

## **Executive & Finance Committee Meeting December 9, 2013**

Chairwoman Holzheimer Gail called an Executive & Finance Committee Meeting for Monday, December 9, 2013 at 6:30 PM in the Euclid Municipal Center Council Chamber.

### **2014 BUDGET HEARING**

Law Dept.  
Civil Service  
Human Resources  
Self-Insurance  
Council

Finance & Information Systems  
Non-Departmental  
Mayor's Office  
Discussion & Conclusion

Members Present: Caviness, Scarniench, Jones (came in late), Lynch, McLaughlin, O'Hare (came in late), Langman, Holzheimer Gail.

Councilwoman Scarniench moved to excuse Councilwoman Jones, Councilman O'Hare, Councilman Van Ho. Councilman Lynch seconded. Yeas: Unanimous.

Others Present: Mayor Cervenik, Council Elect Jarosz, Council Elect Gorshe, Director Frey, Director Malone, Director Bock.

President Holzheimer Gail – We are here tonight to continue the budget hearings. We got through a number of the departments on Saturday. We have a few left to go over tonight and then we'll entertain general comments and discussion in preparation for legislation on Monday's Council meeting.

#### Law Department

Director Frey – The Mayor had asked that we initially address those issues that we felt that we were successful in completing in 2013 and similarly those things that we felt we wanted to accomplish and had not been able to do so. I'm looking at my list from last year that we put together at the end of 2012. First was to reassign staff members to address Court needs and improve quality of prosecution. I can say that we did that and no reflection on any of the individuals, we made changes in the job assignments for the Asst. Directors of Law, the one constant was that Pat Gallagher remained as our City Prosecutor and also primarily handled Civil Litigation involving the city. Kelley Sweeney was moved to the Prosecutor's office. When she left in July we were able to hire a part-time former Prosecutor from South Euclid, Mary Casa, who is in the office now and effectively working on our various dockets with Mr. Gallagher.

Second was to operate efficiently with a reduced staff. I would say that a month ago I said to the Mayor we're in as good as shape right now in the Law Dept. as we've been and then the November election came and Tom Coyne was elected Mayor of Brook Park, re-elected I guess as the Mayor of Brook Park and he's asked Mike Dolan to join his administrative staff there. While I thought we were in pretty solid shape with both experience and duty assignments and so forth, Mr. Dolan will be leaving at the end of the month. We will address that in due time.

Shared Municipal Services. The Mayor and I had met with the Mayor and Law Director of the City of Richmond Heights to explore in an informal way ways the two cities could join forces and provide effective city services to the combined communities. Quite candidly the Mayor of Richmond Heights seemed to be quite interested in allowing his residents to use our rec facilities but not much else. Honestly that was a disappointment. It didn't progress the way I had hoped.

We talked the other day about the jail project with the County. The Law Dept. is actively involved in working on those agreements and discussions with the County. The SWAT program I feel confident now after several years that we are close to getting that integrated with the other communities. We've met, the Mayor, Public Service Director and I met with the County Department of Public Works. While they came out to talk about sewers and lane lining, what we wanted to talk to them about were more critical services from our perspective of things like city building inspections because we have such a hard time finding that kind of service. We're waiting for the County to come back to us with comments or considerations there. Obviously you're aware the communication system is something that modeled along with the SWAT agreement might provide the opportunity for the cities to work together.

That is limited success, mostly frustration on my part as far as our ability to get efficiencies and share services. I think there are great opportunities and I'm not sure honestly what it is going to take for us to get there. The fourth item on my list was the health committee and I will tell you there have been 10 meetings to date. Ms. Linker, our Human Resource Manager, has spearheaded that and has been meeting with employee groups representing all of our bargaining and non-union employees, administrative level employees in trying to develop first an understanding of where we are with delivery of healthcare and the cost of healthcare and then coming up with a plan. I'm told in the middle of this month, which isn't very far away that committee will be meeting with the Mayor and myself to present what they see as the early opportunities to make progress.

Councilwoman Scarniench – Director Frey, should we assume were speaking with the former Mayor?

Director Frey – The former Mayor and we will entertain conversations with the new Mayor of Richmond Heights, yes. That's the goals, accomplishments, disappointments in the Law Dept. as far as activities that might be beyond the norm of the work the Law Dept. typically does. I had earlier this month provided you an update on the pending litigation and our use of outside counsel. I don't see that dynamic changing materially in 2014.

President Holzheimer Gail – I do want to acknowledge Councilwoman Jones has joined us.

Director Frey - Page 25 is the Civil Law. There is not a significant change as you can see. We had a retirement payout that Ms. Sweeney's decision to join the Cuyahoga County Clerk of Courts administrative staff. We won't have that same obligation in 2014 even with Mr. Dolan's departure because he's a part-time employee so there won't be any payout there. Outside counsel, we have used Mazanec Raskin to defend the City in 1983 actions, the Boldin case that I outlined in my memo to City Council has been appealed to the 6<sup>th</sup> Circuit. Jim Klimer from that firm estimates there cost in defending that appeal at about \$17,000. The balance of that fund I anticipate using. We have a jail death case that is still pending in Common Pleas Court that we are handling internally. Mr. Dolan is handling that. While I anticipate we will be moving for summary judgment before the end of the year, I'm not as certain that will stay in house if summary judgment isn't granted. The balance of it is dealing with issues of general law such as the review of our TIF agreements and ballot issues, if we have those, we typically use outside counsel to assist in drafting and reviewing to make sure we are compliant with Ohio law.

Other professional services is our codified ordinance update and various court costs associated with collections are paid out of that account. I'd be happy to answer questions on Civil Law.

Councilman McLaughlin – Director Frey, this maybe off topic, but are any of our TIF's running out of time?

Director Frey – Not that I'm aware of. Obviously the Clay Matthews TIF, Bennington Hamlet TIF have been in place the longest, I believe those are 25 year agreements and I don't believe they are anywhere close in expiration.

Councilman McLaughlin – Thank you for your summary and it was outside the norms of your work, you worked with Richmond Heights trying to get with them. Are you working with any other cities to see if you can share services?

Director Frey- The EDGE communities, Shaker, University, South Euclid, Beachwood and I believe Cleveland Heights has expressed some interest in the dispatch. They dispatch right now with Shaker, they have a combined dispatch. Making that project work would probably bring Cleveland Heights along and then Cuyahoga County. We've expressed interest to a number of communities but I can't say we've actively worked at it. The earliest attempt was to get the City of Cleveland to look at our garbage and recycling contract. They opined that they could not but our conversation with them did result in a change in Ohio law that now allows communities to do that, to contract with other communities. It has been an interest for quite some time but at this point very marginal results.

Councilman McLaughlin – With our upgrade in the dispatching technology that we have, our dispatch boards, they can basically share the workload for other EDGE communities?

Director Frey – My understanding of the most recent purchase, and this comes not something I know but something I heard from the Chief, is it would be portable. That's pieces of equipment that would be portable to any new organization, whether it was here or someplace else.

Councilman Lynch – Director Frey, 2012 outside legal services were quite low. Was that a matter of luck or was something different going on that year?

Director Frey – Largely depends on cases that are filed against the city. That particular year we didn't have much that we had to go outside with. My sense is based on that number and I don't know precisely what that would have been that we would not have had any outside litigation placed with firms at that point. That would have been generally the use of Walter Haverfield for telecommunication issues.

Councilman Lynch – That was my second question, what sort of initial baseline of the day to day legal work that we know we're going to contract outside versus the special case by case contracts.

Director Frey – As I indicated in the memo I sent to City Council, I would say the majority of our work is placed with Calfee Halter on issues of municipal law and any financing issues that come up. Calfee has an

expertise in that area and we are very fortunate to have them representing us. Mazanec Raskin is more limited in scope. They're an insurance defense firm so we have used them for litigation purposes. Walter Haverfield, while they provide municipal services to many, many communities in northeast Ohio, where we have used them more so is in the area of telecommunications. Fischer Phillips we don't typically pay out of this account, it is paid out of self-insurance but we use them for Worker's compensation. That's pretty much the group.

Councilman Lynch – The limited interaction I had as Councilperson was with Calfee when we were looking at some creative solutions to marketing 185 St. and it was quite positive. My local government Prof Harold Babbitt used to be at Calfee and he wrote the book on municipal law, so they come well recommended.

Director Frey – That project, along with the Cleveland Trencher site have been paid out of the Law Dept. outside counsel. Moving to 26 is the criminal side of the Law Dept. and there's really nothing in there that's exceptional at all. I'm happy to answer questions. We have a very full docket. It is growing, the traffic docket, it is a substantial docket. We have our law clerks spend Wednesday on the Traffic docket, as well as the two prosecutors spending Wednesday on the traffic docket. I try to steer clear of that area on Wednesday because of the incredible volume of activity. The Thursday docket, criminal docket, is a little less frantic but it is a docket that is nonetheless growing. It is a busy office, we have two clerical employees that run the records, get the case files together, issue the Prosecutor Notices for housing and the criminal cases, try to get the subpoenas issued for witnesses and so forth. It is a fully engaged office.

Page 33 is Human Resource Dept., Ms. Linker is the sole member of the Human Resource Dept. If you recall a couple of years ago when my secretary retired we moved Carrie Insana from support in the Human Resource area to the Law Dept. where she is paid; she serves the purposes of both those areas, Human Resources and Law and has done an outstanding job. Ms. Linker is charged with the hiring and promotional processes within the city and pleased with the standard approach we have been able to take making sure jobs are posted, they're on our website. She's also worked on the various departments on diversity and EEO training. She handles our Worker's Compensation, she and Ms. Insana, handle the Worker's Comp with our outside vendors Comp Management and the Bureau. She's headed up our health committee and is responsible for managing our healthcare cost. When we work with Fedeli or Medical Mutual, it is Ms. Linker who has been handling that and looking at best practices in other communities and truly has done an outstanding job. Our Worker's Comp costs are a tremendous reflection of the effort she's made in getting us righted there and taking a pretty principle and disciplined approach to those. I'd be happy to answer questions on Human Resource.

Page 35 Civil Service. The item that jumps from year to year is the Other Professional Services. That is strictly a function of initial entry testing in our safety forces and promotional testing within our safety forces. Other than that, any appeals, disciplinary, discharge appeals that go to Civil Service would be handled by the Commission members. Internally we would handle that, we have a member of the Law Dept. who is present at those meetings as well as Ms. Linker. The Professional Services is all about our testing, our promotions of our tests, our advertising of our tests and securing the various vendors. We have anticipated in 2014 up to six pre-testing physicals and psychological evaluations for new police officers. We have Police Sgt. And promotional exams scheduled for February 2014. We have Fire Chief promotional exam scheduled for next month January. We will likely have some fire physicals that will get billed there as well. Even in something like that, the physicals, she has shopped various healthcare organizations, I know one member of Council works for one, we haven't used them. We haven't used the Cleveland Clinic because we get a better rate at St. Vincent Charity. That's where we've been sending our new hire candidates because it can save us a couple hundred dollars per physical. Ms. Linker has been carefully shopping that service. I'd be happy to answer questions on the Civil Service budget.

On my list of items that I'm tasked with budgeting and presenting is self-insurance and there are no staff individuals charged there. Our outside legal services is made up entirely of our anticipated cost of worker's compensation. In this area we have a retainer agreement with Fischer Phillips where they handle our worker's comp litigation to a pre-trial state. If a case goes to trial then we're billed on an hourly basis. It has been a very effective way of managing our costs and keeping our costs fairly predictable. We have two judgments that we will be paying out over time. We have \$38,000 in the sub department 163 Claims. \$38,000 of that \$55,000 that we've proposed in the budget is already spoken for. Page 117, my apologies.

The other thing such as pothole damage to motor vehicles, or if our snowplow clips the side of a car, we pay that out of the property damage line item. You can see we stopped using moral claims as a line item because it just didn't make any sense. We'd get to the end of the year and we'd be shoving from one line to the other line and it served no purpose. We've cut down to just the judgments and property damage and that's the kind of activity. We had a tree fall on a car this year, or a portion of the tree, to the extent the resident, we will always require the resident to use property insurance and we'll pick up the deductible, so it would go into that account. I'll be glad to answer questions on Self-Insurance. That's it for the Department of Law.

Council Elect Gorshe – Director Frey, I hope you don't mind, I just have a couple questions as you were presenting your departments. Have you looked at the Services Periodicals and Subscriptions and perhaps explored the e-editions or online editions or is that not relevant to law?

Director Frey – It is. Most of our legal research is done through West Law Next. We just negotiated a new agreement with them reducing the percentage increase and picking up some additional print practice materials, landlord tenant and some other areas of volumes that are particular to our areas of law. We do most of our research is done, we have stopped, shortly after I came, we stopped buying print volumes of case reports because we can just as effectively and much cheaper pull those off line. The thing that we do print and Council asked about that last year when we did our codified ordinances, I did talk to American Legal about going to a purely electronic version. We would not have the book version, it would save us considerable amount of money. We pay about \$4,000 for our code update this year. We would save a good bit of that because of lot of that is in the editing and pagination of the print volume. If we went to a purely electronic. The problem with the purely electronic in American Legal, in my opinion is the search capabilities are not all that terrific. Sometimes it is quicker to find it by print than it is be an electronic search. That's a shortcoming that I need to feel comfortable with before I would recommend that we switch to an electronic version.

The only print materials that we bring in are specific practice, like Ohio Criminal Code for the Prosecutors. We buy a fairly limited amount of print material.

Council Elect Gorshe – Thank you. Additionally, in the Human Resources area, there's about a 2% increase for employees next year. Is there a position description for each employee that has a performance appraisal perhaps? Or is that 2% across the board? Or is that the average pot that's allocated differently for merit? How does that work?

Director Frey – There's only one employee charged to that department. The 2% reflects the across the board increase that's reflected in all the non-bargaining unit departments for 2014. There is a job description. The budget was set up as a 2% increase in all the non-bargaining unit departments.

Council Elect Gorshe – That's across the board 2%, not a merit, maybe a cost of living increase for lack of a better explanation?

Director Frey – I would say that's probably the better explanation. It mirrors what the bargaining units received through the bargaining process.

Council Elect Gorshe – Additionally with having St. Vincent Charity do our physicals, does that include drug testing as well?

Director Frey – It does in police and fire, part of that is a drug panel that is done. The other area that we drug screening, although it is not charged to Civil Service, it would be charged to either the department or non-departmental health expenses is anytime a city employee is involved in a motor vehicle accident, we are requiring drug testing, post-accident, drug testing.

Councilman Elect Gorshe - The property damage, how does the golf course play into that?

Director Frey – That gets charged to the golf course. We're not charging that to self-insurance. Honestly we've had two or three golf ball claims a year. I know we don't have to pay them. We've signed it. There's probably not a single person who lives next to the golf course that, I shouldn't say that, there's probably somebody, who lives next to the golf course who was there before the course was there. While it is the players' responsibility to take care of the damage, it is always a cause of consternation when we get a claim, we have paid those and we have charged them to the golf course operating fund.

### Council

President Holzheimer Gail – Page 20. There are a couple of changes this year. There are two sub-departments within City Council. The first is for Council members. City Council approved an increase in salaries for city council in June. The Salary & Wages line item shows that increase, which is for the four even numbered wards for this year. Those who started a new four year term and Council President. The other four wards will get that increase in two years. That's the major change in Council members.

Sub-Department, Council Administration, we have two employees in salaries and wages. One is Regina Cahill who is our Council Clerk. She continues to be just under 30 hours. We have Kristal Grida working as the Neighborhood Engagement Specialist. The increase in salary this year is because she started mid-year last year and this reflects a full year of her wages as well as Regina's. We added a small amount in travel and membership just in case there's opportunities that Council would like to go to programs or join something. We wanted to have some availability in case there are those opportunities.

Any questions? The only other thing we could talk about it when we get to non-departmental, is if we need to increase and it is under non-departmental, the awards for the Neighborhood Grant. We want to make sure we have enough for the newly approved neighborhood competitive grant. If there's no questions about the Council budget we will go to Finance Dept. I would like to welcome Councilman O'Hare at this point.

#### Finance Dept.

Director Malone – I'll do some brief introductions. To quickly review 2013 fiscal year which is rapidly approaching its end, I'd like to list it as the implementation of the MITS system that was a priority that through fits and starts, whatever, we got it done on the conversion. It is slowed us down as far as our enforcement programs, but we are progressing, we tend to push it as hard as we can. With the MITS system coming onboard in the fall, and being more and more utilized and tied into the city's system, we want to increase the efficiency of our income tax collections and enforcements on individuals. However, I would caution the Council, as you know, this is an employer withholding city. The majority of income tax revenue, I don't have the CAFR in front of me, but the majority of income tax revenue does come from employer withholding. In my opinion, you're a manufacturing sensitive type of city. The overall manufacturing economy is chugging along. There's nothing on the horizon but it is well to note that you are an employer withholding city and a full credit city on income tax. Duly noted.

Earlier this year we rolled over \$5,265,000 notes as special revenue notes. Maintained our GO rating with Moody's, my favorite people. On the revenue notes, which was a new animal for us, an income tax supported bond note issue which is kind of a different animal for a lot of communities but becoming more prevalent in the State of Ohio because of the drop in real estate values, we were able to sell the note. It is a hybrid special revenue note primarily supported by income tax at the highest rating of Moody's. Those notes mature in 2014 in July. I'll talk a little later on that.

The 2012 audit was good. It was accepted by the State. No finding for recoveries. The CAFR is posting on the city's website along with a few other years. Or you can get the link to the Auditor of State Office is you want to go back further than 2012 year. I believe the State goes back 10 years. We have four years of the CAFR is a PDF format on the city's website.

Finally, my credit to the Mayor and Councilman O'Hare, the city has for 2012 Fiscal Year, has got a PAFR, Public Accounting Financial Report, which is a summary of the 2012 Comprehensive report. It is done. It is compiled. I requested it go on the city's website. For 2013 in the calendar year 2014, we will continue with the compliance of the 2013 audit. We will have a 2013 PAFR. The Auditors are already in here doing preliminary work for 2013 fiscal year.

For some of the new council people who are not familiar, being a recipient of CDBG funds, the city has to comply with the single audit act. We have to go through an annual audit set by federal standards, monitored by the State. Since they don't have enough personnel to do the audit themselves, sometimes they contract out to independent public accounting firms. An audit is a good insurance policy. Things can happen. Everybody tries to do their due diligence which it is always good to have a good report and a good CAFR. I'm not going to say it is full proof, it never is. All I can say is we'll do our best to give everything they want, it is a transparent shop and we do our best to make sure we're in compliance with whatever needs to be compliant in the audit report.

For 2014, your main financial resource is income tax. You got an income tax department, with the State cuts, by the way, you should have received my November year-to-date report for 2013. The city's general fund is operating with \$1.3 million less in monies compared to the prior year. We budgeted for that cut. We've been able to compensate for the year, but to repeat what the Mayor has said earlier, Estate tax is gone; local government funds have been frozen or slightly increased, thank you very much; the State is looking into the income tax. By the way on net profits for the new council people, even though it is not our primary source, we process about 2500 net profit returns for about \$3.2 million. That's a serious number. House Bill 5 does impact. It is not an individual tax cut. It is not for employer withholding. It is a corporate tax cut, to make business more productive, but it is a corporate tax cut.

One of the other things on course for 2014, bank costs. The city currently deals with four different banks. Easier said than done but I would like to reduce our major volume bank down to three banks. In the old days they used to have many banking friends but with bank consolidations, there's no sense in keeping that many. One, is a prime, very active bank, is a prime candidate for a quote. For the record we currently deal with KeyBank, US Bank, Chase, PNC. We would like to bring that down to three, the depository accounts. Probably get a quote from three, I would allow PNC to see if they want to review their numbers with us and then we'll take it from there. I'll keep Council informed as we go.

Debt Management. It is more a story for the newer council people. With the 2012 appraisal, your property values dropped from 2011 tax year of \$738 million to \$587 million. That had a serious impact on how you issue debt for capital projects. There's a reason why we issued \$5,260,000 of roll over notes with income tax base. Legally we could not issue them as GO's within the statutory limitations of the State of Ohio. By the way in 2006, the highest appraisal here, it is only seven years ago, the value was \$904 million. Again, phased out of the tangible personal property, the results of the new economics of real estate going out. It goes back to my original statement, it is all about income tax for the City of

Euclid and a lot of other cities in Ohio. By the way we got our 2013 valuation, no real difference, down \$400,000 but it is kind of flat.

The next appraisal update by the County, good to note here, is scheduled for the 2015 tax year for collections in 2016. You got a number of years before you see any results of any property value improvement. You're tied to the \$587 million assessed valuation for a couple more years, in my opinion. That's the next appraisal update here.

Touched on this also. I don't want to say indifference to the Mayor, you don't want to avoid issuing new debt, but I would strongly urge, in the strongest possible terms, there ought to be real justification for it. I don't want to rule it out, but it is a tough deal. It has got to make a lot of sense overall. I'm not blind, I've been around, it is how you fund capital projects over the years. It is very tough, extremely tough, especially on maybe not so much the Waste Water Treatment Plant and sewers which is fee driven, but it is very tough to do capital projects deals any more. You just don't have that debt issuance capability. You can, but you'll have ramifications and you will be scrutinized. Not by me, of course, but by rating agencies, banks, you will be scrutinized and that's what you need to be prepared for, so be ready for that in 2014.

I'm really a cheerful guy, but I do my job well, but I don't want to tell you it is all doom and gloom. I will say that I am totally impressed by the staff. I'm totally impressed by the people who know their jobs and trying to do their best. Perhaps when you come in on a Saturday, the Mayor reported 120 people, we're not happy to be here meeting with your income tax debt. You've got some really good people here. It makes my job a little easier so I have to say that. We're not giving in it, it is only money, so don't worry about it.

For the Finance Dept. budget, there is very little change. I'll be happy to answer questions. On page 23, Finance and Accounting. We had one retiree in 2013. We would certainly like to just maintain, we're not looking for any increases but to maintain our manning table and perhaps increase our accountability or reconciliation capabilities with maintaining an employee who may have more skills. Nothing against the retiree but perhaps there's an opportunity to find somebody who can help us on a lot of the electronic banking and online banking and bank reconciliements, that's very important to us. I use my own personal phone. I won't be going to many conferences under the travel budget. The one I'm really concerned about is postage. We try to do more electronic email but again you never know with the United State Post Office. For the record, for some of the newer council members, maybe you know this, I'm part-time. I'm a lower salary as a part-time employee, on somebody else's health plan. That's for the record, I'm charged off between half of my hourly salary gets charged to the General Fund and the other to the Bond Retirement fund, just so you know.

Councilman Lynch – Director Malone, could you comment for us just a little bit more on the income tax backed notes, which if we do have more municipal financing its likely that's the alternative we have to do. I ask in relation to the operating budget before us because all of our income tax is already budgeted for at this point. Could you comment on that relationship?

Director Malone – Prior to the drop in appraisal value, the city was able to fund some capital projects out of its bond retirement fund. The deal was and many communities did it that way. You would issue a project note, for example, \$1 million for street resurfacing, motor vehicle equipment, packers or dump trucks. A capital item that had an average lifespan of 5 years or more. Then you would use your inside millage of your bond retirement fund to pay it off over a period of years. We did it in Cleveland Heights, we tried to keep it around 5 years. You pay it off \$200,000 plus interest each year and then you recycle it. That was a GO. It was primarily supported by property tax, your inside property tax millage. Had certain statutory limitations, the five and a half, ten and a half limitation, really critical was the 10 mill limitation. To summarize what the drop is assessed valuation particularly in real estate did was put the city with your overall debt in violation of those limitations, especially with the note projects that were done prior to the appraisal. No one could foresee such a large drop quite honestly. You have a number of capital projects that were put into the pipeline and put out there for around \$5.2 million. Prior to the appraisal and when, it was a drastic drop, we had to number one, go back to Moody's because they were checking other communities and maintain our bond rating. I'll get to the point in a minute, Councilman. Number two, because we could not roll the \$5.2 million as bond anticipation notes, we had to roll them like other communities, City of Akron, City of Delaware as special revenue notes, primarily supported by income tax, which is always kind of implied by banks. If you don't have enough property taxes to cover, your income tax has got to step up your fee structure. Because of that we had to roll them with the primary source of backing as income tax revenues. They're still being funneled through our bond retirement, you can see the in and out in the debits and credits. What we're trying to get at is to maintain the bond retirement fund, let old debt run off and hopefully I'm a little cautious about 2014 about a bond sale and now I'm looking at 2015. With a little bit of recovery and hopefully some good feelings about the property appraisal in 2015 for 2016 collections, maybe putting that \$5.2 million one year liability into a 20-25 year debt service. We had to go to income tax supported, primary supported notes on a 1 year basis because legally you couldn't issue them as a GO period.

Councilman Lynch – Thanks, the back story is appreciated for me and new council people, probably all of us because it is a complicated issue. More pointedly the \$5.26 million pledged in income tax backed debt, are those financing costs because it is not budgeted for in our revenue is budgeted for, should those financing costs be presumed to be coming out of cash balance?

Director Malone – If you refer to the bond retirement fund you'll see the \$5,265,000 roll both on the credit and debit side. The plan for 2014 which hopefully we'll have more as we get into, plan on that is just pay the interest from the bond retirement fund balance. I will be talking to our financial advisors and legal bond counsel as we proceed into 2014. It is going to be interesting. The plan is to roll the income tax notes as a straight through, just pay the interest which luckily we're paying 1% on the rollover. Again, it is a liability out there that I would like to put to bed as a long term liability rather than a short term liability. That is budgeted for, not out of the general budget, but out of the bond retirement fund. If we could not roll the notes, it is implied we would have to pay that from our income tax revenue.

Councilman Lynch – That was the main point of clarification, that we're backing this notes with about \$5 million in income but it is certainly not freed up.

Director Malone – It is an implied credit that if for some reason we could not roll that, we'd have to come up with \$5.2 million of income tax receipts to pay it off, which I wouldn't suggest.

Councilman McLaughlin – You mentioned a 1% rollover where is that reflected?

Director Malone – Bond Retirement, page 95. On page 97 there is the issuance, the credit, \$5,265,000 note proceeds. Expense side, page 98 sub department 712, there's the note rollover, the debit, principle to principle. The interest cost currently projected is under page 99, the very top, \$59,063.

Councilman McLaughlin – As far as your travel expenses, to make you feel better about yourself, it is the same as the whole legislative branch so it looks like we're carpooling if we go anywhere.

Councilman O'Hare – With the County Executives talk of this fund, what's the status on that? If some of those funds were available, this hundred million dollar fund, where he talks about loaning money to the cities. Would we be guarantying that with income tax? If we didn't would we be exposing to ourselves to the same scrutiny that Director Malone talked about because it is not free money, it is just another source. It is much appreciated if he's able to follow through. I just don't know the lay of the land and what your sense is on that.

Mayor Cervenik – All of the details have not been formalized by the County but you are correct, it is not free money. The County will require some stream of municipal revenue to guaranty they get paid back or they wouldn't be able to make the loan because the Auditors and Moody's wouldn't let them do it. We're not sure what that is. Although the proposal that's out there could be useful, there are some cities that can't even do what we're doing as far as the amount that we guaranty with income taxes. Having said that, we did apply for \$4 million of that opportunity but if that opportunity was made available to us, we would certainly look it over to see what's more beneficial.

Councilman O'Hare – If it does go through and we are accepted, it is something we would consider but it is not necessarily cause for great jubilation and let's go out and do all these wonderful things.

Mayor Cervenik – No, when the County announced that they did such a good job on the budget, I'm not criticizing them. On the Medical Mart which is now the Global Center, a lot of it was good management on the construction cost but it was also the fact that they increased the sales tax. The sales tax over the last couple of years increased more than expected. They had an overage of \$93 million. It all basically is going to Cleveland and most of it doesn't have to be paid back. Until the suburbs receive some of that benefit with the same criteria, not having to pay things back, it is not a lot of help. It could help some of the smaller communities. We've got to address this long term when we talk about a recreation levy. We shouldn't be talking about a recreation levy. We've got to take a look at the total capital capabilities of this community, not just recreation. I was hoping to get into that a little bit later.

Councilman O'Hare – We talk about the cuts coming from Columbus. We talk about the Estate tax and a number of different things and we can put a number on that. What about the cuts from County? Can we put a number on that or is it more complex because there's been givebacks in other areas, or we've lost money from the County too, correct?

Mayor Cervenik – We've lost no funding from the County. That portion of the local government fund that says County share, the county has a formula. The State gives them "x" number of dollars and then the County has the formula for spreading that out. The City of Euclid and other inner-ring suburbs have

always had a higher percentage of that total amount, it is not just per capita because some of our situations, being older communities, per capita income, we receive more. The County kept that as much as they could intact, percentages, but the amount that was given to them by the State was reduced. The County has been very good to us in grants. I believe they're voting tomorrow on paying for the total repaving of E. 250<sup>th</sup> St. They've been doing what they can through their financial structure to help us out.

Director Malone – On page 10, this is an actual number, Local Government County. To support what the Mayor said, the County is a go between. This money is coming from the State of Ohio. The actual number we got in 2011 was \$2,551,000. The estimated number in 2014 budget is from the County Budget Commission verbatim. That's the allocation amount on County letterhead saying this is our allocation coming from the State of Ohio in 2014. As you said, now you can put a handle on it, in the space of three fiscal years.

Mayor Cervenik – If I could I would make the handle a little larger. If you go to page 7, look under Department 012, Commercial Activity Tax, the \$164,884. The year before is higher than that but that was supposed to be phased out over another 7-8 years. They totally took that away. That's another \$170,000. The next page 8, Department 17, Death & Gift Taxes, it is a little deceiving because for whatever reason 2011 we only got \$266,000. Going back all these years, we averaged, \$900,000-\$1,200,000 in estate tax. If you look at the estimate for 2014 it is \$30,000, that's just some residuals. We're at \$4 million. There's also some reduction in the amount of money that came into the bond retirement fund for the State of Ohio. Then we've lost about \$560,000 in bond retirement fund for the devaluation of our real estate, our taxable value. With that amount we're about \$4.2-4.3 million from where we were 3 ½ years ago, so it has been difficult.

Councilman O'Hare – In some ways you can play a simple percentage and say that's 11% down, 12% down. Keep the lights on in the city and keeping fire trucks, you're looking from a marginal basis, 50% of the kind of things we use to do our improvements and upgrades and maintenance.

Mayor Cervenik – It is also important to know that we do have this heated discussion at times about the trash fees and lighting fees. You need to remember the trash fees and lighting fees are put into place before these cuts were even imagined to take place, just to put things in perspective.

Councilman Lynch – Director Malone when you advised in your comments that you would strongly urge not to do any additional municipal financing measures, the reason we're restricted is on the 10 mill debt limitation, which is a Constitutional limit for the State of Ohio. Voted levies however are outside voted millage. Where possible would you say voted levies help alleviate this strain on financing projects?

Director Malone – As far as voted levies, special levy or whatever, if it is a voted levy, it will be subject to House Bill 920, it will be frozen into the tax year it passes. Plus you will not get any reimbursements from the State of Ohio on the 10% or the 2 ½% reimbursement which is taken out of the State's budget. I talked to Councilwoman Scarniench about that earlier. If you're going to do that, I'll tell you my opinion, if you're going to do some type of capital levy or make it somehow, a Charter levy, make it exempt from House Bill 920 let it grow or decrease with the tax duplicate. My experience in Cleveland Heights, we passed a .7 Recreation and Facilities Improvement levy, we did that in Fairview Park City, made it exempt under city's charter subject to review by City Council or the elected body, I want to make that clear. But again because it is a municipal charter levy it is exempt from House Bill 920. In the State's brilliance, when they eliminated the 10%, 2 ½% reimbursement on new levies, I think, don't hold me to this, I think it is under review, they forgot to include under that Charter levies. If you pass a Charter levy, there's a good opportunity of still getting your 10% and 2 ½ % out of our friends in Columbus, but that is my talking out loud. Voted levies you will not.

Councilman Lynch – To redirect to the question, if part of the major strain and concern is income tax backed financing, voted levies are one way of not creating that burden on income tax backed financing?

Director Malone – That is correct. Page 35, trying to reduce our bank fees. We budgeted around \$50,000 for bank fees for bank costs. The majority of is for our income tax lock box. I stand corrected, I'll leave it at that. All I know is we're paying too much for income tax lock box and I'd like to knock it down.

Mayor Cervenik – Income tax bank fees are contained on page 24, \$48,500. That's with PNC. We do need to examine the fees. If you page back to the non-departmental on page 35, you can see the income tax fees for the lock box are comparable to all the bank fees for the rest of the city. A lot of that is because they have a tremendous number of transactions. They have thousands upon thousands of transactions. When people pay estimates, when people pay municipal withholding, when people pay municipal taxes at the end of the year, that's why. We still need to examine all the bank fees and see if we can't reduce them. The bank fees for the Tax Administration dept. is in sub-department 1514. There's

no other real change in the Tax Dept. I reduced the overtime slightly because we feel with the new MITS system, as much overtime will not be needed as was this time.

Councilman McLaughlin – Mayor, to be sure, in total bank fees we're about \$98,000?

Mayor Cervenik – Yes. The other department 183, Information Systems, page 32. As you can see under salaries and wages, there's a position that we would hope to start April 1<sup>st</sup> as our IT specialist. As you know we had a number of difficulties this year with our IT system. It is coming along quite well. Under Tech Service Data Processing, there is an increase over the prior two years, \$125,000; \$120,000; we're at \$148,000. We look to end the year at \$155,000. 2014 we expect it should not go over \$120,000. We expect to be quite stable. The consulting firm we have will work with us on a job description and the responsibilities as well as set up best practices, internal control of our IT system. During the audit, I had asked our Auditors to see if they could come in and help us with that part of it. They need to do that as part of the audit. They will do internal control testing during the audit and will make us aware of any weaknesses they find. In order to maintain their independence of the audit procedures, they cannot do that for us at the on start. We will still get their input but it will be later on.

Councilman McLaughlin – For IT dept., as far as in the past we were looking at new switches, how are we on our actual functionality of our equipment? Is our equipment up to date and ready to go? Is our equipment that's the problem for our internet or intranet down time?

Mayor Cervenik – Probably a combination of both. We had some serious errors and mistakes that occurred by our prior consultant. It is a little more technical than I'm used to but basically they opened up storage space, much greater than our version of whatever program it is that we had. That caused that major downsize that we had, dysfunctional system. That's 90% maintained. We're still having one issue in setting up the Tax server. There's two things that needs to be done this consultant feels they were set up in the opposite order than they should have been. They are working on that. Virtually all other systems are working very well. We do have some older switches that are going to need to be budgeted. If we do need to replace them it would come out of the networking consulting, of which we only have \$26,000 budgeted for next year because we expect this firm will just be an as needed basis after January. We will evaluate that partially with this consultant, NWG, also with the new in-house technology person we will have. We did replace some of the switches and they all seem to be working fine.

Councilman McLaughlin – I remember we had \$40,000 of switches on the budget and then we redirected that and bought some other equipment, I don't remember what it was. That was what I was curious whether the switches had anything to do with our problem and it doesn't sound like it was.

Mayor Cervenik – When we asked the prior consultant to put together a line of attack on how to do this, it was basically here's \$140,000 for all switches and it's another \$45,000 to install them. We had asked, which one do we do first, not necessarily the oldest but the more important ones, the ones that handle more of the information. We are getting that from the present consultants. They're a little more expensive but they've been very methodical, very informative and they give us an update every week on where they are.

Councilman McLaughlin – Out of the salaries and wages, that accounts for two persons?

Mayor Cervenik – Two existing and one additional and they're only budgeted through April 1<sup>st</sup> on.

Councilman McLaughlin – The Tech Serve Data Processing, that is basically equipment?

Mayor Cervenik – We have budgeted \$70,000 for our New World System, that's our financial system, human resources, community development, e-sweep. That increased by about \$14,000 in 2013 with the new updates. We had no choice but to do that. Our network consulting is budgeted for \$26,000 for 2014, down from \$54,000 this past year. The \$54,000 does contain some of the switches and other equipment we replaced. Then we have the income tax scanning software of about \$3500; ambulance billing maintenance agreement is \$6300 and a couple other small items.

Councilman McLaughlin – Is this all software that's being developed or it is purchased? Canned software?

Mayor Cervenik – These are their annual maintenance fees and licenses.

#### Non-Departmental

Mayor Cervenik – Page 35. A number of items have significant changes. First unemployment. As you know we had to amend 2013 budget up to \$75,000 because of the elimination of positions at the Jail.

That will continue through 2014 so we increased that to \$150,000. Opportunities hopefully will arise that those employees will find jobs with either the County or other facilities and that will greatly reduce our unemployment. That is our best estimate right now.

One thing I need to bring to your attention, Director Frey talked about the Human Resource Officers Responsibilities. With the help of the Law Dept. and the Human Resource Dept. we were very successful in defending a wrongful death claim in Worker's Comp. We talked about that earlier on in the year. That caused our rates to be reduced significantly. It also allowed for us to get a credit on our premiums that are due this year and next year. You can see that Worker's Comp budgeted through 2013 was well over \$600,000. Because of the efforts of Ms. Linker and Mr. Frey, the actual cost for 2013 was \$383,000. Estimate cost for 2014 is \$200,000. There's some other costs in the funds, non-general fund, but for the general fund, in two years' time, we've gone from \$653,000 actual down to \$200,000. We will receive significant savings again in 2015, although not quite this large, we still will have a carryover credit. As our rates are reduced, that is very beneficial.

We will get a bill from the Election Board of \$25,000. We did not get one last year as it was not an election in that prior year that we had to pay for. Audit costs are an estimate of internal audit, as well as our PAFR. Other Professional Services contains items, Cuyahoga County Soil & Water Dues \$5,250; Comp Management \$15,000; Blackboard Connect \$27,425; Investment advisors, the advisors that invest all of our funds, that is an annual fee of \$12,000. We pay Moody's for their work they do for us. Director Malone's favorite people as he calls them of \$5500. The RTA lease, \$3,125. Honeywell Audit \$7,045. We pay real estate taxes on some properties that taxes are due of \$6,720. We also have a significant amount and I didn't total up because there are many of them, but they average \$500-600 is the indigent burial. When someone dies in the City of Euclid and they're declined indigent, the community must pay for the cremation and burial by the County. Those are the items coming that we don't expect any significant increase in anyone of those items at all. Bank fees were talked about. Utilities. Everything else is pretty much stagnant.

Non-Departmental Healthcare. It needs an explanation for medical claims in the general fund about a 6.84% increase. You should have in your book under Appendix B, the backside, is the breakdown of the various funds of the total cost of healthcare. The item Medical Insurance Administration, it really did not decrease 15%, it decreased 15% from what was budgeted. We had budgeted the fees that were to be paid in 2013 and they pushed those into 2014 and 2015. If you look at the actual amount for 2012, it was almost \$373,000. This year it is \$460,000 because in July we do need to pay approximately \$72,000 in fees that are directly related to the Affordable Care Act. The negative is just budget to budget. They pushed those fees back after we had the budget, so it is not included in there. If you go to the actual from the year before, you will see the increases from \$72,000 in fees. There's another set of fees on top of that which I believe we're going to be paid in 2015, they may have been pushed to 2016, but we'll include that in next year's budget.

The decrease in medical insurance prisoners is the anticipation of the County now holding our prisoners. Yes we do expect a significant increase in prescription drugs. All of this is based on where we are right now. We are looking forward to hearing from the suggestions from the healthcare committee and hopefully the implementation of some of those savings.

Councilman Lynch – Mayor, can you describe for us the Affordable Care Act compliance, \$70,000 extra cost? Can you describe what that went into? Was it including a vision or dental that wasn't required before, or was it administrative costs?

Mayor Cervenik – It is a fee, based upon the number, not just people. If you an employee has three dependents and themselves, it counts as four. I don't have the exact dollar per life. The fees they pushed out is \$63 per life in addition to this. There's one very small fee and then the larger one. They total about \$72,000. In addition, we have normal administrative costs of about \$375,000 that we get through Medical Mutual, that's per employee. The addition this year is the Affordable Care Act.

Councilman O'Hare – The number of lives we have, I know it varies a little from time to time but a little over 1,000?

Mayor Cervenik – I believe it is under 700 but we'll get back to you on that. We have 391 employees through all funds that are covered in various categories of whether it is family or single coverage.

Page 38, City Wide Promotion, Other Professional Services, you will see a significant increase. In talking with the Council President there are some expectations or desires to change the neighborhood grants to create new grants. We estimated a budget for that. Also we are looking under printing and binding as well as other professional services, to increase hopefully three, the number of newsletters to go out and stick to an 8 page format. It is very tough on 4 pages to get out the information that we all need to get out. We're estimating those prices and therefore the postage is there as well. The Council President talked about possibly some appreciation dinners and other gatherings that are going to be done and programs and seminars that will be held through Neighborhood Engagement office. We wanted to make sure there's enough in there to do that so we don't feel I can't do that because the money isn't budgeted.

We want to do those programs that we feel make sense that benefit our residents and bring our residents, get them more informed and more involved in the community. I think these numbers will give them that opportunity.

Mayor's Office – Page 22. My budget has decreased by .76% over what was budgeted the year before. In all reality I have 3 part-time employees, 28 hours a week. In addition in 2013 we added former Director Pietravoia to be the Special Projects Manager and we elected to put him under my budget. Being the former Director, we felt it would be better to have a total separation. Mr. Pietravoia works on special projects very, very closely with the Planning & Development. We thought the separation would be good, I don't want Mr. Pietravoia to get involved in the day to day operations of the Development Dept. He's very instrumental in the building and opening of our pier this past year.

ECTV – Page 84. The revenue is virtually transferred from the general fund. We have very few sponsorships and we have some user fees from the studio. We have one Mayor who on occasion does use the studio and we charge him for that. There's very little use of our studio since we eliminated public access portion back when we had to make significant budget cuts. I know there are some individuals that would like to see that come back but that would take at least one full time person, probably about \$25,000 in equipment and I wouldn't recommend doing that at this time. On the expense side, salary and wages includes both 2% increase plus a salary adjustment that has been well earned, actually it is overdue by at least a year from our technician for assuming the duties including the operations of the Blackboard Connect and Reader board. Other equipment, it has been requested that we purchase on-air cameras, battery powered receivers to work with the wireless microphones that we currently use for \$700. We also need a solid state hard drive or flashcard connected to the camera to replace video tape and streamline the editing that's \$3,000 and then a number of miscellaneous items. That would total up to \$5,000. Those are the changes in ECTV.

That concludes our presentation on not only the general fund budget but those budgets that are directly related to providing services to our residents. I did not talk about Shore and I know Councilwoman Scarniench is planning a meeting in January. Shore as in the past two years is budgeted out of the Endowment Fund, you'll see the expenditures on page 3. Coral presented to City Council and I did not attend that meeting, they presented you with a budget of \$152,000 plus another \$20,000 in capital. I have in that Endowment Fund a total amount of \$125,000. Their budget will need to be approved, as will Billy Casper's. There's a difference. We approved Billy Casper's and there's no expenditures coming out of our general fund. For the moment again they are self-sufficient. We do need to approve those budgets, even if on a temporary basis so that they can do expenditures in January. You can adjust that budget any time you want.

How the Shore Budget works and that's how you protect it is, this past year their budget was approved at \$121,000. Each month we reimburse them or sent them \$9,750. They work strictly out of their bank account. We send in the total budget approved by Council divided by 12 each month. We do need the budget approved. By approving the budget they gave you is the simplest way to do it. Then when you have your meeting, you can amend that budget to anything you want. What's in here right now, we're only allocating up to \$125,000 which is almost \$50,000 less than what they requested. That's up to Council how they want to do it. Both budgets need to be approved, at least on a temporary basis so they can continue operations in January/February until you have that meeting.

Councilwoman Scarniench – I spent all day yesterday looking through all of our old paperwork. We didn't approve either one of those budgets until March this past March.

Mayor Cervenik – We really do need a temporary one. It is true for Shore. When you approve the budget in December, the Certificate that went to the County did contain \$121,000 in there. You can do it anyway you want. We need to have at least enough expenditures for those three months. Again, they are allocated, their funding, monthly. They're not going to get more, by March 31<sup>st</sup>, the most they're going to get is \$28,000. I'm going to keep the allocation based upon the \$121,000. You have not approved any other budget. If you want me to do it another way I can. I don't think it benefits us to cut them short. There is probably a \$3,000-\$4,000 balance in their bank account due to accounts payable and bills not paid yet. Council should have their meeting and determine what that budget is going to be and we will amend that budget accordingly. That's the simplest way. It is just like other departments, we're only going to approve 25%. 90% of these budgets are salary and we can't pay somebody more than what they earned at one time. Cutting it short really doesn't make sense. If you took no action between now and December 31<sup>st</sup>, the most they would get is the \$125,000 because that's all you've really legally allocated. That's all I have to give them.

Councilwoman Scarniench – If that's what it is going to be, I don't have a problem.

Mayor Cervenik – Page 67. The Law Director wanted me to show the thresholds that we can fund anything right now, you will be approving a total general fund budget of \$38,585,504. We can't go over that. Specifically to Shore, there's no allocations to Shore, it is coming out of Endowment Fund. We're

not going to, if you take action in January or February and amend the budget, then we will know what to change that monthly allocation to.

Councilwoman Scarniench – The Endowment Fund right now has, right now it is projecting \$119,000

Mayor Cervenik – The balance in the Endowment Fund, \$125,000. The balance at the end of 2014 would be \$88,915, if we fund the \$125,000. That's all that's in there for Shore. The rest is some of the real estate taxes that get paid out of the Endowment Fund. All that's allocated for Shore in the Endowment Fund is \$125,000 that was based on last year. We can do no more until we understand what Council wants to do. If you want, I could have the Law Director, we can change the Shore budget that was presented you and make it \$125,000 if that makes you feel better?

Councilwoman Scarniench – That's fine.

Mayor Cervenik – You can amend the budget anytime you want.

Councilwoman Scarniench – I said in the email sent today, I have a problem with the new amount of money they want. We're beginning the 5th year we need to figure out what we're doing. We need to let the new council people see what is going on, they need to talk about the 5 year plan and what's been done and what hasn't been done and where do we go from here. As I told you, I'm not afraid to do what I have to do.

Mayor Cervenik – I couldn't agree with you more. Billy Casper Golf will be happy to make a presentation at any time you feel it necessary. They didn't have as great a year.

Councilwoman Scarniench – We usually do them in February, that way they have all their year's money in and so we'll do that in February.

Mayor Cervenik – It is probably going to come up in general questions but let me try to address it now. The Finance Director did talk about it a little bit. With the decrease in our tax valuation throughout the community, the revenue is about \$550,000 less. We've tried in the past to keep a million, maybe a little more, in the bond retirement fund. When you reduce your revenues by \$550,000-\$560,000 a year, by the end of that third year, you don't have a whole lot of money.

I project the bond retirement is going to have a negative balance sometime in 2015 or early 2016. That does not set well with me. That's without any additional borrowing and that's key. We borrowed nothing last year and we had no capital program. I'm not suggesting that we borrow anything this year and we will have almost no capital programs. The purchases of the equipment, ambulance and a few other odds and ends was done through the revenue we received, which is a total different stream of revenue and it is under \$150,000 maybe \$200,000 that's the Permanent Improvement Fund. That's it, that has nothing to do with the bond retirement fund. I didn't get into it or really want to discuss this Saturday when there was considerable talk about a recreation levy until I was certain about possibly going into a deficit position. I'm certain of it today. I spent a long time today working on it.

I would suggest the discussion of a recreation levy is much too narrow for the good of the city. I strongly suggest you allow us to put some projections together, to put some perspective revenue together based upon a millage and determine if we can't meet both our recreation needs or perceived needs, as well as the needs of our community. We've got aging infrastructure and we spent 7-8 years making great strides improving that infrastructure. We will still do that with grant programs and waterline funds. We cannot afford to go 3-4 years without that. Again, it is not on the expenditure side. When you lose \$560,000 that's significant revenue.

When Director Malone says he wouldn't recommend any borrowing, I'm telling you we can't borrow because I don't think we'd be able to pay it. That's what we need to look at if we're going out to the voters and ask for some assistance. One, we'll need to prove our case, which we'll be able to do and then determine where we need to go. Step two, I was a little surprised, not surprised, but I knew we were going to be low in 2015, I wasn't certain we were going to possibly go into the negative in 2016 if nothing is done. Part of that would be taken care of in 2015 and that was my goal, and I'm probably still going to do it, propose a \$750,000-\$800,000 transfer out of the general fund into the bond retirement. The reason it can be done is as we talked Saturday, we'll have \$804,000 less in retirement payouts. Both departments said they're probably none in either department. Someone can always leave early but they don't normally do that when they're in the DROP program.

We're also going to have an additional \$350,000 hopefully, I'm confident, in operating costs in the Jail. Depending on Council's decision when it is presented to them in 2016 we'll continue to have those savings, but probably a quarter of a million dollars or more in savings from a Regional Dispatch Center. That's what gave us the opportunity to get a little lower, not make the transfer in 2015, do the retirement pay outs, get the jail taken care of and partially correct that position in 2015. If we do that we will not be in a negative position until 2017, if we transfer \$700,000-\$800,000. That's short term.

Okay fine, we do that in 2015, we'll have a balance through 2016. You could say that's not my problem anymore because I'm not going to be here because I'm termed out, but it is my problem. We have to deal with this long term. That's where we are. It is a lot more serious than the Rec issue and yet we can fix it. Don't think for a minute we're the only community in that situation. They are all in that situation. We're in a better situation than some.

Councilman Lynch – I appreciate your comments Mayor and I think the reason for us talking about recreation levy and capital is a sensitivity to the same writing on the wall, what you're sharing with us today. I wasn't hearing, wasn't foreseeing, in all the advice I was getting that there was any real ability to finance projects that were important to us without getting outside millage. Which is not leaning on our income tax backed notes and it is not leaning on general obligation debt, which is something we just can't do right now. I think we're saying the same thing. I'm trying to read the implications of what the Mayor is saying a little bit. Would you suggest us then to be looking to get to outside millage for the permanent improvement fund, is that the likely alternative recommendations and then a recreation levy maybe competing with that?

Mayor Cervenik – No. There is nothing written and nothing in our Charter that says we can't use capital money for recreational projects. Nothing. That's always been in the past a problem with the funding of the Recreation Dept. The mentality was they've got to live within their millage. No, they don't. They can't get more out of their millage than what they get but we've been transferring over the past 5-6 years and we've been transferring money to them.

Some of the physical improvements we've done in Recreation have come out of our normal capital programs. That can continue to happen. They don't have to be competing. It can be one capital improvement, road improvement, building improvement. I got to tell you it is scary because we are heavily taxed. Our real estate taxes are virtually the fifth highest in Cuyahoga County. In order to fix it with a levy, you're going to have to have a plan. You have to tell the people what you're doing, what they can expect and it is not going to be a rec center. They want their roads fixed. They want the pool to be good, they want the pool building not to be crumbling down. We don't want to be breaking our ankles on a tennis court but they want their streets paved, they want their curbs not to be cracked. Those are the things and that is what we have to look at.

Councilman Lynch – I think we can talk more about this on Wednesday night too. I've said before and a number of my colleagues agree with me, because the roads are so important, all these other issues are so important, I don't see a real guaranty of implementing the Memorial Park Improvement Plan every year as we should without that small dedicated stream of capital revenue. That's lakefront improvement projects, there's street improvements that are all going to be competing. It is difficult for recreation to get bumped up higher on that priority list. Tentatively what we were talking about was \$227,000 increase, which is just the equivalent of updating the 2013 valuation from the last time the levy was passed. I get it and when you're talking a general fund of \$38 million, that \$227,000 seems like it is almost not worth it. But that would be the security of the Rec Dept. knowing that we can implement these capital plans that we've committed to do, while also taking that piece out of the competition for all the other capital projects that we know we need to do and residents expect us to do.

Mayor Cervenik – I think it has got to be very important and some of you that have been here for some time, Councilman Langman certainly. There was a time when we felt the general fund was separate from the capital fund. It is not. Monies got to come from somewhere. If we don't have money to pay debt, it is coming from the general fund. There is no division any more. There is virtually no division between the Recreation funds and the General Fund. The only caveat is the \$2 million that's generated between operations and capital from that 2 mill levy can only be spent on recreation. Outside of the accounting, these funds are inter-mingled as tightly as any other department.

Councilman Lynch – I accept that reality too that general fund is now going to have to be a part of capital projects. This operating budget already accounts for all of our general fund revenue this year. It is going to be difficult for even a very modest increase for attention to recreation capital projects to pull out those dollars from the inter-mingled general fund going to capital. I accept that reality. I'm just not confident given all the other outside constraints and competing priorities which there are many and they are laudable that Recreation will get that continued attention it desires.

Councilman Langman – I think the Mayor brings up some good points especially the historic overview. I do know that many years ago and you were here too, it was recommended that eventually we would have to make regular transfers from General Fund to bond retirement. The economic circumstances and other factors preclude a regular transfer. I do agree if you're going to go for a levy you'll have to have a plan. You have to have a clear plan to be able to sell. I don't know whether a narrow focus on recreation is the best plan. There's all sort of factors here that we have to consider including our Charter limitations. I've said this many times over the years, we need to look at that because really no other community has that so

whatever we pass could very well be subject to 920 limitations and you'll begin seeing the diminishing returns on the levy you passed. I hope that's part of the conversation also.

If we're going to go for a levy, you have to have a clear cut plan, a plan that salable to the residents because they'll be asked to fund other things throughout the community which are also very important. We know our middle schools and high school needs significant upgrades and replacements, etc. School Board is looking at that. If we're going to be on, we have to have a very clear plan of what the money is going to be used for and how it benefits the community. Until you have that plan, I'm not going to commit one way or the other because part of the equation is we need to continue growing this city that generates resources for us to apply to recreation and so forth.

It is not a question of simply, we want a levy, let's put it on and people vote for it. We have to be able to market it to the residents who are, let's face it, they're under a tremendous strain paying for everything, levies just past on the County side, sewer rates will continue to go up. All worthwhile investments. We have to make sure that we plan and it is salable to our residents and we're not there yet.

Mayor Cervenik – If I could add and I guess it is just not sinking in. To do a comprehensive levy, there's nothing that forbids us from doing what was done in the Rec levy 25-30 years ago. 70% for capital, 30% for operation. There's nothing to forbid us from doing that. To say, I think we should still go ahead with just a Rec, the only word I can use is, it is not acceptable, it really isn't. I want the people who are watching and hear about this, we are not in dire straits. We will end the year with over \$4 million in the bank. In 2003 we ended the year with \$400,000. We've been doing a good job. Council's been doing a good job. We're going to continue to do a good job. We didn't ask for \$500,000 increase in revenue that will now be going on its third year. We didn't ask for that, it was given to us.

This administration is not prepared on Wednesday night to have any discussions at all about a recreation levy or any other kind of levy until we have the information and facts we need before we start publicly looking at it.

Councilman Lynch – In fairness Mr. Mayor, we have talked about this for quite some time so I'm not sure if the facts, is that referring to the comprehensive study that you want to be suggesting to City Council? Your point is well taken. If there's a way we can more comprehensively address all capital needs, I'm happy to have that discussion. I haven't seen that plan but I've been sensitive to the strain on the Recreation Dept. In difference I've waiting some time to do this. If there suggestion for a more comprehensive plan, I'd be eager to support that too, but this is not something new. The Memorial Park concept plan is the packaged salable piece that we want to be able to implement.

Mayor Cervenik – The administration is, we're pretty good but we're not magicians. I can't get that plan to you by Wednesday. This is something that happened a year and a half ago, the revenue, it is not going to come back. We have a revaluation in 2 years from now. It will be minimal. We're going to live with this decrease for at least a full six years of the assessment period. I firmly believe our property values will go up at the full reassessment period again. It is something we have to deal with now. It is not something we had to deal with a year and a half ago when there was discussions about the Rec levy. It is here now. In doing review of the bond retirement fund, we realize just how significant it really is. It is very significant. There's no revenues to bring it up other than the bond retirement fund. As I said, we do the proposed transfer of \$700,000-\$800,000 in 2015, we're good through 2016 hopefully. That's not the way we can live.

The other is we do a million dollars in cuts and we hold those cuts and that million dollars gets transferred every year. There's a number of different things we can do and I just can't present it on Wednesday.

President Holzheimer Gail – To put it simply, your proposal to just go ahead with Rec, what I'm hearing the Mayor say and I think I agree, we need to look at everything together. I know that timing doesn't work in terms of this term in making a decision but whatever we do has to be done right. I think we need to get that information and then decide. Even if we were presented the information Wednesday, I'm not sure that's enough time to make a decision. I think you have to make the decision in the right way. We can begin a conversation on Wednesday. But we need to hear more about the larger needs and how they fit in. I don't think we have a lot of opportunities if we're going to go before the voters, it is probably one shot, it is probably a long shot, so we have to make sure we do everything in the right way. Perhaps we can start that discussion Wednesday.

Councilman Langman – I know that money is very tight and we do our best to manage the resources that we have but before you to the residents for a rec levy, there are other opportunities available to economize how we manage. We may not ultimately go that way but there are entities that can manage our pools and entities that can help with tennis programs, etc. I think given where the community is, you have to explore all of that before saying we've done all that and now we need more money for that particular segment of what we provide to the residents.

Then you can also say well, trying not to bring this up tonight, but you say Shore is part of Recreation, how does that fit into the equation. What does the Schools want to do? What's their program if they get their bond issue? I've heard presentations that would be rather significant. Planning just for the rec portion of capital is so intricate, it would take months to do it right. I saw the agenda for Wednesday, I'm technically not on the committee. I just don't know what we would decide. I couldn't go forward with that without doing all these other things first. Besides talking about the 920 limitations. I mentioned this for years, I think you have to seriously look at it, maybe that's the way to go first or maybe there's something we do with the trash fees. There's a whole spectrum of things that have to be discussed and considered carefully before you say the levy is the way to go. Whether it is just for Rec or a broader levy. You have to be very careful because the margin now for passage, as you said, you probably only get one shot. The community voted down a potential levy increase years and years ago. The bar has been raised so high to be able to sell something like that, we have to have everything lined up. I don't know what the purpose would be on Wednesday to discuss it further because if the Mayor can't have the information, we're just going to continue with the conversation that we're having now. Thank you.

Councilwoman Scarniench – I have to agree with Councilman Langman and the Mayor. Even though we've talked around this for a year and a half, we really never had a conversation. I would be interested to know if the Rec Commission has sat and discussed this and made a plan on what they think they need to do. I haven't seen any of that. No disrespect to my colleague, it is the end of the term, who do you really in good conscience think is going to pick up the ball and run with this because I don't see anybody sitting here jumping at this? Nothing is out there. If we go at this the way we did Director Stephens, they were able to do the basketball, well maybe this year we'll do the tennis court and we put that in the capital. There are too many other things that we need to do. I want the streets fixed. I have the oldest streets in the city, I need to get streets fixed. I don't see anybody who is going to jump for joy that they want to put a Rec levy on when we really haven't discussed it and that's the whole problem. Nothing has been said, this is what we're going to do and this is how we're going to do it. We should have been talking about this all along, not at the last minute. I personally don't think Wednesday is the time. I don't know if Wednesday's meeting is even necessary at this point. I cannot support trying to put a levy on for recreation, not now and not in the near future.

Councilman Lynch – The feedback is welcomed and is something that I've been looking for a long time as we've talked about this. We did discuss it at the last Recreation Commission Meeting. The suggestion was made by one of my Commissioners to have an index of immediate capital needs from the department. I haven't been provided with that. We do have the Memorial Park Concept Plan, but I have been talking for some time about our capital needs and I haven't got those estimated costs. That is part of the delay in why we haven't been having that more detailed conversation. I'll leave it at that. The point is well taken. I'll leave it at that. Thanks.

President Holzheimer Gail – Any questions about the budget? I know one thing that came up Director Bock had asked for and I know Councilman McLaughlin was interested in funding to take care of the beds at both the senior center, fire stations, gazebo. I personally would like to see that in.

Mayor Cervenik – That will be an additional \$10,000. I will not change anything on Shore until council makes a decision. I believe there will be some adjustments, I believe it has to do with the CAC grant that was not in the budget book at the time. I'll get it to you ahead of time, showing the changes, they're minor. It is all based on the grant revenue that came in versus how it is going out. As far as I know those would be the only changes we propose. I'll check with Carol in the morning if there are any, we would certainly email you.

Councilwoman Scarniench – It hasn't been brought up yet, but I will bring it up. I know Chief Brickman says it is not necessary but I think the quality of life for the citizens of Euclid, it is a necessary thing. I wish we could seriously consider another Animal Warden. If it is a part-time position that works on Ann's days off, comes in later and is here later in the evening. One person doing it, we used to have five people in that department and we have one. I know a lot of cities don't have their own shelters but we do. To me it is a disservice. I've had to use it a few times this past year in the middle of the night. It is something that we need to address. We don't even have someone who comes in and does the maintenance. I know we have volunteers. Volunteers are older people, they can only do so much. It is one of those things and some of my colleagues we have talked about this. I don't know where there feeling is on it but I would really like to add that person. I don't know how anybody else feels about it.

President Holzheimer Gail – Is there information about the number of calls? I don't know if we get a report. Is there some way to get some information about number of calls and things that have been happening over the years?

Councilwoman Scarniench – Ann used to do a report and we haven't gotten it in the last two years. I don't know if it is because she just can't get to it, but I will ask her for it.

Mayor Cervenik – I did discuss the Councilwoman's concerns with the Chief when we were formulating the budget. I discussed with Capt. Savage today and he felt it was working good, the police officers do handle the calls when the Animal Control Officer is not on duty. There are many communities that the police officers handle them on a full time basis because they don't have an animal control. If city council wants to reinstate that position, that is your prerogative. If that position is used to clean cages and do clean up in the Pound, and to assist in people adopting dogs and other things the non-profit organization is supposed to be doing, I don't think it is proper. I'm sorry. I know the part time work officer that we had in the past spent a good part of her day doing those responsibilities. I would rather see us try to find a way to get some younger people over there to volunteer. I know it is difficult but when the PetPal organization took on the goal of running a self-sufficient shelter, it should include finding new volunteers to help. Having said that, it is not a great expense of money. If you want that included in the budget for Monday, I won't argue about it. I would rather hire another part time person in Parks over that. That's your decision. You don't have to tell me tonight, but tell me by Wednesday.

Councilman Langman – That breaks into a general conversation. Can we wait until January to actually pass a budget? I would prefer to see the final numbers and have the Council people elect, it is going to be their budget and it is no offense to my colleagues who will be leaving, I'd feel a little more comfortable if we actually passed it in January. I don't have a lot of quibble with the numbers, I just think from a procedural standpoint, it would be good if in fact the new council was seated and they approve the budget.

President Holzheimer Gail – We have to pass something. We have to pass either, we went through all the work now, I don't know if anything is going to change from now until the first meeting in January or even the second meeting in January. Again a budget is a plan. We can amend it at every single Council meeting if we would like. I don't recommend that but that is the reality, it sets the plan, it sets the limits of what we can spend and it sets our priorities. If we decide in January to change something, we can have that discussion and we can do that. At this point, having gone through it all, Council Elect was part of the process. I know it is new but they're going to be new in January and February; everyone think back to when you started, it takes some time to get up to speed. It is Council's decision. There's also administrative, there's two different processes if we pass a temporary budget versus a full budget now. There's extra work involved.

Mayor Cervenik – There's extra work involved, there's retro-payments, there's doing partial purchase orders and then having to do additional purchase orders. There's no guaranty at that point that it would get passed at the first meeting. As the Council President said and as Councilwoman Scarniench said, we already know there's going to be one amendment once you determine what to do with Shore, unless you keep it at the \$125,000. Again it is Council's prerogative but it sure makes life easier.

President Holzheimer Gail – The administration needs to know whether to have a temporary budget to present at the council meeting in addition to the full budget. That's two different things.

Councilman Langman – We can see how people feel about it via email and so forth. I'm getting a little concerned that again we're talking about what are we going to do with Shore. I don't think that really serves the building any good at this point. We should have the meeting sooner rather than later. If we want to close the building, we should have a plan to close the building instead of dragging this out ad nauseam. What are we going to do with Shore? Well you know how I feel about it but I don't think we should drag it out 2-3 months. If you want to have a meeting, that's fine, but be prepared to go all the way when then. That's all I'm going to say about it. This idea of well the Council's going to decide about Shore and that's true the Council will decide. We have to come to some kind of conclusion and do it relatively quickly. You have a lot of people working to make the building a success including the administration, members of council. That's all I say about that. Thank you.

President Holzheimer Gail – Are there other general budget questions, comments? I would suggest having legislation for the full budget unless you hear from a majority of Council they don't want that going forward.

Councilwoman Jones – I am, what we've been discussing over the last several days, I'm okay with. We talked about the amendment for the planting of flowers and what is going to happen with Shore. I would like to see the numbers and whatever the salary would be for the additional Humane Officer to see if that is something that can be added before we make the final decision.

Mayor Cervenik – I will instruct Carol to calculate what the salary was based on the prior position which was eliminated at the end of 2012 because of budget reasons. To calculate the benefits, clothing allowance and all that comes with it so we will have a specific number to amend if in fact Council decides to refill that position.

Councilwoman Jones – We talked about job duties and descriptions earlier. Is there a job duty and description for that position that was put in place?

Mayor Cervenik – Yes and it is pretty vague so things that some of us feel should be done on a volunteer basis and not be paid a significant dollar per hour number can be performed without violating the job description. It is strictly up to Council, however in discussion with both Capt. Savage and Chief Brickman, they feel we are providing a much better service than virtually any community around. When our present animal control officer is on vacation, we have the ability to have Richmond Hts. And South Euclid's contracted control officer to come down here. They share three cities but I know it is Richmond Hts. And South Euclid, they share an animal control. When our officer was gone for a couple of weeks on vacation, we did have a short term contract and we did use them for one incident and consulting with them on another when the deer was stuck in the golf course.

Councilwoman Jones – If you could supply information as far as what we had to pay for that contracted duties would be helpful as well.

President Holzheimer Gail – Questions from the audience?

Mr. Jeffrey Beck – 25540 Chatworth. I've sat in many meetings, council meetings, committee meetings over the years and whether it is budget hearings or listen to the bond counsel, it is no secret that the city is in pretty bad shape and it is not getting any better. I'm sure we're not in dire straits like the Mayor said but we can't get our streets fixed, our infrastructure is getting old and we have a lot of issues that we need to take care of. Now I hear you talk tonight about putting a levy up, whether it's a rec levy or general levy. The people who live in this city don't have any money. They're not going to vote for another levy. Schools are going to look to come back, there's just no money out there. In a different time, in a much different economy, frankly a much different city, the residents of this city voted a shared income tax with the schools. That's costing us about \$5 million a year out of our income tax money to the schools. Now maybe the time has come to re-evaluate that. We couldn't do that through the courts, but maybe a properly worded, properly dated team effort can get this put on the ballot and survive the inevitable court challenge that would come after that.

We are in a unique position, we are the only city in this State and maybe in the country that shares income tax with schools. We could lower our tax rate to 2.6% rather than 2.85%. Return \$2 million to the residents and add \$3 million a year to our coffers which would go a long way towards improving the infrastructure of this city.

I know the comment is made that we won't have any schools. Well how well are the schools served in a decaying city? A city that nobody wants to move into because the streets aren't being handled and cared for properly? Or you can't get your side streets snowplowed or they're full of ice and can't get them salted. Or, worse case scenario the State comes in and takes over the city, then what? It has been almost 20 years that we have tried this plan with the shared income tax and I think time now is to look at it again and return that money to the city to help improve the city which would improve the schools. Thank you.

Mayor Cervenik – Our condition is nowhere near where the State would be needed to take over. I know Mr. Beck didn't mean that but I want to make sure people understand that. The conversation from me tonight was to say we've got to start using general fund money to balance the bond retirement fund and our capital programs or we have to come up with more revenue. I think it is going to end up being a combination of both when we're finally done.

President Holzheimer Gail – More long term discussions to come with that. I think we've had enough for tonight.

Councilman Lynch moved to adjourn. Councilman O'Hare seconded. Yeas: Unanimous.

Meeting adjourned.

