to address matters for 2013.

Again, tying it back to how everything is inter-related, you're kicking off the 2013 frolics. Now is the time to start thinking about the things or what you want to plan for in 2013.

Councilman O'Hare – Quick question and maybe jumping ahead a little bit, just for clarification. A 30% draft in valuation doesn't correlate into a 30% drop in tax revenue. I know it is all inter-related and it all depends, but that's correct?

Director Malone – Again that drop affects how your mill age is interpreted, what your authorized and capable of issuing debt for. If you can't issue debt as an Ohio local government, whether you be a County or a Township, you can't do capital financing. I wouldn't be surprised if some large counties and some large regional authorities will not be able to issue, it is an interesting question for the future.

Councilman O'Hare – Part of it is that we don't get the revenue, we don't drop 30% revenue, but the loss of the ability to issue debt is a more passive but maybe more damning kind of issue to be in.

Director Malone – Correct. How else do any local government entity in the State of Ohio do capital financing. This is a commercial type operation. If you can't go to the capital markets, nobody can pay cash for repaving E. 222. You have to leverage your financing, get a payment plan. How do you buy a capital item for your own home? You spread it out over a period of time at the appropriate interest rate. In certain ways, borrowing when controlled and within your means is a good thing. Obviously trying to get it down to that individual kind of understanding. Borrowing without your means or if your means change as a commercial or public entity, that's not a good thing. I think that's what is going to be facing, not only Euclid, but what you're seeing down the road.

The next handout as the Mayor capably pointed out, I did sit in the audience for a couple weeks. One of the questions which I think the Mayor answered pretty capably but I thought I'd make a run at it on my own terms was to give you a picture of what your obligations currently are for the 2013 fiscal year. This is going to be part of your tax budget, you see it every year. What I try to do is use their format and make it a little more detailed and get you a picture of what you need to do as far as your bond retirement fund next year.

I'm going to work backwards, just go to the last page. This is the recent note sale. These are the interest costs and please note that because they're one year notes, everything comes due in one year. Having said that, the only thing under Ohio law on a note, you definitely have to pay your interest, but you can roll for a certain number of years, the entire principal amount. When you see under column, Amount Required to meet Principal & Interest Payments, it is the entire amount of the notes plus what the interest, obviously, that's just the way the note structure works.

The second last page, you have a special assessment that was refinanced. You can also see the Series 2011 A Various Purpose Debt Service. This was the refinancing I understand that the city did last year, rolled all these issues whether they be bonds or notes, into an issue that's spread out to year 2021. Part of those are waterline, even though they're GO's, general obligation, they're supported by revenues from your three utility funds. I'm not sure exactly which fund but when you see that last column, Amount Receivable from Other Sources, obviously the special assessments, even though some people in the markets consider a special assessment for this kind of improvement, a capital improvement, not an operating, as a general obligation issue, keep that in mind. Waterline 1 and Waterline 2, those are supported by your sewer rate issues. Again, I'm still a little bit new, I'm sure it is not coming out of the Waste Water Treatment Fund, it might be the Peterson Fund or one of those others too. I'll refer to Nancy Fisher on that point.

It is not part of your GO debt but you have some IDB's coming off in a couple of years for Lincoln Electric. I try to have a subtotal to try and summarize on the front page. Hopefully you can follow that. Going on the front page, this is the meat of the matter. This is what the County Budget Commission will want to see for next year as far as your debt levy.

The third last column is your total debt amount for everything, as far as I can tell working with Ms. Fisher on this. The second last column is your principal and interest coming due next year. Keeping in mind the entire note issue comes due but you can play with that but all the others are bonds. The last column is receivables from other sources, special assessments, water revenues. I understand there's TIF revenues involved in some of the notes. That's an interesting discussion. I'm trying to get with Paul on that a little bit. Again, trying to narrow it down, just because you have this big amount coming due, it is paid from all sorts of sources.

This is what I was trying to get coming to the point. You have Principal & Interest coming due on bond and note payments next year of over \$10 million. \$2.8 million of that is covered from other sources. Then you have the note principal, which I took out understanding that notes entirely come due. I came up with a net unvoted debt obligation around \$2.1 million. Versus taking a run at your gross levy, based upon the current estimate, the estimate right now is your levy for the bond retirement fund, based upon what we know now, gross levy, prior to collections \$2,585,000. I think that's where I'm coming to the point here. You're pretty much at the mark.

If anything comes out of this conversation, don't forget you have the note coming due this fall, where the City of Euclid borrowed from the bond retirement fund, that's an issue that will have to be addressed in the fall. It is in the budget I saw where there's a reduction \$25,000. We would like to make it higher than that. Couple things. I see the transfer to the bond retirement fund in this year's budget, you're going to need that. Probably where you are structured now in your bond retirement fund, you're very low. It needs to be addressed for the 2013 year. You have a note owed, which is not part of your debt structure so far, but it will be an issue with the bond counsel. Bond counsel are very careful people. If we have to roll the note, we're going to have to get their opinion to say it is a quality investment.

The point of this discussion has come to the point. The city from all parties needs a debt restructuring plan. Maybe it means passing on, I understand about capital. I've done this for awhile. But maybe you really need to look at your capital projects next year. It is hard. I'm not saying it is easy, but you need to approach it. I'll just say the words, you need to approach it very carefully.

I would also suggest, I know it is a hard deal, with the levies for sanitation and street lighting, if you don't renew it, you don't have anywhere else to take it from. Your 3.88 is leveraged already. I could say that we're going to really ratchet up, income tax collections, but I have seven months to go. That's what I'm going to be focusing on. I think probably after all this discussion my recommendation and you see it in the ordinance is do it for instead of one year, do it for multiple years and work out a payment plan internally so with the \$850 coming due, you have time to pay back to the bond retirement fund, to build up your resources so eventually you can get back in the bond markets and you have resources for that.

Long term plan, first step is looking at least for discussion purposes, for the assessments, how everything is intertwined, I said that earlier over multiple years. I think I'm done. I'll try to answer your questions or tell you what I think as best I can.

Councilman Gilliam – Director Malone one question. You mentioned about the city having their own House Bill 920 which is some ways kind of steadies the mill age in this area. Working in Fairview Park and Cleveland Heights and now you're in Euclid, is it your opinion that House Bill 920 at some point can become a detriment to city operations and collections?

Director Malone – That's an interesting question. In the good times, any city finance director would love to have charter mill age when things are good and properties were appreciating. Again this is new turf, this is interesting times. In a Catch 22 kind of way, at least on the good side, you'll be able to maintain your property tax collections. Not increasing but maintaining your level of collections, except for the bond retirement of course. On the other stuff, you're not going to lose, shouldn't lose on the levy portion. That's really strange. No one had any idea of this back in the 1970's. The School will make out very well. The School for once are in a very strong position when it comes to voted levies and our mill age subject to House Bill 920.

President Holzheimer Gail – The other thing, do you have, I know as we look to 2013, there's some other changes we're expecting from the State level. I don't know if you wanted to talk about those?

Director Malone – Talking to the League, one of the good things, I always want to start off with the good things. It looks like the centralized collection, at least for this session of the legislature has been tabled. God knows they might change their minds, but it looks like they're only going to talk about uniform on forms and interpretation, net profits, loss carry forward, that kind of thing. With the elections, there's a strong indication maybe they'll make another run at it next year. For now, for 2012, the good news is centralized collections is off the table so that gives us some time.

Obviously some things for 2013 that you're already aware of, the elimination of Estate Tax, that's a million dollars a year. Cleveland Heights, Lakewood, everybody, gone. Some residual depending on filings the later half of this year but it is eliminated, it is not coming back.

The other is your local government funds. It is an interesting question because so far under the State's budget, remember it is a two year budget, it goes from July 1 to June 30th. Keep this in mind, the way the formula works, you're always tied to the previous year. But you're guaranteed some distribution even at a lower amount for the first half of 2013. But the end of this current State's budget comes on June 30, 2013. The interesting question on that, the local government funds allocation going to be in the next State's budget. I don't have an answer on that because I forget what it is under Ohio law, the Governor has to have a budget to the legislature in March of next year. It is an unknown. My personal opinion, I'll give it, I don't care, I think he wants to eliminate it and I think they'll buy into it. The trend is down, unless something really drastically changes in the November elections. For half of 2013 you have an unknown of whether you'll have local government fund distributions.

Mayor Cervenik – We do know that we will lose at least 25% of our average of \$900,000 in estate taxes in 2013 and we will have zero in 2014. That's what we're facing and that's why I requested legislation be written to have this extension of these fees for three years. Willoughby, six weeks ago sent a letter to their residents and said you're going to start paying \$14.50 for trash collection. We're going to give you

recycling, but this is it. They didn't say they're going to look at it 2-3 years from now. They sent a letter out and said starting July you're going to get a bill for \$14.50. Cleveland Heights just sent a notice out to all their residents, they have a little different water system than we have, they're master metered system. They just send a notice out to everybody that your water access fee, has nothing to do with what you use or anything else, just the fact that we're giving you water, is going up \$6 a month, period, no questions asked. That isn't even done by City Council, that is done by administrative procedures in order to meet the cost, the city has to meet the cost of providing the utilities. I know we're not talking about that today but just for your information, in North Olmsted, sent a letter out to their residents for billings for waste water, 2012, \$58.13; 2013, \$64.75; 2014, \$72.07 this is per mcf. In 2015 \$76.46; 2016, \$78.76; 2017, \$81.12; 2018, \$83.56 and 2019 \$86.06 just to make ends meet.

Director Malone – That's one of my old communities, Fairview Park, I can hear the Mayor right now, because part of the ward like you do, goes into the waste water treatment plant. It is an interesting discussion. Been there, done that. Indifference to being so informal, ladies and gentlemen, Columbus is just doing what they did, they're passing it downstream. I don't envy you but that's what's coming your way, sorry. If you have any questions on the exhibits or anything, I'll try to answer them the best I can.

Councilman Langman – I know Director Malone you're not an international expert or anything, but you keep hearing around the country that at the end of the year you're going to have a big budget cut, tax increase unless the Congress does something, there's issues in the world economy, Europe, China and so forth. Are our local companies beginning to be affected by the uncertainty?

Director Malone – If I could speculate, just an opinion. I always sign onto Bloomberg on the web every morning, I love going there. I think the companies, it is there. I certainly didn't like the unemployment number that I saw last week.

Councilman Langman – I saw durable good orders were down for two consecutive months and that hasn't happened for a few years now. That makes me nervous, very nervous.

Director Malone – I'm trying to remember from my old economic class, we're different in the government sector. Corporations I love this private public partnerships, it is usually the private partnership that takes over. We're all competing for economic development with other communities, even the County, even Cleveland. I'm trying to get to a point where I tell you what I think. I don't think there's really a slow down. I think one number doesn't make the year. I think the European thing, how everything is inter-related. Two things that are strong here in this town and no kidding to the employees of Lincoln Electric. If the President of Lincoln Electric would walk into my office, I think I would genuflect twice and kiss his ring and carry it on from there. Number two, the healthcare sector, Clinic is your number two employer. I think those are strong entities. I see it, I'm not trying to, my old town Cleveland Heights was really dependent upon the Cleveland Clinic and UH. Quite honestly northeast Ohio, indifference to our friends in the auto workers, healthcare carries the sway in this part of town along with technology, along with Lincoln Electric.

I wish I could have a better answer for you. I do know that being an employer withholding city, if things really start going south, we'll see it quickly. Unlike a residential community with tax credits and limits, it takes time for that to take structure. But being an employer withholding like Parma, Mentor same way. If you see a drop in employer withholding for whatever reason and that's the majority of that income tax collection, that's when the alarm bells start going off. That's what I think.

Councilman Langman – Is it the administration's position that we have to do something with the level of the trash fees giving the challenges ahead or not?

Mayor Cervenik – I firmly believe at least for this time period at least for this next year I would not ask for an increase. It would be wonderful if we charged 100% of the total cost of trash fees, other communities do. But considering the struggles that many of our residents are having and the uncertainty of the economy and the fact that because of a lot of cost saving measures we've done throughout the years and the fact that our manufacturing is holding quite well, the healthiest fund we have right now really is our general fund. If you look at that report, I know you just got it today, but take a look at it, we're considerably ahead of next year. But also next year, we know the decreases we're going to have.

My recommendation if I thought it should be higher at this time, I would have put it in the legislation. I would shutter to think what would happen if Council did not approve that. Although I'm asking for three years, in order to stabilize at least long term our examination and our ability to deal with our long term debt, our bond retirement issues and the EPA issues, you do know and everyone should know that if you decide next year you don't want to charge any more and want to collect any more of those fees, you can eliminate it regardless of passing it for three years. You can change that next year and say no we're done.

I hope that would only happen if we had some type of windfall which I don't see coming right away.

It gives us the stability and the knowledge and also it helps deal with the volatility of income tax. We had a very bad month in May. The country had a very bad month. Some of our difficulty was about \$130,000 drop in the utilities tax compared to last year. I'm not sure but I think a number of companies had three payrolls in May last year and only two this year. We may see that come back in June. That's why we're asking for three years, knowing that at any year, you just have to have a piece of legislation put in front of you to eliminate it or reduce it.

Director Malone – I think probably what you've got to realize is that I'm not so much worried about the waste water. If things change over the three year period, you can go out to bid again, you can do other things, more recycling. What I would be more worried about is First Energy. They have the lock, which they have done in the past, thanks to our friends in Columbus, but if First Energy decides to change its tariff, they're really not going to care what happens to local governments. The only thing I can tell you on that point, we would let you know. I agree with the Mayor, I wish I could give you more information. The President of First Energy doesn't really care, he just wants to collect the street lighting cost. Probably we would have to work with it. It boils down to, you hit it right on the head Councilman, it is about income tax for local governments in Ohio. That's about the only thing I can really push with our income tax collection department. Get the bills out, get the filings done, get the enforcement done.

On the flip side, the Mayor said a very key term, what the city needs, my recommendation what the city needs is the stability in its tax rate structure. A lot of things going on there with the real estate market, we just need a multi-year, stability is the key term we're looking for here.

Councilman Langman – We're kind of segway into the fees. I won't speak for my colleagues but I voted initially for the fees and I believe we do need the money today because of the various changes that have been discussed. I think the fee should continue. My only caveat is that when we passed the fees initially we talked about looking at a variety of different things and we really haven't gotten into that yet and I do want to see that done. I know we had a Resolution last year that passed. Yourself was a sponsor and the Mayor and myself. I guess I'm a little disappointed that we really haven't tackled any of those. House Bill 920 in our Charter hurts us when valuations are going up, and it is helping us out now. I don't think that trying to address it at a particular meeting by us really gives the appropriate analysis that that issue and a variety of others really deserves.

I know the Mayor mentioned that we'll have another meeting in July with Deloitte.

Mayor Cervenik – It is either July or beginning of August, I didn't get it in my notes today.

Councilman Langman – I think that is important whether they come back and say, everything you're doing is good, or they come back and say well you should tweak, what you should do, we have to put something before the voters; I think that's an important exercise.

I'm willing to approve an extension by a year of both fees pending that analysis. I understand that we need the revenue but I want to see that work done because I think it is very important work, as was mentioned in a Resolution last year. There are solid and valid reasons to do such an analysis. Thank you.

Councilman O'Hare – Question about stability and it is a little bit uncertain to me. Mayor you talk about a recommendation, pass this for three years and if Council came back a year later they can pass legislation to renege on that, to repeal it. I understand what the stability is about when you go out to the bond market and you're able to show that stability, is that the stability, the real feature, even though in the background we know that a different set of nine people here could change their mind. Does having the three years in place as a default provide some stability and what is the benefit?

Mayor Cervenik – It does two points. When we had our last bond rating or a note rating, Moody's actually stated that the administration, city council, acted upon the very things they said they would do to bring some stability to finances of the City of Euclid. That included imposing those fees which many other communities, more and more everyday have done for many, many years. It does help in that respect.

It also helps in the long term planning and the adjustment for the changes that have been placed upon us by pretty much State government and the changes they've done. That one schedule that shows the unbelievable affect of the tangible personal property taxes, what it did to our ability to borrow and to finance our operations, it is frightening. Now on the other hand, we probably have received significant growth in income tax because it made the State of Ohio a more friendly community. That is a regressive tax on business' inventory tax.

But, where we were promised to be made whole by the commercial activity tax, and that should have been going on for 7-8 more years, they took it away from us in 18 months instead of 7-8 more years. We lost all of that. Without having a commercial activity tax to help us put money in our bond retirement fund, to build it up to make up the difference, they just took that away from us. I think most of you know

that I mentioned it was my intention to take “x” number of dollars, virtually anything over half a million dollars of the Estate Tax and put it in the bond retirement fund. I said that a year before they took away the Estate Tax, so we can no longer do that. It is also very important for people to understand is that these fees were instituted because of the tremendous drop in income tax and the economy. It was before we knew of the commercial activity tax, the local government fund and utilities tax being taken away by the State. Because our income tax has been increasing, it would have been nice to say okay, we’re going to reduce these fees, then all the cuts from the State came in afterwards. We did not put these fees into effect contemplating what the State of Ohio was going to do and none of us thought, at least none of us on this side of the table had any idea the State of Ohio was going to cut the way they cut. They balanced their budget on our backs. They could now, according to the surplus that they say they have, they could reinstitute and give us back all those Local Government funds and they would still be positive. They are not doing that.

We need to put that in perspective that these fees were not put in effect to make up for the State cuts. They were put into effect before hand. I’ve said many times in eight years we’ve reduced by 130 full time employees, or equivalent employees; 130 is a big chunk. The County Executive today said he reduced by 9% the amount of payroll he’s able to control. We reduced about 20 and we’re still providing services fairly well, but we have to look at that timetable and now we have to examine the uncertainty that Director Malone has talked about today and that’s the reason we put that three years in there.

President Holzheimer Gail – I want to go back to what was the Citizens Committee that we had proposed and passed legislation on last year and now we’re waiting to hear from Deloitte and Touche. Mayor that meeting is not just for them to say yes we’re going to do it as I understand. We would have to apply for them to work with us?

Mayor Cervenik – There’s a competition. We have Tony Coyne that brought them to us in the first place and the two gentlemen that we met with seemed very anxious to sponsor us. That’s what they have to do, they have to help us write up the program and they have to present it to their consulting leadership. It is no guaranty that we’re going to get that. I believe we went out and advertised and asked for various individuals to participate and I think we got one response. Maybe we didn’t do it right, I don’t know. What I would propose is we will see how this goes with Deloitte, if that doesn’t work out, I think I need to knock on the door of a number of businesses, CEO’s doors and say I need you for a year to look at everything we have.

President Holzheimer Gail – I do agree with Councilman Langman. It is an important step that we need to take. I would ask that perhaps Councilman Langman and I be included in that meeting so that we can be part of that process. From that point, once we have a sense of whether that is going to go forward or not, Council at the same time, we can create a small working committee. I know Councilman Lynch has mentioned interest in looking at House Bill 920, looking at the income tax, looking at the Rec capital. There’s been other discussions and those are important discussions. The important thing, we discussed this in great length the first time we were looking at the fees and the alternatives is so much of what dictates our funding is Charter driven. Anything that we would do, any recommendation to change almost anything would require a Charter change. That’s going to take some time. That’s going to take a vote of the people and that’s going to take longer than, it is not a short timeframe. I think it is important to have the three years in place so we have that stability knowing we can change it. I don’t know that things are going to change drastically in the next two years. When we first passed these fees, it was due to the income tax. We said once things get better we won’t need them. That was before all the drops and everything else and we are anticipating cuts in other funds.

The alternative is to not have those in place would be that we would have to look at making cuts. That’s my opinion. I do agree that we need to get that committee going. Councilman Langman, I would ask for your help in making sure we get some, if we can’t use Deloitte & Touche that we call on all of our resources, residents, businesses and we really get that committee moving.

Mayor Cervenik – There are other accounting firms that might do this as well. One thing we do need to remember, throughout the years, other administrations have traded off items putting items in the Charter in exchange for income tax increases and the like. We’re a Charter community, not an Ohio Revised Code community. However because of so many of the things we have in our Charter such as the House Bill 920 provision, such as city council was stripped of their ability and authority to when needed increase and/or decrease tax credit. Those kinds of changes have taken, we can have the discussions all we want and I’m willing to have those. But your ability to act upon those discussions have basically been taken away from you through the years. Regardless of what we think is best for this community and it most likely will cost some segment of our society, for instance, if were to ask to remove the 920 provisions, right now it probably would hurt us. I can tell you the numbers Director Johnson gave us in 2009, we’re no where near that now. To get rid of 920 and get rid of the .85, it is not the big gap we used to have, we maybe even on the losing end.

My point is we have lost a lot of our Charter authority through the years because of that. We can have those discussions, we can make those recommendations, but we also have to find a way unified to get the residents to understand why those changes have to be made. If we can do that and under present circumstances I don't think there's an appetite to do that by the residents. We're not going to change. Parma and Eastlake, the only way they really survived 4-5 years ago was because they had the ability, unpopular as it was to their residents, because the credit directly affects residents, not employees in the city that don't work here, they reduced their credit by 50% to get through the hard times. You can't do that. You can only suggest the voters follow that.

Councilman Gilliam – Mayor the only concerns that I have are somewhat Councilman Langman has proposed. This is not a personal dig but I remember in the old Sun Journal in 2005 January edition, you talked about looking at long term financing and that was over five years ago. Since I've been on Council in 2009, we've had two failed school levies which was the loss of transportation and staffing. The reason why I bring up the schools is because we share revenue with the school system to the tune of \$5-\$5.5 million in non-discretionary funds. The Schools receive it from us and they do what they want to, yet we're getting into a situation where we've had transportation cut off.

We've also had the sewer renewal levy, which has been in existence for years, at a nominal cost to our residents basically voted down as well. Now when I and the rest of my colleagues voted for the fees for garbage and for the lighting, a family making \$50,000 a year on the 2.85 income tax was paying about \$1,425. With a \$100,000 home, the street lighting was about \$48 and the garbage was \$108. That increased the cost of living in the city for a household of \$50,000 by 11%. Did it save safety forces? Yes. Did it sustain the city? Yes it did.

The real reason why I'm having some aversion to extending these is because of all those things you've talked about. I maybe deemed as an impatient individual, but five years ago this was talked about and nothing has been done. Like you said we can have discussions, but the reality of it is until we really look at our Charter and look at how this can affect our city, we're kind of making decisions sometimes based on a reactive decision versus a proactive position and I just have a huge concern.

If things were extended, we're looking at a school levy that individuals may have to pass to restore transportation. The only reason why I bring them up because they're two different funding sources but since we have this revenue sharing with our income tax, they're linked into this and it seems like we're hitting them on all sides of the fence and I have a concern about that. Realistically I would have to say and some people would not be happy with this, to restore transportation, I would support the school levy. But then I'd have to look at how much more and I'm going to add onto the plates of residents who are having difficulties paying their bills, in some cases even paying their income taxes.

The last thing I want to throw in is one of the reasons why we may have some delinquent income taxes and I can't see because I'm not on that side of the room, poverty has increased in Euclid and we're in the top five of the cities in the county where poverty has increased. We're increasing the cost of living to sustain but we're not looking at what we can possibly do to reorganize how we collect revenue, how we operate our city and how we best serve the citizens.

I think five years is too long. Councilman Langman has pointed out this was established a year ago and in the minutes it talks about sitting down with people. Now we're looking at possibly being in competition to receive these services. I think we have to invest in ourselves and really put forth an honest timetable.

I know that Council has the ability to repeal these fees at any point in time that they want to, but we haven't done it yet and now we're asking to extend. I'm not saying I'm for or against it at this point in time, but I'm very, very hesitant to extend these. It is not a strong arm approach, it is an appeal and it's a plea that we have to do something.

Mayor Cervenik – First of all, I think it is very inaccurate to connect the shared income tax that was passed in 1993 or 1994 with the action done a few years ago to start charging fees to our residents that other communities have been charging for years and years and years. In fact the lighting fee the City of Euclid used to charge.

The shared income tax is not us giving something to the Schools. The shared income tax was presented very clearly and concisely to the voters that they would be paying income tax to the schools of .47 and the city of .38. No loaning them the money or anything. It was made very, very clear and they voted accordingly that they would pay the income tax to the school in lieu of a real estate tax.

Again, when we talk about fees, I mention Willoughby and I didn't even mention all the cities that do charge. You all received that chart. I don't know how the City of Euclid and the Council of the City of Euclid expects us to continue to compete against those cities where our residents are leaving, where they're charging and levying the same fees. You talk about the .85 versus somebody at 2%, but we give 100% reciprocity. There are now 26 communities in our local area whose residents if they work in a 2% city, pay almost or more than 2.85; by almost I'm saying 2.75, there's about 3-4 that pay 2.75. The City of Shaker Heights is asking for one-half percent increase in their income tax. They have a .75 or .5% credit with a cap of 1%. Their residents could end up paying over 4% of income tax. I will do whatever

you hand me. But I don't know how you expect us to compete long term with those communities. It is very, very difficult and they're charging more. Virtually every community outside of Cleveland is charging 100% or close to of what it costs to collect garbage. We're charging about 60%. That's why I was asking for three years. Like I said last year, I'll take one year and we can through this discussion again. If we all enjoy this discussion we can have it every year as long as I'm here if this is what we want to do. I'm asking if we had this three years, we are having our budgets almost monthly if not every other month. We are updating you on what is going on. We have just told you what our decrease in our valuation, the new headaches that is going to cause us. To know that those fees are there for at least three years is very helpful as we look at this long term structural change that we did nothing for. We did not ask for this, this has been dropped upon us. That's the only reason.

Again, I'm a repeat of last year. If Council only has the stomach to do it for one year, then please amend the ordinance tonight, do it for one year and we'll have this discussion again next year. The numbers will be worse. The conversation will be exactly the same, we can't survive without it and we can't compete against the other communities that are charging more than we're charging.

Councilman Gilliam – I'm not here to debate you. I'm aware of the previous lighting fees. I'm also aware that the voters in 1994 passed this increase, 51-48%. That's why I'm saying we need to go back to the Charter and also look at long term financing because why we may necessarily have some similarity to some cities, we have two distinctions that other cities don't have. Now cities when they want to impose a tax, they vote on it for schools. It is a school tax. We're the only city that has the shared revenue. In addition to that, I believe and correct me if I'm wrong sir, that our own in-house House Bill 920 is a distinction this city has that many do not have as well.

I'm not here to say that we don't need the money. The issue is not whether or not we need the money. The issue for me is where are we going to address those things that basically will determine our present and future time and I have a concern about that. There's nothing that you said that is inaccurate. The reason why I coupled the two is because in 1994 the residents did vote for this tax increase. I'm not here to talk about the performance of schools or administration or whether they were good stewards of this money. I do know that money over ten years is over \$60 million that we didn't give to them, the residents voted to give them. I do know that we could have used \$60 million over ten years and maybe gone to the residents a different way to support our schools.

For me it is not an issue of who sponsored the bill or why it was done. I'm looking at 2012 and this trend has been going on roughly since 2006 according to these documents that we've received from the Finance Manager. I do have some concerns about when are we going to look at this and invest in ourselves. We voted one time for \$50,000 to evaluate all the staff and make a determination on descriptions and pay rates and things of that nature. I was the only one who voted against it and we had to use that money for something else. I'm thinking to myself, why this is all necessary, we have to decide when are we going to actually do it and commit to it.

In regards to going back just to the revenue sharing. I do know a resident who brought some information saying that if we lowered the income tax, the city would receive about \$2 million back, and you clearly said that this is somewhat accurate. You didn't say this was 100% accurate, but you did say it was somewhat accurate. \$2 million is roughly our garbage assessment. Those are the kinds of things that I'm looking at. I have no problems with supporting the schools in other ways, but the things in our charter and the things that we voted on in the past have come to bite us a little bit. It is not any direct reflection on the administration, you were handed these tools, you were handed these decisions, but I'm really concerned about when are we going to look at these decisions and make the appropriate investigation and investment in ourselves so we won't have these conversations any more.

Mayor Cervenik – I think we're getting a little off track. However I think there's other things we have to remember. Virtually every industrial zone in this community is a commercial reinvestment area, every single building. That's going to happen and I hope the first one is there within three years before I'm no longer here. But every single building that is built on Bluestone Business Park, not one dime of real estate tax which is about 67% of the total real estate tax bill is going to go to the school system. Every time and it has been slow throughout the nation, but when the housing industry picks back up and people start building houses here for seven years the school system isn't getting a nickel of real estate taxes.

Although we've given them or the residents voted to give them a share of income tax, they have also been very cooperative throughout the years and not stood in the way of economic development and real estate tax abatement knowing that they were going to get a share of the job income.

We have been looking at long term financing. We have changed tremendously the way we do business in this community. That's part of the reason for the 130 less jobs that we have, we've combined a number of departments. We have gotten rid of a whole layer of middle-management in our maintenance departments. We're going to continue to do that. We received a grant, we're looking at shared dispatch with four other communities. We are doing that stuff, it is all long term planning.

I commit to you if Deloitte does not choose us as part of their study, we will find some other way to do that. The bottom line is, it is no longer city council that makes that decision, it is the voters. Other communities have an option of implementing those plans that are best for the city that you no longer have.

Councilman Lynch – I have just a couple comments discussing the merits of what I think are the long term and short term solutions that we're discussing. The first point I wanted to make, the distinction the Mayor made with Charter in Ohio Revised Code cities is that historically before the Home Rule amendment came in the State of Ohio in the early 1900's and throughout the country, most cities were driven primarily by fees. The reason we switched to home rule cities is that, one so that local governments could determine local contracts rather than what was seen as sweetheart deals coming out of Columbus, whoever was in the administration. But it was also to allow local governments to provide a broader sense of services. I really consider the State budget cuts that we've been seeing throughout this past year as an affront to this concept of home rule city government in the State of Ohio. Really what they're doing is they're driving us back to historically how we used to operate which is a fee driven system.

To the extent that you accept the analogy that failed school levy and failed sewer levy means that there's no voter appetite for any fees across the board, taking that premise I understand some people who feel these fees are in a sense anti-democratic. I don't know how well that analogy holds up. But to the extent that does have some merit, I think it is in our long term interest to be looking at potential charter changes and things that we want to do.

I like the idea that increased taxes, if we made a charter change, has to be ratified by a vote of the people. That's what we're here for as representative of the people. But let's not forget also that the other point of a federalist system, which means that you have Republican elected officials, means that our other duties is to mediate the passions. What that means is when it is necessary to do something for the well being of everybody, we use our own judgment and we make that decision.

That's where I find ourselves here. One point about the schools and the 2.85 income tax is that was done at a time and in an environment and we continue to be in an environment in Ohio where our school funding method has been heard three times and continues to be found unconstitutional. This is a shared income tax with the schools is the only revenue which grows for the schools and we're talking about 920 limitations and freezing values. This is the only revenue that grows with schools and no one in the State legislature for the past decades has done anything to address the unconstitutional and unequal funding approach to schools. The City of Euclid has done something. To that extent I think it is commendable.

I'm not adverse to kicking the tires and when we meet with Deloitte over the summer, having on the table what an income tax reduction is. But as far as quality of life issues, there's no border between the City of Euclid and the Euclid School System. That is as artificial as the border between Euclid and Cleveland. The quality of life is really what is at issue and I'm willing to kick those tires but I think there are merits on both sides. That's all I have for now. I think that it is our duty on council to be looking at things long term but doing what is right for the city right now is what is in front of us today.

Councilman Langman – Again, I'll just say that I for one believe that we need the review. I did before and I do now. That's not the question for me. The Mayor made the case of how all these items over the many decades have crept into the charter so the fees were the only real tool that we had to avert massive layoffs, which just about everybody did not want to see happen.

If it is beneficial to look at that and there is determined that a package of reforms needs to go before the voters, then that's what needs to happen and we need to be out there explaining why the package of changes needs to happen.

Part of my frustration is that none of this is particularly new. I know that when former Councilman Daly was first elected he proposed or asked then Finance Director Balazs what would be the revenue gained by reducing the credit even though we all knew it had to go before the voters to make that happen. That's nine years ago and we've talked to various Directors over time about how the Rec levy basically raises the same amount of revenue that it did in 1984 which has slowly squeezed the ability of that department to provide the level of service that it did many decades ago.

Hence the idea of having somebody look at all of this. I don't think this is a debate about do we need the revenue. It is how do we get going on this and what is the best leverage. That's why I'm a little leery of passing the three years because I don't want to turn it into a negative two or three years down the road. I'd rather go one year, get done what needs to be done as far as evaluations and then we can determine if something needs to go before the voters or we continue down the current path with the fees. That's all I'm suggesting. I believe that we need the money. With that, I will make a motion.

President Holzheimer Gail – Before you do I would like to allow the public to talk. Any comments or questions from the audience?

Mr. Dave Hiscott – 1970 E. 224 St. You know if you folks can't be more upbeat, I'm going to have to stop coming to meetings. I guess to get back to the purpose of tonight's meeting, and I'll piggyback on what Councilman Langman said. I think this extension that you folks are going to be asked to vote on, we're about a year too early. Right now they expire in 2013. As the Finance Director pointed out in the later part of the year this year and next year, you'll have a true picture of what the revenues are and what is going on. Why do things now when these things are already in place and they're ready to go? The problem is these were set up to be temporary taxes to be looked at on a fairly regular basis. They are quickly becoming permanent and they are quickly becoming relied on more and more to the point where you can't get rid of them because they're just too essential.

The other thing is when you extend them for the period of time that's being requested, you get onto other things and frankly you just forget about it. I think this being a fee on taxpayers needs to be looked at annually. Whether you look at it and say, no we're going to keep it up for another year, great. At least there was some discussion, somebody looked at it.

That's my comments and recommendations. The other thing I wanted to mention was a couple of Executive meetings ago a comment was made about a local city, I don't think the city was named, either that or I forgot it that received a large influx on their income tax due to a buy-out. I'm assuming we're talking about the City of Wickliffe with Lubrizol buy-out where a handful of people made multi-millions for being at the right place at the right time.

I called Wickliffe and I asked them about their trash fee and they said sir we do not have a trash fee. I said oh you don't, do you have a lighting fee? Yes, we have a lighting fee, it is tied to the property tax just like the City of Euclid. They pointed out their income tax again, sorry to bring it up, is 2%. Being a former Lake County resident I know that when you cross the border, your car insurance, your home insurance becomes considerably less expensive. At that tax rate, at lower cost of living for necessary kinds of things and the fact that they do not have a tax fee, they're better able to absorb that kind of thing. How long their lighting fee goes on, I have no idea.

Again, I would suggest that if you want to extend it for a year, certainly no more than that but I think we're a year early in looking at extending these things. Thank you.

Director Frey – The garbage assessment is an actual year, there's no delay in that. We're collecting in 2012 what we're spending in 2012. It is the lighting that is assessed this year, collected the following year, but not so with the rubbish.

President Holzheimer Gail – The legislation we passed last year was for one year. Unless we act to extend it another year, it would end at the end of this year.

Mayor Cervenik – However the lighting fee, it will be on the tax bill for next year, but all the revenue will be used to pay off the note that we floated to lessen the impact on our residents. In essence we always have to be one year ahead on that. They both must currently be acted on now. People forget the fact that we floated that note only to lessen the impact on residents that don't understand the cuts that would have to be made if we didn't have that fee. They both need to be passed now. I think one year is remiss but I'll take it.

Mr. Lou Drassler – 1996 E. 226. Just in reviewing the previous speakers, as far as maintaining a one year increment that's needed, I think that's the prudent thing. Fees have a way of sticking around like everything. Everybody has to pay their real estate taxes, there's an add on and an add on. You're not paying what you paid a year or two ago, it is more, it is another tax only it is labeled differently. It is still money out of the pocket.

The other thing is folks we're in a recession. Have you been checking what's happening with our country, Europe and everywhere else? People overspent and now there's crisis. This country has the same thing, you can't keep borrowing and spending and spending what you don't have. All of the folks that are supporting the cities by taxes, they can't go raise the fees somewhere to increase their income. That's something to look at. I think this should be year to year as needed, not a blank check because we don't know the future, it could be getting worse. Unemployment is not going down, it is going up. We're in trouble as a country, as a city, as a state, as a world. That is something to consider. I know I'm off the subject but a year extension as needed periodically come back and discuss it again. Who knows what the future is. Thank you.

Mr. Christopher Michael Litwinowicz – 21970 Morris Ave. First two items on the agenda I agree we should look to the future. But you always have that option to come back. Don't hesitate on 2013 and 2015. A lot of people have made their decisions months ago and I can't go politically but I wanted to make the comments to voters. Again it is responsible for the voters aspect to know what is going to happen in 2013 to 2015.

Thank you Finance Director, first time that I ever heard what I spoke about two years ago. We need to go ahead and get a bond issue for this city so we can do the entire city. When he mentioned about

222, that made me smile. What's on 222? It is talking about the general budget decisions and just acknowledge what you guys can look at.

If you're sick of these special assessment, as Council, you can put in your \$38-\$40 million budget to the City administrator and we can cut it but there's no room, there's no budget line item that you guys choose to vote on and agree with. Five members, that's all it takes. When we're looking at trying to pay somebody to assess something or give us a review and pay \$60,000, why can't we have five council people just get together and nutshell this in the hall and handle it. Thank you.

My other comments is when it comes to things in the city that need to get done, and I was against the special assessment because I always thought the 2.85 was so high. But as I look back, I think it was a good decision not to push the initiative right now.

What my other comments are is what is the future for Euclid. I feel a vision of 222, 200, Babbitt Rd. is not that bad, but eventually the main streets are projects. Don't think small, go get the money. Where are you going to be in 15 years? Some of us are still going to be here, others are going to move onto other careers. But what is our status in Euclid? These assessments are put there and it is best described today about the lighting. If you're going to fix something and bring it out then it is worth it. I believe the Ord. (102-12) and Ord. (103-12) should go right back to Council and it should be voted on. Again, thank you for the 3 ½ minutes.

Councilwoman Jones – I just want to make some comments and the Mayor or Director Malone can comment. After the discussions here I think everybody here is with the assumption that the revenues are needed. In my opinion it is not a matter of whether we go ahead and continue with the fees. I don't like the fees but I have no problem with going for another year. I have no problem going with two years but if there's a contingency and I know last year we were supposed to do this with the special committee, that wasn't done for whatever the reasons maybe. I think we need to make some contingency that let's say we go for two years but with the contingency that we are aggressively moving forward this year and get together some plans for the beginning of next year, whether we have to put something on the ballot in November of next year saying this is what we'd like to do and put a question to the voters, would this be something you'd be agreeable to going along with. I know there would probably have to be charter changes to go along with that, but at least some plans going forward instead of waiting. Things get in the way, I know things happen, instead of waiting and time slips away and we're at the end of the two years, one year or three year, whatever and we're sitting here discussing the same type of thing.

If we could make some contingency on this not based on the outcome of whatever that committee is, but based on the plans and progression going forward. I would be more acceptable towards that.

Mayor Cervenik- Councilwoman are you telling me that if we had a study group or a committee together by September 30th, you would be willing to support the three years?

Councilwoman Jones – I would be willing to support the two years. If we had a study group together and I think we would need to make milestones for the study group. The study group is put together by, let's say September. By the end of the year we have to have a milestone that we have to be so far by the beginning of the year. So the beginning of next year, whether it is during the time that we're talking about the budgets for the next year, we talk about these fees again and discuss at that point where our we based on this study group because we will have another year based on the study group and move forward with that throughout the 2013. Make some milestones for 2013 projections, whether it is something that we put on the ballot in November of next year based on the progressions that we've made from September through whatever the cut off time is to put something on the ballot. That's what I'm saying.

Mayor Cervenik – We can start this committee and the study tomorrow. Director Malone and I were talking that we're going to call a couple of other local firms here that maybe willing to help us as well. This isn't a 60 day or 90 day study. Regardless of what happens, if we're going to do it right, it is not going to be ready to put anything on the ballot next September. Whatever we put on the ballot if we're really trying to make an improvement and you heard two speakers tonight that are talking about fees are permanent and we're in a recession, whatever we put on the ballot is not going to take away money from our budget, it is going to increase what our residents pay. I am not overly optimistic that the results of this study, this committee, has any chance at all to pass any how.

At this point I don't want to be held to that. Council wants this done as well, they've got to step up to the plate too. I'm going to be asking some of you to do so if we strike gold with one of these other companies. I don't want, if you only have the will to go one year, let's at least give one year without contingencies on this process. I don't want it to taint whatever we end up doing in looking at it. I firmly don't believe until the economy really improves that anything we put on the ballot that's a tax increase, any kind of increase won't pass.

Councilwoman Jones – I'm not saying put on the ballot an increase or anything like that. I'm saying if it comes up to a point and the question has to go out to the voters to say, and maybe it is not a ballot type of question. Maybe it is just going out to the residents to find out if we come up with a plan, whether it is doing something with House Bill 920, whether it is reducing income tax or whatever the process is that this committee comes up with. Going to the residents and laying out these are the options that we have, not saying at that point that anything is going to increase or not. We'd still have another year with the fees if we go with the two year.

What I'm saying is and I agree that Council has to take some part in this also. Even though I didn't say that I would be on the committee last year, but I too do take some fault in this not going forward because as a council person I could have been more pro-active as far as bugging to get this going and everything. I think to actually move forward, I think we need to put some contingencies on ourselves to make sure that we are doing our due diligence to move forward with this committee. I'm not saying there's going to be a guaranty of what the committee would come out with but at least we need to investigate and look into these options that we talked about. It can't be just the administration, it can't just be Council, it needs to be stakeholders of the community as well, whether they're business, whether they're residents or whatever.

Mayor Cervenik – How about this, pass it for one year and please let me leave here tonight with the understanding that if we start this process that we can have this meeting a whole lot earlier next year to extend the fees, so I can sleep a little better. How about that? Give me one year, we get this moving, we extend the fees sometime in April so that we know. How about that? I don't want to hang anything on this committee. I don't want to hang it on them. If we find a way to get this started quicker, just gentleman's agreement, can't hold you to it, let's have the meeting on the extension of the fees in April.

Councilwoman Jones – I think starting the process now is too late. I'm not saying that whatever has to be hanging on the outcome of the committee, it is just getting things going, whatever the outcome maybe or whatever the progression is at that point. I think we just need something to kick start it.

Mayor Cervenik – What I would propose is we do it as part of the budget. If we get this process started, we'll find the professionals to guide us, it may cost us a few bucks, it is not going to cost that much, but it just becomes part of 2013's budget and we're okay but I'm going to need council's help.

Director Malone – I guess it is the Irish in me, I really know some good people, whether you like them or not. They're Ohio based people, they understand local governments. As my grandfather, if a study is done, he always used to say, be careful what you wish for. I'm not trying to be, think about that for a second. If a study is done and there are recommendations in there, everybody has to work with it, it is a public document. Sometimes I get a little serious, I'm sorry.

Councilwoman Scarniench – I've been very quiet and listening. Nothing that has been said here tonight is wrong. Everybody's opinions are exactly the way they should be. I've sat in the back of this room for 20 years and listened to these scenarios over and over again. This is really real. A couple of things, the whole issue about the schools. If we hadn't of done the 2.85, I don't believe we would have had that extra month. It was done so that the schools could share in that. That's kind of a misconception to me to even bring that up.

The thing that people have to look at, if you look at your tax bill, we're the lowest thing on the bill. Everything that you vote for, whether it is Tri-C, the MetroParks, the Library levy, all of those things are way more than that little tiny bit that comes to the city. I get these fees. I understand it. I know we have to do it because bottom line to me means if these weren't here, police and fire would be gone. And that's what it amounts to. The State gives us and I forget, I think there was six or seven things that the Law Director said once that you're allowed to go ahead and do without a vote of the people. I know one was roads, trash, lighting, and we used to pay a lighting fee and that stopped when the 2.85 came in.

I will only vote for this for one year. I'm going to use Shore as my example. We set up a program. We hired somebody to come in and they had benchmarks they had to meet, for timeline and we did that. We consistently have meetings and it got to the point where, they are doing what they need to do and we give them the whole five years and that's what we've done.

We need to do what we said we were going to do last year. Like Councilwoman Jones said, we're all guilty and everybody's got a whole lot of things on their plate and you kind of forget about things for awhile, until it comes and hits you in the face. That's what I want to see happen. I want to see us move forward because I don't believe any of our residents, when they're told the truth and it is all laid out in front of you, okay, it is okay that way.

I think it is important that we do what we said, let's put out another call to our residents to see if we can find a couple of people who will be on this committee. When I did that for the healthcare, the residents came forward, we did what we had to do. I won't make the motion, but I will second the motion to change these both to a year.

Councilman Gilliam – Mayor, you're absolutely right. If we did any changes in the Charter it might increase cost. I've done a little reading and I've done a little of asking of questions and most local governments, state governments and federal governments try to balance the budget and stabilize by three different methods. They either increase the cost; they decrease the cost; or they do a combination of both. That's my comment.

Councilman Langman – I think about a half hour ago I wanted to make the motion.

President Holzheimer Gail – It is important that we let the public speak.

Councilman Langman – I understand. I appreciate the Mayor's comments and I think it will be a worthwhile exercise. Whether it passes or not, I just believe it is long overdue.

Councilman Langman moved to amend Ord. (102-12) to change the timeframe from three years to one year in Section 4.

Director Frey – It would be Section 4 and it would just indicate that they would be assessed in the 2013, collected in 2014.

Councilwoman Scarniench seconded.

Roll Call on Amendment:

Yeas: Gilliam, Scarniench, Jones, Lynch, O'Hare, Langman, Holzheimer Gail.

Amendment passes.

Councilman O'Hare – I have a comment. There was a motion on the floor, paradoxically from the Mayor, and he says he doesn't make motions, but I wanted to agree with the motion to let the Mayor sleep easily and meet on this again in April. I think that is the right time to do it, if we wait too long then, that's something we have to put on ourselves. We'll put it in our calendar, we're not going to make a motion and legislate to revisit this in April, as was mentioned, things get busy and we forget about it. We take out our calendar and we write it in now that we go ahead and do that.

Last point, it is related but unrelated. I realize that the lighting fee and the trash fee are not truly related to that. It is a pragmatic solution that works because you have lighting, it is for the convenience, it is a value of the city to be able to drive along a street that is lighted and I understand that.

The lighting fee as I understand is related to an evaluation of property. The trash fee is a flat fee and I'm not going to drone on about it but there maybe a way to save money and still recoup the cost, a plus and a minus here, with some of the, investigating again the pay as you throw, or a tiered payment there. It doesn't necessarily mean we'd reduce the income coming in. Where people object is when they feel like it is not fair. If I drive a car that gets 10 mpg, I might complain about the cost of fuel, but people will shake their head and say do something different.

The same thing as it relates to somebody who fills their tree lawn versus somebody who recycles and does other things. I'll leave it at that. Thank you.

Councilman Langman – Just in the interest of stepping up, I did meet with a couple of individuals along with several Cleveland Councilmen about Pay as You Throw Programs last Friday. It is a complicated program but we'll touch on that a little bit at next Wednesday's Sustainability Committee Meeting. Hopefully we'll start that process but it has been discussed before.

Councilman Langman moved to amend Ord. (103-12) from three years to one year. Councilwoman Scarniench seconded.

Roll Call on Amendment:

Yeas: Gilliam, Scarniench, Jones, Lynch, O'Hare, Langman, Holzheimer Gail.

Amendment passes.

President Holzheimer Gail moved Ord. (102a-12) to full Council with recommendation for passage. Councilwoman Scarniench seconded.

Roll Call:

Yeas: Gilliam, Scarniench, Jones, Lynch, O'Hare, Langman, Holzheimer Gail.

To Full Council as amended with a recommendation for passage.

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President Holzheimer Gail moved Ord. (103a-12) to full Council with recommendation for passage. Councilwoman Scarniench seconded.

Roll Call:

Yeas: Gilliam, Scarniench, Jones, Lynch, O'Hare, Langman, Holzheimer Gail.

To Full Council as amended with a recommendation for passage.

Mayor Cervenik – Thank you all very much.

President Holzheimer Gail – This will be on our next Council Meeting agenda. I will also commit that I will mark this as my calendar and will be very diligent with the Mayor and Director Malone to make sure this Committee, whether it is using Deloitte & Touche, I think that's one possibility but we can consider going out for others, I think we're all open to. I think professional experience will help us. We can certainly involve residents and any council members who have interest or issues or ideas of how to proceed, please let me know.

Councilwoman Scarniench moved to adjourn. Councilman Gilliam seconded. Yeas: Unanimous.

Meeting adjourned.