

**THE CITY OF KENT, OHIO
FINANCE COMMITTEE
WED., JULY 2, 2008**

This meeting of the Finance Committee of Kent City Council was called to order at 7:45 p.m. on Wed., July 2, 2008 by Wayne Wilson, Chair.

PRESENT: MR. AMRHEIN, MR. DeLEONE, MR. FERRARA, MR. HAWKSLEY, MS. SHAFFER, MR. TURNER, MS. WALLACH, AND MR. WILSON

ALSO PRESENT: J. FENDER, MAYOR; D. RULLER, CITY MANAGER; J. SILVER, LAW DIRECTOR; L. COPLEY, CLERK OF COUNCIL; AND B. RISSLAND, DIR. OF BUDGET & FINANCE

ABSENT: MR. KUCHAR

Chair Wilson explained they were present to discuss the Blue Ribbon Panel report and their recommendations.

Dave Ruller, City Manager, said that Mr. Hawksley previously asked for a progress report, and he had distributed the same prior to the meeting. He said they also distributed other information that may be helpful. Mr. Ruller said the Progress Report had a lot of useful information, adding the newer members can see a time line of activity. He said they tried to capture the milestones from 2004 until where they are now. He said it is quite compelling, and they realize how much was invested to get to this point. He said there has been a lot of time, study, analysis, community discussion, and Council discussion. He said this is not new news, but is ongoing.

Mr. Ruller said a number of them want to know what they tell people as to what they have done. He said the progress report has a column where they discussion permanent cuts, which are those positions eliminated, and the temporary savings from the frozen positions. He said they have saved a fair amount of money, having done it for more than three years. He said they polled each department and asked them to look at their savings initiatives. He said he would like to show them the operational things that are done, adding the amount saved was not a small amount, and totaled about \$1.6 million.

Mr. Ruller said the state of Ohio is changing its property tax. He said when they reviewed this about eighteen months earlier, they discussed that at the end of a five-year period, state taxes will decrease by about \$254 per household. He said if they did everything recommended by the Blue Ribbon Panel, it would impact every household by about \$250, so it is a "wash." He said the money saved on the state side would be redirected on the City side. He said it is their belief it would be more effectively used, as they get more from their local government.

Mr. Hawksley said he has formulated some motions. He said in the Progress Report, on page 3, it is summed up well. Mr. Hawksley said it is time to make a decision on where they go from here. He said the staff has done the numbers, the Panel did their's and took it to the community. He said now is the time to guide the budget.

Mayor Fender asked if he could make a comment, adding that he felt Mr. Hawksley was going to make a motion and he would be unable to speak when that happens. Mr. Hawksley said he would be making comments first. He said most of the new members have served for six months, and he hoped they would be comfortable with his motions.

Mayor Fender said he wished to reiterate what Mr. Hawksley said. He said that three-fourths of them have been there a long time, and there has been a lot of talk. He said they need to do something at this meeting, and need to look at other Blue Ribbon items as well.

Mr. Wilson asked that **Barb Rissland, Dir. of Budget and Finance**, correct him if he is wrong, and asked if the State is also going to be cutting their money. Ms. Rissland said they are scheduled to lose their tangible property taxes. She said the local government funds were frozen, and the State has removed the freeze, which may not be good. She said it is hard to tell at this time. Mr. Wilson said they will also be losing money at the same time the State is cutting back on personal taxes.

MOTION TO AGREE, AS A COUNCIL, THAT THEY WISH TO MAINTAIN THEIR CURRENT SERVICE LEVEL, BUT TO ASK THE ADMINISTRATION TO CONTINUE TO LOOK AT COST SAVINGS, AND POTENTIAL ATTRITION AS APPROPRIATE.

Motion made by Mr. Hawksley, seconded by Mr. DeLeone.

Mr. Hawksley said this is where they need to start. He said they all know their budget assumes all positions filled, with business as usual. He said that short of that, they will have financial issues fairly soon. Mr. Hawksley said they have been fortunate with some circumstances, thus allowing their undesignated fund balances to grow. He said the question is whether they agree to not cut services for the citizens.

The motion carried by a voice vote of 7-0-1, with Mr. Wilson abstaining.

MOTION TO SCHEDULE A DISCUSSION OF THE INCOME TAX AND PROPERTY TAX INCREASES FOR A FINANCE COMMITTEE MEETING, IN THE FALL, AT THE DISCRETION OF THE MAYOR AND CITY MANAGER.

Motion made by Mr. Hawksley, seconded by Mr. DeLeone.

Chair Wilson suggested the Finance Chair's discretion should be included also, and Mr. Hawksley agreed.

Mr. Hawksley said that both issues will take some more deliberation and need more information. He said he felt it would be wise, and he plans to make a motion shortly about the income tax credit.

Mr. DeLeone said this may be unpopular with some, but not everyone. He said they need further discussion.

Ms. Wallach said she supported the motion, adding it will give them time to see if they can flesh out alternatives. She said one alternative was Mr. Kuhar's suggestion, and she was looking into other research.

MOTION TO AMEND TO INCLUDE AN EVALUATION OF A SALES TAX DECREASE FOR KENT

Motion made by Mr. Ferrara, seconded by Mr. Hawksley.

Mr. Ferrara said that when they look at the capital gains, dividend, and qualified dividends, as well as things on the Federal level, they need to look at the supply side also. He said it is fair to look at it objectively, to see if it would be a possible solution. He said it was a little more difficult to gauge in terms of revenues, but good precedents have been set at the federal level.

Mr. Hawksley suggested it was worth talking about it.

The Clerk reminded them that the maker of the primary vote cannot be the seconder of the amendment.

Ms. Wallach seconded the amendment at this time.

Ms. Wallach said she does not have a problem with looking at cutting the sales tax, adding that flat taxes are unfair.

Ms. Shaffer said she was unaware they benefitted from the sales tax, adding she thought it was a

County tax.

Mr. Silver said it is a County and State Tax, adding they have nothing relating to the sales tax. He said it goes to the County and the State.

Mr. Wilson asked if the amendment was a moot point, and Mr. Silver said they can authorize someone to send a letter to their state legislators.

The amendment carried by a voice vote of 7-0-1, with Mr. Wilson abstaining.

The original motion, as amended, carried by a voice vote of 7-0-1, with Mr. Wilson abstaining.

MOTION TO AUTHORIZE THE MAYOR, MANAGER, AND FINANCE COMMITTEE CHAIR TO SCHEDULE A DISCUSSION ON A REDUCTION OF THE CAPITAL REQUIREMENT OF THE CHARTER.

Motion made by Mr. Hawksley, seconded by Mr. Ferrara.

Mr. Hawksley said as most of them know, the Charter requires them to use 25% of the income tax for capital. He said to use less than that requires a change to the Charter, and that would have to be placed on the ballot. He said it was mentioned by the Blue Ribbon Panel, and was a worthwhile discussion for Council.

The motion carried by a voice vote of 7-0-1, with Mr. Wilson abstaining.

MOTION TO REDUCE THE INCOME TAX CREDIT TO .75.

Motion made by Mr. Hawksley.

At this time, the Clerk reminded the Chair that this issue had been tabled in 2007, and must be removed from the table.

MOTION TO REMOVE THE ISSUE OF INCOME TAX CREDIT FROM THE TABLE.

Motion made by Mr. Ferrara, seconded by Mr. DeLeone, and carried by a voice vote of 7-0-1, with Mr. Wilson abstaining.

MOTION TO REDUCE THE INCOME TAX CREDIT TO .75, WITH THREE READINGS BY COUNCIL, TAKING EFFECT ON JAN. 1, 2009.

Motion made by Mr. Hawksley, seconded by Ms. Wallach.

Mr. Hawksley said there have been some good arguments made by the Blue Ribbon Panel and the Administration, adding the Record Courier did a good job in an editorial about the subject. He said that approximately 65% of households in Kent are not contributing to the tax base of Kent. Mr. Hawksley said this is a fair approach, although it may not be popular, but given the current options, they should use their discretionary power at this time.

Ms. Shaffer asked if they wished to include a sunset clause, or if this was to be reduced for an eternity. Mr. Hawksley said Council has the discretion to change this at any time. He said he did not think they would fool the people with a sunset clause. He said they could potentially reduce it later, but did not think they could obligate future Councils.

Mr. Ferrara said the Blue Ribbon Panel discussed earmarking those increased funds for economic development. He asked if they can earmark them economic development.

Mr. Ruller said there are different ways to handle this, adding they cannot specifically earmark it for that but could designate an equal amount. Ms. Rissland suggested they could say it is Council's intention to use the increased revenues for something, but they cannot specifically designate the monies for

economic development.

Mr. Ferrara asked Mr. Ruller if they have to define economic development, and Mr. Ruller said it is through their budget.

Mr. Turner asked how much would be generated, and Mr. Hawksley said it would be approximately \$1 million. Mr. Turner asked Mr. Ferrara if his interest was that the money be used for economic development projects and programs, and Mr. Ferrara said he felt a vast majority of it should be used for that purpose. Mr. Turner asked Mr. Ferrara if he saw that as a primary use, as opposed to the structural deficit, and Mr. Ferrara said that was correct. Mr. Wilson said the Blue Ribbon Panel said they should generate about \$2.2 million, with \$1 million be dedicated toward economic development. He said they would decide how to do that during their budget process.

Mr. Ferrara said it is a sensitive issue. He said they have stressed that economic development is the primary driver for increasing revenues. He said if they raise someone's taxes, the general population will be more willing if they earmark a project. He said this removes the perception that it is the government trough, and will be squandered. Mr. Ferrara said increasing revenues is an easier attempt to market the plan.

Mayor Fender told Mr. Ferrara that he felt the monies generated being designated to economic development was too restrictive. He said the Administration has more opportunity to decide how to designate it.

Mr. Amrhein said he has agonized over this the entire day. He said people are facing increased gas and heating costs, along with other increases. He said he knows they are fiscally responsible, and he has to support this motion. He said that is not done without knowing it will be unpopular.

Ms. Shaffer said she would support the motion. She said that ultimately, it is about maintaining their level of services and to keep from backsliding. She said if they do not maintain, they will backslide more. Ms. Shaffer said that can jeopardize economic development. She said they are making the investment in economic development in order to provide for the future to maintain their level of services. She said the pain of not doing something is worst than the pain of doing something. Ms. Shaffer said with the climate of deficit spending on the federal level, it makes her nervous. She said they need to get their ducks in order and they need to sacrifice. Ms. Shaffer said they need to spread the sacrifice equitably. She said this will affect her fiancé, who has commented that he pays nothing to Kent, other than a small portion of the property tax. She said he does not feel it is fair. Ms. Shaffer said it is for the future of Kent, and is not frivolous.

Mr. Hawksley said he wished to speak to the issue of designation. He said they have a fairly reasonable undesignated fund balance that is at risk. He said that by shoring up their General Fund, it will leave them a little room if there is a special need. He said they need to empower their Administration, based on the budget, and let them know they will have that million dollars to make some of these investments they need to make.

Mr. Turner said he is a little concerned on a few levels. He said he really does not understand. He said the possible looming structural deficit should be the priority, as opposed the economic development piece. He said their immediate concern is for the structural deficit. He said he would defer to the Administration on these monies and their most appropriate use. Mr. Turner said \$1 million for economic development does not seem like much, when looking at the new projects. adding he is unsure of the benefit. He said some might view it as a luxury. Mr. Turner said at this time, the structural deficit situation must be addressed. He said he is willing to move forward with the issues they do not have to go to the voters for approval. He said there is a lot of sacrifice, and the economy is getting worse. He said the economic conditions are not static, and are going backwards. Mr. Turner said he understands the difficulties, adding he has those difficulties. He said it is not easy to ask people to bear this additional burden. He said they have to get it right and explain why they are doing what they are going

to do, as those items will cause additional discomfort and sacrifice. Mr. Turner said he agrees with the motion, but said they need to do a good job explaining it so people know they feel their pain. He said he would prefer to focus on the structural deficit first, as opposed to economic development. He said that economic development will still be there, adding he is hopeful they can generate some income during that time period.

The motion carried by a voice vote of 7-0-1, with Mr. Wilson abstaining.

Mr. Wilson suggested over the next few months, as they vote on the income tax credit, if anyone has a recommendation, to let him know so they can include it on the schedule. He said he did not think the Blue Ribbon Panel looked at everything.

Mayor Fender said he had to apologize. He said he should not have allowed Laura Mazur to speak earlier in the evening. He asked those present to not use his example in the future.

Mr. Hawksley said they need to make motions, in accordance with their rules, when asking the Administration to do something. Mr. Wilson said he would make the motion on behalf of any member, if they desired. He said he wants to get it on the agenda.

MOTION TO RECESS INTO EXECUTIVE SESSION FOR PROPERTY ACQUISITION AND PENDING LITIGATION.

Motion made by Mr. Amrhein, seconded by Mr. Ferrara.

Voting aye: Mr. Amrhein, Mr. DeLeone, Mr. Ferrara, Mr. Hawksley, Ms. Shaffer, Mr. Turner, Ms. Wallach, and Mr. Wilson. The motion carried by a voice vote of 8-0.

Chair Wilson recessed this meeting at 8:21 p.m.

Following Executive Session, Chair Wilson reconvened this meeting at 8:30 p.m.

MOTION TO AUTHORIZE RESOLUTIONS DECLARING THE NECESSITY AND INTENT OF THE CITY OF KENT TO APPROPRIATE CERTAIN REAL PROPERTY AND RESOLUTIONS DIRECTING THE APPROPRIATIONS OF CERTAIN REAL PROPERTY, BOTH FOR THE PURPOSE OF CONSTRUCTING THE NEW FAIRCHILD/CRAIN AVENUE BRIDGE, STREET WIDENING, CHANGING THE GRADE, DRIVEWAY, WALK CONSTRUCTION AND GRADING IN FURTHERANCE OF PUBLIC ROADWAY RECONSTRUCTION OF SR 43, FAIRCHILD AVENUE, CRAIN AVENUE AND NORTH WATER STREET WHICH IS SITUATED ON BOTH SIDES OF THE CUYAHOGA RIVER, NEAR THE INTERSECTIONS OF FAIRCHILD AVENUE AND SR 43; CRAIN AVENUE AND SR 43; AND THE NEW INTERSECTION NEAR NORTH WATER STREET AND CRAIN AVENUE, IN THE CITY OF KENT, OHIO AND DECLARING AN EMERGENCY.

Motion made by Mr. Amrhein, seconded by Mr. Ferrara, and carried by a voice vote of 7-0-1, with Mr. Wilson abstaining.

The aforementioned motion included the following parcels of real estate:

- 1) A 2878 Square Foot parcel owned by Curtiss W. Ruckman;
- 2) A 10,124 square foot parcel owned by Curtiss W. Ruckman;
- 3) A 275 square foot parcel owned by Martha W. McCutcheon and Kenneth Bellamy;
- 4) A 604 square foot parcel owned by Robert A. Hospodor; and
- 5) A 1962 square foot parcel owned by Robert A. Hospodor.

Hearing no further business before this Committee, Chair Wilson adjourned this meeting at 8:35 p.m.

Linda M. Copley, Clerk of Council

ACTION RECOMMENDED:

- 1) TO AGREE, AS A COUNCIL, THAT THEY WISH TO MAINTAIN THEIR CURRENT SERVICE LEVEL, BUT TO ASK THE ADMINISTRATION TO CONTINUE TO LOOK AT COST SAVINGS, AND POTENTIAL ATTRITION AS APPROPRIATE.
- 2) TO SCHEDULE A DISCUSSION OF THE INCOME TAX AND PROPERTY TAX INCREASES, WITH AN EVALUATION OF THE SALES TAX, FOR A FINANCE COMMITTEE MEETING, IN THE FALL, AT THE DISCRETION OF THE MAYOR AND CITY MANAGER.
- 3) TO AUTHORIZE THE MAYOR, MANAGER, AND FINANCE COMMITTEE CHAIR TO SCHEDULE A DISCUSSION ON A REDUCTION OF THE CAPITAL REQUIREMENT OF THE CHARTER.
- 4) TO REDUCE THE INCOME TAX CREDIT TO .75, WITH THREE READINGS BY COUNCIL, TAKING EFFECT ON JAN. 1, 2009.
- 5) TO AUTHORIZE APPROPRIATE OF FIVE PARCELS OF REAL ESTATE FOR THE CONSTRUCTION OF THE FAIRCHILD/CRAIN AVE. BRIDGE.