

**THE CITY OF KENT, OHIO  
FINANCE COMMITTEE  
WED., AUGUST 1, 2007**

This meeting of the Finance Committee of Kent City Council was called to order at 7:05 p.m. on Wed., August 1, 2007 by Wayne Wilson, Chair.

**ROLL CALL:** MR. BARGERSTOCK, MR. DELEONE, MR. FERRARA, MS. GAVRILOFF(LEFT @ 9:13 P.M.), MR. HAWKSLEY, MR. KUCHAR, MS. OSWITCH, MR. SCHULTZ(ARR. @ 7:25 p.m.), AND MR. WILSON

**ALSO PRESENT;** J. FENDER, MAYOR; D. RULLER, CITY MANAGER, E. FINK, ASS'T LAW DIRECTOR, B. RISSLAND, DIR. OF BUDGET & FINANCE; J. WILLIAMS, FIRE CHIEF; W. LILLICH; SAFETY DIRECTOR; AND L. COPLEY, CLERK OF COUNCIL

**ABSENT:** J. SILVER, LAW DIRECTOR

**MOTION TO RECESS THIS MEETING, RECONVENING AFTER THE HEALTH & SAFETY COMMITTEE MEETING.**

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

Chair Wilson recessed this meeting at 7:06 p.m.

Chair Wilson reconvened the Finance Committee at 7:15 p.m. He explained the first item was the issue of staffing.

**Dave Ruller, City Manager**, explained they were unsure of the order of the agenda, and decided to begin with the staffing issues. He said they are aware of the work done with the Blue Ribbon Panel. He said they spent the majority of 2006 studying the issue of their finances, and trying to find a long term way for sustainability of the finances.

Mr. Ruller said he has been present for two budget submissions, and both messages have clearly said they are going to hold the line while coming up with a solution. He said that meant they would freeze positions, eliminating where opportunities present themselves, to be sure they do not run the forecasted deficits. He said the staff has done a remarkable job, which is they have reversed part of the trends on the fund balances for the last two years.

Mr. Ruller said they have been struggling and straining, in the meantime, to keep up with service requests. He said they had conversations about public safety and neighborhoods, and how to get it back to where they would like the levels. He said it is his opinion, with the staff concurring, that they need to fill some of the held positions. He said their commitment was to hold the line until they have solutions, and they now have a solution on the table. He said it is up to them how they tailor the solution to the desires of Council, and is up for discussion.

Mr. Ruller said he is at point where they are doing a disservice if they do not fill the critical spots, as freezing for the sake of freezing is taking its toll. He said they started last month, when they bumped the position of the Code Enforcement Officer from half time to full time to bring attention to the neighborhood issues. He said he does not need specific approval for some of the items. He said he is asking that they go ahead and fill the two police positions that have been budgeted and frozen. He said he is not asking for new money, and not increasing the number of positions, but just wants to fill two positions that have been vacant.

Mr. Ruller said before he became the Manager, they changed their ambulance fees with the intent to support three new firefighter/paramedic positions. He said that they generated around \$200,000 annually, while three positions are close to \$300,000. He said with three shifts, the Administration's stand is they would either hire three or none. He said they feel it is time to revisit the issue, in the spirit of how the money was proposed. He said their minimum staffing level is five, and they want to push it up to seven. He said it is an operational issue, adding he wanted to share this information so they are aware. He said they are calculating that it will cost about \$200,000. He said they can, in good conscious, say that the additional ambulance fee revenues are being used to raise their staffing levels from five to seven on any given shift. He said they will have two extra people on the shift, depending on who is available.

Mr. Ruller said those were the two issues he wanted to bring forward, adding he felt it was time to do that. He said they want to do more, adding it is a step in that direction.

Chair Wilson said, for clarification, that he did not believe they needed a motion on either issue as they are internal issues.

Mr. Kuhar suggested that instead of adding more employees, they could solve some of the problems by not letting the call out get so low. He said when they have two people on call, it could be a crisis situation, and suggested the call out when there are three or four people. Mr. Ruller said they have talked about that also, adding they wanted to see what happens with an increase in minimum staffing. He said he has no philosophical reason against it. He said he wanted to see how much of the funds being collected will be used by the increase. He said if there is money left over, they can do call out when they are down to three people, instead of two.

Mr. Kuhar suggested that as opposed to additional staffing. Mr. Ruller said they had some internal discussions, as well as some discussions with the union. He said the union's request was about minimum staffing, and that was his point of focus. He said he does not have a problem, but wants to be sure they do not overspend their funds. He said he hates to change too much, adding it will be much harder if they overspend. He said he had this conversation with one of the union officers earlier in the day, adding it is not off the table.

Mr. Kuhar asked if the union gave any consideration to part time firefighters, adding our firemen go part time elsewhere. Mr. Ruller said it is sensitive to the issue, adding that they have broached the topic. He said they are still in disagreement. Mr. Ruller suggested they make the changes they can make, and see its impact. He said the callback number would be another step. He said if they feel they are not at a comfort level, particularly with the drive time requirement up in the air in court, the discussion may come back. He said the union said they would discuss it at that time. Mr. Ruller said they are not ready to jump into that direction, but they are looking at it.

Ms. Oswitch said she needed clarification, and asked if they are waiting until two firefighters are left before they call in anyone else, and Mr. Ruller said that was correct. Ms. Oswitch said that concerns her, and asked why they wait that long. She asked she hears the fire sirens constantly, and is concerned.

**Jim Williams, Fire Chief**, said if they want a minimum of five to seven people at all times, \$200,000 will not cover the overtime on the call backs. He said if they raise the levels to seven, and have two three-person squad calls, they will page people in. He said it may make a difference between two and three, but typically, they have multiple calls at the same time. He said it happens frequently, adding they are paging back anyhow at those times. He said if they want to keep the minimum at four or five personnel, they would need an increase of \$300,000 to \$400,000 to do that.

Ms. Oswitch said she was stunned when Mr. Kuhar said that, adding she did not realize that was how things occurred. She said it seems like they are running more, and wondered why they would not have a different callout. Chief Williams said that since 1979 or 1980, their minimums have not changed. Ms. Oswitch asked if there are not a lot of needs, and Chief Williams said in 1979, they had 1100 runs for the year, and this year will close with approximately 3800 runs. He said it is a significant increase, but adding three people will not solve the staffing issue. He said they need to go beyond those three, adding with

their financial situation, they needed to find a balance.

Mr. Lillich said that the critical issue is being able to staff the second call, and if they have a working minimum of seven, they will have enough personnel. He said currently, while working at a minimum of five, they are paging more in after one call. He said the emergency call in response is challenging, because the response is not that great. He said by changing the scheduled minimums, it gives them the ability to meet the second response. He said it also allows the employees to schedule when they are working, rather than dropping what they are doing when the page occurs. He said these are all part of the issues they are trying to analyze.

Mr. Ferrara asked how often they go below a seven-employee staffing level, and Mr. Lillich said he thought it was about 2800 hours in 2006. Mr. Ferrara asked why the call backs are low, and Chief Williams said there are a variety of issues. He said a lot are family issues, as people are doing more with their families. He said it also varies from day to day, as to who is available. He said more come in during the day than after midnight, especially if they have to work the next day.

Mr. Lillich said the personnel gets tired after the third or fourth call. He said in a two-year period, the average number of hours in a year is 8760, and they fell below the seven person minimum 2840 times. Mr. Ferrara commented that is about 1/4 of the time, and Mr. Lillich said it is 32% of the time.

Mr. Bargerstock said that Mr. Kuhar raised a question about personnel to him, and they were curious about whom the gentleman was sitting next to Mr. Ruller. He said they assumed he was a lawyer, since he was sitting in Mr. Silver's chair. At this time, Chair Wilson introduced **Eric Fink, Assistant Law Director**, who was filling in for Mr. Silver

Mr. Fink said he had met some of them previously, adding this was his first time sitting at the table in a Council meeting.

There were no further questions at this time on the staffing issues.

Chair Wilson said the next item on their agenda was discussion on the Blue Ribbon Panel's recommendation. Mr. Ruller said when the report was previously presented, Council asked the staff to circulate it before voting on the report. He explained that **Brian Bialik and Matt Fajack**, members of the committee were present. He said they gave up a lot of their time, and the City owes them a deep thanks. He said they appreciate all of their efforts, and it is great to be a part of the team working on a problem. He said they have done the ward meetings, general meetings, and have done the lunch time circuit. He said they are back to where they were six months earlier when instructed to circulate the report.

Mr. Ruller said as they are rapidly approaching the 2008 budget process, the staff needs guidance and any direction the Council plans to go. He said information was hand delivered to them on Monday, and they are comfortable with the recommendation. He said they have solved the problems as laid out, with respect to the operating deficit and sustainability of financial solvency. He said he hoped, at a minimum, they can agree, in principle, to the concept. He said they can discuss the implementation of various items, adding that the panel members have some thoughts. He said that the panel members have asked to say a few words.

Mr. Ruller said he previously used the phrase of "solution framework." Mr. Ruller suggested they look at the stock market, interest rate, and housing rates, and wished them luck forecasting. He said **Barb Rissland, Director of Budget & Finance**, has been a good fiduciary agent and forecasted very conservatively. He said they cannot count on large estate taxes or higher interest rates. He suggested they ask Mr. Ferrara, adding he makes his living at forecasting.

Mr. Ruller said the staff has done a great job on what was held, well and above the call of duty. He said that they have had back to back years, where if they spent what was approved, they would have a deficit. He said because they had as many as twenty vacant positions, with seventeen vacant today, at a cost of \$70,000 to \$80,000 per position, they have between \$1 and \$2 million. Mr. Ruller said that 75% of their

budget is people, and they can see the impact.

Mr. Ruller said it is all about services, and the level provided. He said they are a service organization, whether it deals with emergency or street services. He said it is people and their ability to deliver those services. He said when they do not have the available cash, he is unsure they can fulfil the expectations of the community. He said they have started to restore some items held a little too long. He said they do not feel like they are fulfilling their mission as a service organization.

Mr. Ruller said he hoped for good discussion, as they are ready to put together the 2008 budget, looking at the long term. He said they have a few other economic development related items, which promote what the Blue Ribbon Panel recommended. He said he feels like they have a solution framework in place, and how they use it is up to discussion.

**Brian Bialik** said it has been longer than the Manager alluded, adding he thought it was almost one year since they made their recommendations. He said he works in the private sector where they are result oriented. He said he wanted to remind Council of the guiding premise behind the Panel's recommendations. He said they wanted everyone to share. He said the creation of jobs will benefit the community far more than building homes. He said that was on their mind when they made their recommendations. He said it does not matter how they get there. Mr. Bialik said too much deliberation can lead to paralysis, adding that concerns him as a citizen and a business person. He asked that they consider carefully and quickly what the step would be, adding they would be available for any questions, now or after Mr. Fajack speaks.

Mr. Bargerstock thanked Mr. Bialik for his statement about being results oriented. He said a big piece of the property dealt with investments for economic development purposes, with the expectation of a return. Mr. Bargerstock asked him to outline some of the parameters, and a percentage, on what the return should be, the time period, and how it is quantified.

Mr. Bialik said there are number of characteristics. He said they cannot generate a return on a real estate project like a money market fund. He said they are not easy to compare, and not a fair comparison. Mr. Bialik said he works in the banking industry, and is exposed to people in the service, manufacturing, and professional services sector. He said that all have different characteristics.

Mr. Bialik said the economic development they are discussing is hopefully the catalyst for job creation, and has a lot of bricks and mortar attached. He said there has been a lot of discussion in the media, including reports on the old hotel. He said the Blue Ribbon Panel recommended that the building should go away, as much as they hate to see it go. He said he does not see a future, looking at it from a banker's perspective. He said they could not get the kind of return on that project, while recapturing their investment in a reasonable period of time.

Mr. Bialik said it is hard to quantify a reasonable expected return. He said on a real estate project, it could be six to nine percent for a private investor. He said that includes monetary resources and intellectual energy, and the expectation that it will return in a reasonable period of time. He said it may be sale of the building, managing and/or leasing the facilities, or a number of other things. He said the question does not lend itself to an easy answer, but is somewhere to start.

Mr. Bargerstock said that Mr. Bialik is in the business of loaning the bank's money and working under certain parameters. He said as Council members, it is being suggested they take the taxpayers' monies and involve it in an economic development project. He said they are loaning the taxpayers' monies for a project. He asked Mr. Bialik how he would should treat that, and Mr. Bialik said he did not know if they could apply the private sector expectation to a public sector project. He said he is not suggesting they should not expect a return. He said the return expected should be the monetary benefit received from the creation of jobs for the project. He said that is the way the public needs to view the project.

Mr. Bialik said the City's return will be through another area, way or form and much will be tangible. He said in his industry, every transaction is like a snowflake. He said they all have different characteristics,

different dynamics, different ways to analyze and structure assets. He said they do not get the opportunity to do many things they want to do. He said he wanted to remind them that they should have an expectation on a return, but to think of it as 5%, 6%, 7% or 9% is not the way a Council member should view it. He said a Council person, with the assistance of the City Manager and his knowledge, sets the City on a course of a sustainable environment, where there are enough police, emergency services, and a friendly community. He said it is a community that cleans the streets, empties the garbage, and they need resources to do those services. He said their hope is that would happen. Mr. Bialik said there are no guarantees, adding that the Panel will make no guarantees, even if they put the projects together, that it will be the solution. He said he was unsure that thinking to the end was correct. He said they need to look at the journey, developing an attitude and mind set in Kent, about what they need to do to take care of themselves.

Mr. Bargerstock said he is confused, adding Mr. Bialik is saying he should not look at results. Mr. Bialik said he is suggesting is that the way they view results is different as the City is a public sector entity versus someone in the private sector. He said he is not suggesting they not see a return, adding they need to view it differently. Mr. Bargerstock asked how he spends the taxpayers' monies without a return to quantify it.

**Mr. Schultz called for a point of order.** He said that Mr. Bialik has stated the return should be 6% to 9%, and Ms. Oswitch disagreed, and said that was the response for the private sector. Mr. Bargerstock agreed.

Mr. Wilson said he thought Mr. Bialik said it is the Council members job to decide what they would expect as a person. Mr. Bialik said the public sector decisions are made based on different dynamics. He said that private sector decisions are different. He said there are different ways they decide what they do, just like there are different ways Council makes decisions. He said he knows there are many times that Council members believe something is the right decision, but there are political considerations that may prevent those decisions. He said it is a dynamic that affects what they do. He said he is not suggesting it is right or wrong, adding it is just an observation. Mr. Bialik said his experience is in the private job, where they must get the job done, or they will not have a job.

Mr. Kuhar said that similar to Mr. Bargerstock's comments, the citizens are investors in their own return. He said, hypothetically, if all of the citizens pitched in \$1000 each, should they not expect services. He said what he was trying to say is if they dump \$3 million into something, and get \$20 back, they can agree that may not be a smart decision. He asked if they should expect whatever they put in, and no matter how long it takes to produce the fruit, that it should be fruit worth producing, and not just money spent for little return. Mr. Bialik said he was sure no one was arguing against that concept. He said as a citizen, he has the expectation that if Council decides to repair the sewers, it should happen with little or no flooding in those areas.

Mr. Bialik said in all meetings that he attended, he liked the way the information was presented, particularly by the City Manager. He said his biggest experience was reviewing volumes of paper prepared during the process. He said it helped distill what happens, and helps them to understand. He said it drove what they felt were the best decision. He said it is the City Manager, in his mind, that should be guiding the thinking. He said his personal perception is that Council is the authorizing body, with someone who has the expertise to help them make those decisions. He said for the citizens wanting a 9% return, he is unsure if a citizen could quantify a 9% return. He said the citizens should expect if they take an action that results in revenue returning to the City, they should have an explanation on how to spend the money. He said he does not expect the City to earn interest on his tax dollars, but not spend it on services. He said that may be the way the common citizen perceives it. He said his exception is that the streets will be clean, emergency staff keeping him safety, and common areas to be cared for by the City. He said these are the things important to him, and to a large degree, they are important to the common citizen. He said he is not suggestion that Mr. Bargerstock is unfair when asking his question. He said the public sector should not think like a stock broker. He said they should tell the citizens they have a smart City Manager who knows how to distill the information, and who has determined they can generate "X" number of dollars and will do something with that money, which would be in a formal

narrative that everyone would understand.

Mr. Kuhar said to simplify it, the biggest fear is that they do not spend \$1 million to get \$1 thousand in services. Mr. Bialik said they would not want money committed to economic development without any kind of accountability. He said they need to have a resource, and ideas need to be supported with something tangible. He said if they plan properly, the logic suggests those monies are going to be well spent. He said there are no guarantees on anything. He said he did not believe Mr. Kuhar guarantees anything to the citizens, adding that as a member of the Blue Ribbon Panel, he has not guaranteed anything. Mr. Bialik said they gave their best information, based on the information prepared by the City's Administration. He said that none of them would be unaffected by the recommendations that were made.

Mr. Ferrara asked if they would agree, in terms of measuring success, it is more of a function of what was estimated to be the investment and the outcome. He said if twenty-five jobs were estimated to be created, the measurement of success was based on actual outcomes of the estimates. Mr. Bialik said that is a perfect response to Mr. Bargerstock's question. He said that may be how they wish to articulate the City's return. He said those are things they can frame, that have concrete borders for those citizens who need to know. He said it would be a public sector method of communicating expectations on a return.

**Matt Fajack, Blue Ribbon Panel:** Mr. Fajack said their recommendation for taxes has two pieces. He said one piece props up the deficit, and brings back the seventeen unfilled jobs. He said they could measure a return on that money, as there would be better responses by the emergency services, which would increase property values. He said it is a long term item, and would be hard to measure. He said he looks at it as a quality of life return. Mr. Fajack said with the economic development component, he, as a citizen, is willing to give the City money and have them create jobs as long as it is a one to one. He said he would like to reduce the tax back to 2%, while increasing the credit up, as there is a multiplier effect. He said they can argue the multiplier, but it will create more jobs and more income tax for the City. He said they can study it, adding it is a difficult analysis on the return.

Mr. Fajack said over the last fifteen years, they have lost 15% of the jobs, and added 15% more houses. He said the jobs pay the City's costs, and the households use it up. He said the trend will not change unless they have economic development and create jobs. He said they may be surviving the deficit, but are straining their employees. He said it will continue to get worse, unless they intervene, change the trend, and support economic development.

Ms. Gavrilloff asked if he was saying they should bring back all of the City staff, as represented in the budget, and Mr. Fajack said if that is what they need, they should do that. He said if there are positions to eliminate, he could support that also. He said when they reviewed the positions, they appeared reasonable.

Ms. Gavrilloff asked if they know what the revenue surplus was for 2006, and Mr. Ruller said Ms. Rissland will be providing those numbers next.

Mr. Bargerstock said if he uses the analogy made by both members of the Panel, they should expect job creation if they make an investment. He said if the investment is made, should they expect the jobs to balance out the investment. He said if they should, he would like to know the period of time. Mr. Bargerstock said they have a 2% income tax, so an investment of \$100,000 would mean a lot of jobs to balance out that money.

Mr. Bialik said he is unsure Mr. Fajack's agrees, but if he told them an investment in the old hotel for a cost of \$4 million would take twenty-two years to get the money back, would that be reasonable. He said if they were eighteen years old, they would be forty when the money returns, and that could be okay. He said capture periods are arbitrary, and they establish the recapture period. He said the first question about having the exception to get a return on their investment, the answer would be "absolutely." He said they do not want to spend \$1 to make ten cents. He said they want a sustainable environment, and he would let the City Manager define "sustainable". He said that sustainable is not operating at a deficit. He

said it is something greater, but he does not know the answer.

Mr. Bargerstock said he would not expect, in all cases, a recapture within his lifetime. He said if they decide to invest in a project, it is not unreasonable to expect a defined recapture rate. Mr. Bialik said it is not easy, and it is arbitrary. Mr. Bargerstock commented it is not unreasonable to expect it.

Mr. Fajack said his opinion is if they invest \$100,000 in economic development, he does not expect that money returned. He said he wants about \$8000 in income from job growth. He said it may be two or three years down the road. He said as they add those together, they can reduce the tax back to 2% and raise the credit to 100%. He said he did not expect the money repaid.

Mr. Bialik said that absent interest and other costs, there is about a twelve-year recovery period. He said when they make decisions in a public sector capacity, they would not frame the problem the same way it is framed elsewhere. He said they made do it differently, adding a lot of their decisions are based on their peers, which are similar-sized cities. He said it will guide their thinking, but no matter where they are, the cost of inaction is far greater. He said it will take a long time to dig out of a hole created by inaction. He suggested they consider that carefully, adding it is a fact. Mr. Bargerstock agreed with him completely.

Mr. Kuhar said one recommendation from the panel was to reduce the income tax credit. He said it showed the dollar amount that could be generated. Mr. Kuhar said they need jobs to get more income. He said that most people living in Kent work elsewhere. He said they had an average of 17% increase in their property valuation taxes to the homeowners. He said that is less spendable income in people's pockets. He questioned if they asked the same people to pay another 1/4% income tax because they need more money, why they would stay in community that costs them more. He said they may want to move closer to their job, where there are less property taxes and lower gas prices. He said this is happening, adding he knows of three people in the last month who said they are moving. He said the people are stretched, and do not have the extra money. He said these are hitting them, and they are moving elsewhere. He asked if removal of a portion of the tax credit will have a repercussion, and Mr. Fajack said some people will be affected. He said a few people have told me that thought also. He said if they do not do something, the City will continue to deteriorate. He said the property values will decrease, and people will get a lot madder. He said they need to have the quality of life they want.

Mr. Kuhar said that the values are down, the valuations are up, and they cannot give away a house in Kent.

Mr. Fajack said the property values will increase if all services are good, the downtown is vibrant, as is the City. He said all cities are facing the same thing. He said Kent has great schools, adding that is why he moved to Kent. He said he was willing to pay for it. He said if people do not have kids, they can move to Streetsboro. He said their schools are not as good. Mr. Fajack said if Kent is not vibrant, the property values will go down faster. He said they must trade one for the other.

Mr. Kuhar said he was not talking about those willing to pay, but, instead, the vast majority who are unable to pay.

At this time the City Manager introduced **Barb Rissland, Director of Budget & Finance**, who will provide an overview at this time.

Ms. Rissland said in 2006, they had a change in the projects that came up with \$17.6 in revenues. Mr. Ruller said she was displaying the revenues at this time. She said the variance with the final budget was \$680,000. She said in August her projects had a variance of \$41, adding it was conservative, but fairly close.

Ms. Rissland said their interest came in much hire. She said they had an agreement with CSX to receive \$300,000 for the Middlebury Road Bridge, and they received \$100,000 in 2006. She said it is a non recurring item that was not in the original budget. She said the JEDD taxes were new, and first received

in 2006. Ms. Rissland said estate taxes were higher than the original estimate. She said they also had a one time grant of \$52,000.

Ms. Rissland said their expenditures for security of persons and property was budgeted at \$8.9 million, and ended up to \$ 8.377 million. She said that much of that difference was due to vacant positions. She said in 2006, they had vacancies, with an estimated savings of \$753,000. She said they need to pay people at the time of their termination, in accordance with the negotiated agreements or contracts. She said that termination pay was \$278,000 for \$767,238 as savings and/or unspent budgeted dollars.

Ms. Rissland said they are a service organization, and need full time people. She said they had 9.7 general government positions vacant in 2006. She said the total vacant positions were 14.2. Ms. Rissland said with the total of full time positions at 190, that is a big percentage. She said it also does not include the nine positions eliminated through attention.

Ms. Rissland said they ended the year being \$1.14 million "to the good". She said the figure known as recovery of prior year encumbrances was from purchase orders unspent. She said those were liquidated and goes back into the budget line.

Ms. Rissland noted the differences were higher than the August projection of \$250,000. She said there were a few items that contributed to the monies. Ms. Rissland said one was Vine Street, which sold for \$108,443. She said it sold in October 2006, adding there was no way to include it until sold. She said they received capital grant funding of \$67,500 from the County for the SR 43 widening. She said this occurred some time ago, but the monies were actually received in 2006.

Ms. Rissland said in their capital projects, they did not spend \$646,000 of the budgeted monies. She said that they have reappropriated some of those monies in 2007. She displayed an itemized listing of the capital. She said the actual street program was under the estimate, adding some of those funds were reappropriated in 2007. She said they are doing the comprehensive signal program, adding they will probably spend the monies in 2007 and some in 2009. She said that some will be reprogrammed.

Ms. Rissland said there were additional monies spent on the Middlebury Road Bridge, but they did recoup \$300,000 from CSX.

Ms. Rissland said she assumes that monies encumbered are spent, but that is not always the case. Ms. Rissland said her August 2006 estimate was a surplus of \$250,000. She said they increased the capital budget after that estimate, and had operating variances of \$155,000. Ms. Rissland said they do not always spend every penny budgeted, adding they do have contingency funds that are not spent. She said that some of the operating variances were set aside for downtown redevelopment, adding they did not spend it in 2006 as they will spend it on the Main Street Coordinator in 2007. She said the actual difference was \$1.14 million.

Mr. Kuhar said he noticed the good return on the JEDD. He said they have JEDDs with Franklin Township and Brimfield, and asked if there are any thoughts on what they anticipate with the growth of those JEDDs. Ms. Rissland said that would be hard to predict, adding that Brimfield is at a much lesser rate. She said it will grow slowly, and as businesses come in, it will generate more. She said it is tough to estimate until the businesses occur. She said the Franklin JEDD did start, and was mentioned in the Manager's memo. She said her figures were focused on 2006, and she was unsure this was the time to discuss 2007. Mr. Wilson said they will discuss it later. Ms. Rissland said the Franklin JEDD is doing much better. She said the tax was just levied last year, and they did not start collecting the Franklin JEDD until late January 2007.

Mr. Kuhar said his understanding is if they continue to tighten their bets, like the previous year, and maintain the freeze on some of the staffing, that hopefully the job market will increase due to increased activities. He asked if they can balance out the difference, and Ms. Rissland said she has concerns with some of the numbers. She said she looked at the terminations and retirements of full time employees. She said in 2006, they had 21, and are over 13 in 2007. She said there is always a gap from the time

one leaves and one is hired. She said in 2006, they started with 7 vacancies; 1 new position created; twenty-one terminations, and only ten hires. She said at the end of the year, they had 19 vacancies.

Ms. Rissland said they started 2007 with 19 vacancies, had 13 terminations, 1 new jobs; two transfers from part time positions and fourteen hires, and are still down 17 vacancies.

Ms. Rissland said some places feel like they are sinking and getting lower. She said it is taking longer to answer questions, as they can no longer be proactive. She said they are trying to deal with day-to-day crisis.

Mr. Kuhar asked where most of the vacancies were, and Ms. Rissland said there were three firefighter positions, and the police were down by four positions. Ms. Rissland said her department was down by four people, the Human Resources Manager; a repair operator, a mechanic in Central Maintenance and a Parks and Recreation person. She said they are spread out, adding the safety forces have taken a hit. She said she has a lot of vacancies. She said they do not have a Community Development Director, and the Code Enforcement Officer's position is also vacant.

Mr. Bargerstock said there has been a lot of discussion about changes to reciprocity, and asked how that will affect those in the JEDD, and Ms. Rissland said it will not affect how monies are withheld or paid, just the credit given for the monies. She said they currently give 100% credit for the monies withheld, and it would have the same effect, on a person working in the JEDD and living in Kent. Mr. Bargerstock said they could change the reciprocity of a JEDD payer, and Ms. Rissland said it would be like any other. Mr. Bargerstock asked if there is different treatment, and Ms. Rissland said there is no different treatment.

Ms. Oswitch said she has some trouble with the numbers. She said they expected a fund balance of \$8.5 million, and instead ended up with \$11.8 million. She said that is a difference of \$3.3 million. Ms. Oswitch said if they took out all vacancies, they are still at \$11.5 million, which is \$1.8 million over the \$1.5 million. She said that is a huge jump, after nine months of discussing problems and the possibility of increasing taxes. She said she is having a hard time with the difference in the figures, adding they are not adding up to \$3.3 million. Ms. Rissland asked where she came up with \$3.3 million, and Ms. Oswitch said it was the City Manager's letter.

Mr. Ruller said it was over a two-year period, and Ms. Oswitch said it was for 2006 only. She read it at this time. She said that the Panel assumed a \$1.5 million structural deficit; with ending fund balance of \$8.5 million. She said it states that with vacant positions, there was no deficit, with a fund balance of \$11.8. She said that is \$3.3 million from what they originally projected.

Ms. Rissland said they first discussed this during the Capital Plan, adding that sometimes things change from the Capital Plan to the budget. She said they tweak it a little. Ms. Rissland said they start with tax budget and the departmental requests. She said it was done in June for 2008. She explained that it depends on what they do in June versus what was passed with the budget in November that things change. She said a good example was that Council decided to increase ambulance rates. She said it occurred in October, and was a change made to the budget, which is different from the tax budget. She said it are those types of items that change it.

Ms. Rissland said they have discussed some of the items that changed the budget, to get them to the \$250,000 in the positive. She said they had vacant positions, a light winter, variances in interest and estate taxes. She said those totaled almost \$1.5 million. She asked Ms. Oswitch if that was any closer for her, and Ms. Oswitch said it is still off by \$1.5 million.

Ms. Oswitch asked if the "terminations" included retirements, and Ms. Rissland said they should have said "resignations".

Mr. Hawksley said that this was an unusual year. He asked if they filled the positions where they would be with the \$2.5 million recommendation. Mr. Ruller said it is what was needed for the budget. Ms. Rissland said the next savings in the Government Funds was \$630,000 and they just discussed about

\$650,000 that was unspent for capital projects. She said that is \$1.280 million. She said there were unusual revenue sources they would not see in the future. Mr. Hawksley asked if they included \$1 million for economic development, it is fairly close to the \$2.5 million, and Ms. Rissland said that was correct.

Ms. Gavrilloff asked about the \$300,000 for the JEDD that is not in the budget, and Ms. Rissland said it is not in the budget. Ms. Gavrilloff asked if they can earmark the JEDD dollars for economic development. She questioned if they were sitting on extra money why they would ask the taxpayers for money. She said they can put guidelines on their returns from that money without asking the taxpayers for any money.

Mr. Ruller said that was correct for one time cash, but their dilemma is annualized cash. He said Ms. Rissland just showed the number of vacancies. He said they would be in a deficit position if the positions were not held vacant. He said that Ms. Gavrilloff is saying that because staff did a good job freezing positions and saving money, that they do not need any more money. He said they had a few good years of unanticipated revenues that they cannot count on. He said the message is they do not need the money, which is not the case. He said he has tried to emphasize that 75% of the budget is personnel. He said in this case, they are able to get by, but he is saying they cannot get by any more.

Ms. Gavrilloff said the whole crux of raising ambulance fees was to have more firemen to improve their services. She said they do not have enough money, while raising the fees for better services. She questioned what she says to her residents. Ms. Gavrilloff said they have no guarantee there will be any better service if we raise taxes.

Mr. Ruller said they are a service business, and when they are down twenty people, they cannot deliver services. He said if they give him those twenty people, he can guarantee them he will restore their service. Ms. Gavrilloff asked if he meant that if Council does any of those items presented that they will restore services to what the residents expect. She asked if they can do that when they get rid of reciprocity, will they give back the police and fire positions. Mr. Ruller said they would fill the positions. Ms. Gavrilloff asked if they get rid of reciprocity if they will give the residents what they expect, and Mr. Ruller said it would be a level of service commensurate with the budget, which is not what they are doing at the current time.

Ms. Rissland said part of what created the problem deals with their revenues. She said their revenues are not growing at the same rate as expenditures. She said their income tax revenues, the largest single item, is growing at less than 2%, while they are committing to 3% in the bargaining units. She said they may get some one time shots, but they are not recurring. She said without growth, they cannot sustain the level of services.

Ms. Gavrilloff said they have JEDD monies that are showing growth, but are not accounted for in the budget. Ms. Rissland said it did not happen in 2006. She said the biggest JEDD ordinance was passed in November, 2006. She said it did not show up in the numbers for the 2006 budget. She said when they do the Capital Plan for 2007/2008, they will definitely see JEDD monies. Ms. Rissland said she anticipates at least \$300,000 annually from the two JEDDS, adding that was not in existence when the numbers were done. Ms. Gavrilloff asked if they are going to account of the \$600,000 in four years, and Ms. Rissland said she would like it to be more than \$600,000.

Mr. Bargerstock said the issue deals with reasonable expectations. He said he posed questions to the Blue Ribbon Panel, and received answers he understood. He said it is the crux of Ms. Gavrilloff's questions. Mr. Bargerstock said they have some available funds now, as the result of some extreme measures with respect to personnel staffing. He said it is a significant chunk of money.

Mr. Bargerstock said they need to either make improvements in their services by spending the money, or they need to expect some good economic growth. He said it is being suggested they make investments in economic growth. He said they should expect a return, with the return being job creation. Mr. Bargerstock said he did not think Ms. Gavrilloff's question was unreasonable. He said if the funds are there and unencumbered, why not invest those funds and expect a return on that investment with real economic growth and real economic numbers, instead of going to the taxpayers for more.

Mr. Ruller said that is why they have a few items that deal with buying land. He said they are trying to do economic development, adding it is a strategy, with the intent of revitalizing an economic core in the downtown area. He said they have already spent money, and if they continue down that path, they are fulfilling what the Blue Ribbon Panel is looking for to get around the curve and in front of it. He said they know what happens when they do nothing. Mr. Ruller said they were trying to use city dollars as the catalyst for redevelopment.

Mr. Bargerstock said he heard they should make an investment and expect job creations, not make an investment and buy land. He said he did not know how buying land is going to give them job creation.

Mr. Kuhar said he would like to refer back to Mr. Ruller's remarks. He said it appeared he may have felt insulted by Ms. Gavriloff, and said it was temporary money and everyone was doing their best. He said he is looking at it as everyone is tightening their belt and doing their best, and it is temporary money. He said if they continue to tighten their belt, use the money to create jobs, that little "budget thing" will get closer. He acknowledged that they need money and jobs, but did not think anyone would say they do not need a budget. He suggested they need to hold on long enough to close the gap. Mr. Kuhar said in his personal business, he has tightened up the ship, and it is working, to create the income. He said that theory is working with the City.

Mr. Ruller said they do not disagree at all. He said part of his message is that they bought themselves more time to allow those types of things to come to fruition. He said they have a pot of money to make the critical investments that they hope will leverage into something real. He said how they implement the recommendation is a matter of discussion. He said the Pane created a framework that laid out a path. He said if things get worse, they can pick their way down the list.

Mr. Kuhar said there is nothing to say that next year they will not have an abundance of unexpected monies and/or debt that was not expected. Mr. Ferrara noted they cannot budget for the unexpected.

Ms. Oswitch said she was seeing it differently. She said she is viewing Mr. Ruller's summary on the last page. She read from it at this time:

"Given the current vacancy rates, the deficit could go as low as \$340,000 in 2007, which would put the fund balance at \$11.5".

Ms. Oswitch said it is still \$1.8 million over what they had previously. She said she understands the economic development issue, adding they want to buy the property to grow. She said if they put the money in, it will take a long time for buildings to be taken down, to be built, and jobs to be created. She said her residents want to feel safe and are able to get someone on the phone with a reasonable answer. She said if they increase the fire or police personnel, the residents would feel safe. She said they want to know if they call the Service Department, and they will come out. She commented that she did call, and they were really good.

Ms. Oswitch said these are the issues people want to use the money for at this time. She asked why they are not going to invest that money, and suggested they invest it while they fill the positions. She said no one will come to Kent if they are worried about the crime. She said two residents in her neighborhood have moved out and the houses are standing vacant.

Mr. Ruller said they are talking about one time money. He said if he fills twenty positions that drains them down in one or two years. He asked what he does then, and if he should lay off the twenty positions. Mr. Ruller said the front approach is to not fill them. He said he has a supply of money, and just presented some staffing changes. He said they are trying to do as much as possible, where they are the most critical. He said he would offer to her that they recognize the long term and short term needs. He said they are doing their best to take advantage of the dollars in a way that helps both. He said they did not need a motion, adding they are taking steps although they have not come to an agreement. Mr. Ruller said they have to do this, as they cannot wait any longer.

Ms. Gavriloff asked the one time monies for revenues from the previous year, and Ms. Rissland began reading off the different categories. Ms. Gavriloff asked for a ball park total, and Ms. Rissland said it would be about \$700,000 or \$800,000, depending on what she classifies as one time monies. She said the interest had a one time bump, but that can also decrease. Mr. Ferrara said the bump is the differential, and Ms. Rissland said that was correct.

Mr. Kuhar said the services in Kent must be doing exceptionally well with the staffing. He said the only complaints he hears deal with the roads, and he never hears complaints on the fire personnel. He said he has been told there are too many people in his ward. Mr. Kuhar said he has heard nothing but compliments regarding water and services. He said people think the work done on State Route 43 is great. He said if the people doing the services are stressed, he is not hearing that from the citizens.

Mr. Wilson called for audience comment at this time.

**BRIAN BIALIK:** Mr. Bialik said it is important to understand that economic development is not like a fizzy tablet, where they stick it in water and have a carbonated drink in twenty seconds. He said it will take a while, and urged them to not expect a return on their investment in one month or six months. He said the forward thinking approach is painful, but dividends will come in the end. He said he hoped they would look at it in this fashion.

**GENEVA HINTZ, YACAVONA DR:** Ms. Hintz welcomed Mr. Fink to the meeting. She said she has been in Kent for 3.5 years. She said she has sat through budgets, discussions, and a lot of the Blue Ribbon Panel discussion. She asked who compiled the information given to the Blue Ribbon Panel, and Mr. Ruller said it came from the staff. Ms. Hintz said it is somewhat self serving. She said they gave the Panel the tools. She said they could not go to Mr. Wilson's shop and get a Bentley repaired with Chevy tools. She said the Panel is working with their information provided, adding it is self serving. She said if they found the information themselves, she could agree with what has been said.

Ms. Hintz asked if they borrow money and pay interest on all of the property they are procuring, and Mr. Ruller said that the issue before Council later in the evening will earn more money for the City by buying it and renting it back. He said the interest rate earned in the bank is less than what they can gain from the contract, which is one reason they brought it forward. Mr. Ruller said there are some properties they are paying back, through the DKC.

Ms. Hintz said if she ran her household budget the same way, she would be in the poor house.

**William Lillich, Safety Director:** Mr. Lillich said there has been an over generalization. He said to suggest that because they do not hear complaints and/or concerns about the services means that it is satisfactory is an over generalization. He said they are not at the level of staffing they need in many areas, and have a lot of issues they need to face in the future. He said they are not confronting those issues as they do not have a staff. He said this puts them further behind technological and communication issues.

Mr. Lillich said they tried to add three firefighters a few years earlier, and still have not arrived at that point. He said that would be just one person per shift, but is not one per shift per day. He said it ends up being about a one-half year of a full person for additional staffing. He said in 1999, they had 49 police officers, and now currently have 38 employed. He said they have 36 working, while two are on extended medical leave, not returning until November at least. He said the Chief continues to shift personnel to cover shifts. Mr. Lillich said that 2/3rds of the shifts are at minimum staffing, not above. Mr. Lillich said they are at a critical point to continue to provide the service. He said they need to remember the impact on the people working, as they are doing twice the amount of work. He said there are things they are not doing. He said when a police officer is not working, he is supposed to be driving around. He said if they are not spending 1/3 to 40% of their time driving around, they are not meeting the expectations. He said they can quantify those expectations. He said if they are only doing it 20% of the time, they are overworked and not providing the services to the neighborhoods in the community.

**Julie Bargerstock, 404 S. Willow:** Ms. Bargerstock said that Mr. Ruller made a comment that they would make money on the purchase of property. She asked which property he was speaking of, and he said it was the hardware store. He said they would receive more in the rental process than by leaving the money in the bank, gaining interest.

Ms. Bargerstock asked how much they were paying for the property, and **Mr. Schultz called for a point of order.** He said that was the next discussion. Chair Wilson agreed with Mr. Schultz at this time.

Ms. Bargerstock said she has sat in the audience. She said the comment was made that they were digging out of the hole, which is why they did not rehire any of the positions. She said a lot of that started when they got into the real estate business. She said they want to start that whole process all over again. Ms. Bargerstock said they are not being fair to the public. She said they are present because of what went on when Ms. Blanchard was still in Kent. She said it is the same old thing, as they did not learn the lesson and will keep doing it.

There was no further audience comment at this time.

**MOTION TO ACCEPT, IN PRINCIPLE, THE RECOMMENDATIONS OF THE BLUE RIBBON PANEL.**

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

Mr. Hawksley said they were very forward thinking. He said they are concerned about the quality of life and the need to fill the staff positions. He said they will disagree about the details, but the report was very good.

Mr. Ferrara echoed the same sentiments. He said they cannot ask people to put in time and effort and disregard what they have said. He said they all agree that issues need to be addressed. He said if there is an issue with a tax or reciprocity, they need to come back again. He said they can all agree in principle, and it is a tip of the hat to the Blue Ribbon Panel. He said if they disregard what was said, they will not get the quality of input like this report.

Mr. Bargerstock said a lot of what was said was correct. He said he does not have a problem with the generalities. He said one important statement made was that the Panel did a good job with what they had to work with. He said that information was spoon fed to them. He said it is negative, but is how the process occurred. He said they were not able to work outside of the parameters due to time constraints and the fact the yare volunteers. He said they do not discount their report nor do they take it verbatim. He said they are the elected officials who hear from their constituency, and the ones empowered to decide. He said the Panel was a piece of the puzzle. He said he does not disagree with a lot of what they say, but he was unsure they have the big broad picture. He said to endorse their principle does not mean he agrees with everything done. Mr. Bargerstock said the devil is in the details, adding he has a lot of Blue Ribbon Panels in his neighborhood. He said after sitting in the audience, he has a lot of his own ideas.

Mr. Kuhar said he needed clarification what "agreed in principle" means, and Mr. Hawksley said they are agreeing they need to fill positions and invest in economic development. He said that is the main point of their report. Mr. Kuhar said they basically wanted to compliment the work on their hard work.

The motion carried by a voice vote of 8-0-1, with Mr. Wilson abstaining.

**MOTION TO REDUCE THE INCOME TAX CREDIT BY 25%, CAPPED AT 1.5%.**

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

Mr. Hawksley said this is the right tax for the community at this point. He said the income tax revenues pay for the lion's share of maintenance. He said the Blue Ribbon Panel felt this was a fair way to distribute the tax burden.

Mr. Schultz said they have a structural deficit, and this will address that deficit. He said it is a mechanism

they can do. He said if the motion passes, he will move that it must be reviewed in seven years. He said this puts them on the road to where they are going to go.

**MOTION TO AMEND THAT IF THEY ELIMINATE RECIPROCITY THAT THEY FILL VACANT POSITIONS.**

Motion made by Ms. Gavriloff.

The Clerk stated that the amendment is totally different from the original motion of reciprocity.

Ms. Gavriloff said they are talking about filling the positions in principle, and the Clerk said the previous motion mentioned nothing about the principle. Mr. Wilson agreed, and said she can make a subsequent motion.

Ms. Gavriloff said she would be paying 3% because she works in Akron. She said she has several residents who feel like they would be penalized by this amendment. She said she better expect better services in her ward.

Ms. Oswitch said she has many people who, when they heard about this proposal, were upset. She said they feel they are already penalized with their property taxes, although they all know it goes to the schools. She said it is huge, and she is willing to bet that people will leave, and they will see more rentals in Kent if this is done. She concluded that it was not right.

Mr. Kuhar said if Kent were not so lopsided with respect to people living in Kent and working elsewhere, he would support the motion. He said it is an extra penalty for living in Kent, and another reason for not living in Kent. He said he cannot support the motion.

Mr. Bargerstock said there has been a lot of talk about quality of life issues, adding this is high on the scale. He said these tax wars went on 25 to 30 years ago when income taxes were first implemented. He said he has been a "fairly lifelong resident of Portage County".

Mr. Bargerstock said he lives and works in Kent, and this does not affect him personally. He said he will not support it for a lot of reasons. He said that Mr. Schultz speaks of a structural deficit, which is another term of a deficit that has been discussed from the audience for years. He said it is a deficit of their own making, created by Council from bad policies and bad investments. He said it was a deficit created by the prior administration, and the one prior to that administration. He said that none of this would happen if good decisions were made, and this is the result of bad decisions. He said there is no hidden ghost, adding it is about bad decisions and bad financial processing. He said to go back to the people paying their dues and ask for more is a "sneaky ass" way. He said on top of that, they will create a tax war with all of the surrounding communities. He said they will be in the same boat. He said they will have people paying more than what they should. Mr. Bargerstock said it is nonsense. He said the Blue Ribbon Panel made a lot of recommendations, but one Council member, only, has the floor and is making recommendations. He said they are only going to pick and choose the recommendations of the Panel without quantifiable results. He said the Panel suggested they have results, and they are just going to create a tax.

Mr. Bargerstock said he has always felt there was a hidden agenda. He said he voted against the last three budgets because they were out of line. He said deficit spending was in place, although he was told there was no deficit spending. He said their City Manager calls it deficit spending. Mr. Bargerstock said it is, plain and simple, bullshit.

**Mr. Hawksley called a point of order at this time.**

**MOTION TO AMEND THE MOTION TO SEND IT TO THE VOTERS TO DECIDE.**

Motion made by Ms. Oswitch, seconded by Mr. Bargerstock.

Mr. Wilson asked if it would be contrary to the motion, and the Clerk said she did not believe it was

contrary. She said it is a mechanism for implementation.

Ms. Oswitch said they owe it to the residents to let them have a say. She said if they support economic development, which has been well publicized, and had their ward meetings. She said the voters have the information, and if they think it is okay to pay the extra money, they can vote for it and the City will move forward, without the City deciding for them.

Mr. Bargerstock asked to be recognized, and Chair Wilson asked him to refrain from using profanity while speaking. Mr. Bargerstock asked the definition of profanity. Chair Wilson said it was the words he used in his last comments. Mr. Bargerstock said the last time he checked with the Supreme Court, his statement was not profane. He said what is profane is the sneaky attack made on the taxpayers of Kent. He agreed with the motion. He said if the taxpayers are going to have their say, he will live with what they say. He suggested giving them the opportunity, and for Council not to sit with hidden agendas and game playing for far too long to benefit far too many people. He suggested they quit putting the burden on the people paying the freight in Kent, and let them decide. He said he hoped that was not profane.

Mr. Schultz said that a number of other communities have passed the same issue, and none have gone to the ballot. He said he did not believe it was a ballot issue, adding that none of the other communities went to the ballot.

Mr. Kuhar agreed with the amendment. He said if they plan to ask people to pay their fair choice, they need to give them a choice.

The amendment passed by a hand vote of 5-4, with Mr. Schultz, Mr. Hawksley, Mr. DeLeone, and Mr. Wilson dissenting.

At this time, Mr. Wilson asked the Clerk to restate the original motion, as amended. She said the motion was to send the issue of reducing the tax credit by 25% to the ballot.

Ms. Oswitch asked about the rate being 1.5%, and Mr. Hawksley noted that would be the 25% reduction.

Mr. Bargerstock asked that the motion be restated at this time. The Clerk restated the motion, as amended, at this time.

The motion carried by a voice vote at this time.

**MOTION TO ADOPT THE \$5 LICENSE FEE, WITH ALL PROCEEDS GOING TOWARD STREET AND SIDEWALK IMPROVEMENTS.**

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

Mr. Schultz said the staff has done a great job providing services, with limited ability. He said they have heard is about the lack of addressing the streets and sidewalks in Kent. He said they have to do that, and this is a mechanism to increase monies toward the streets and sidewalks.

Mr. Kuhar said he was ready to fight the motion, until Mr. Schultz added the end of it. He said he buys about six license plates, and \$30 would be well invested in the streets and sidewalks in Kent. He said he does not usually support any type of increase, but felt it was a good motion and he would support it.

**MOTION TO AMEND TO SEND IT TO THE VOTERS.**

Motion made by Ms. Oswitch, seconded by Mr. Bargerstock.

Ms. Oswitch said this was done previously. She said she did feel the money should be earmarked. She said this was discussed previously, and if earmarked, the voters may support it.

Mr. Bargerstock said the voters should have their say.

Mr. Kuhar said he would vote against the amendment. He said the amount of money generated is fairly

insignificant to most people, adding that the good much outweighs that.

The motion failed by a hand vote of 2-7 with Ms. Oswitch and Mr. Bargerstock supporting the motion, and all others dissenting, but Mr. Wilson, who abstained.

At this time, the main motion carried by a hand count of 6-2-1, with Mr. Bargerstock and Ms. Oswitch dissenting. Mr. Wilson abstained.

At this time, Chair Wilson recessed this meeting at 9:10 p.m.

Chair Wilson reconvened this meeting at 9:13 p.m.

Chair Wilson said the next item on the agenda was 225 S. Water Street. Mr. Ruller said they reviewed this in Executive Session previously, adding it is the building that houses the Kent Hardware store. He said that the owners came to the DKC, who put them in touch with the City. He said they indicated they were at a point where they were looking for equity for whatever purpose. He said they knew the City worked with Don Joseph Toyota.

Mr. Ruller said the owners came to Kent to see if would work with them, adding they had interest in a previous development project. He said the owner is willing to be a renter, should the City be a willing buyer. He said in a previous conversation, it was structured so that the payments would be more than if they invested the money in the bank. He said it was a fairly long standing business, and an iconic part of the downtown who is looking for assistance. He said the Administration made the recommendation to proceed with the transaction.

Mr. Kuhar said the first question is if this is passed by Council, what guarantees does the City have that the present occupant will not take the money and run. Mr. Ruller said they have given all indication that they want to do this and be part of the next redevelopment project. He noted that Mr. Bialik said earlier it is hard to guarantee anything. He said there is no reason to doubt their integrity at this point.

Mr. Kuhar asked if they have any commitment from a developer to take the property off their hands and repay the taxpayers, and Mr. Ruller said through the last process that was not successful, they learned there are difficulties and challenges when assembling land. He said the City's intention is to assemble land so they can market it as a redevelopment block. He said they are not actively marketing it, although some developers have expressed an interest. He said they do not have a contract, and he does not want to put the cart before the horse. Mr. Ruller said this places them in a position of strength.

Mr. Kuhar said they have a few realtors on Council. He said his opinion, in this depressed market, is that the price might be a tad high. He asked who determined the price, and Mr. Ruller said the bulk of that negotiation was done through the DKC, with Dave Williams and Howard Boyle. He said that the Budget and Finance Director ran some recent sales data for a few properties, adding there are no great comps. He said it is in the range of properties that have sold. He said that Mr. Boyle told them that the appraisal he had was similar. Mr. Ruller said he believed Mr. Boyle gave a range of about \$330,000 to \$350,000.

Mr. Kuhar said they are making a professional financial decision, without incorporating the help of real estate specialists. Mr. Ruller said that is what they pay the DKC for, principally, and their attorneys, adding he believed they did incorporate help.

Ms. Oswitch said she knew they were doing the relocation costs, but she did not remember seeing where they would stay in Kent. She asked if it could be added, adding they already had one fiasco previously. She said it is not a huge amount, but if they are going to pay them, they should relocate within the City. Mr. Ruller said he expressed that, and it was part of the negotiation process that Atty. Williams was involved with, adding it was unsuccessful to incorporate it into the agreement. He said they did try to have better elaboration, which was part of the negotiation process.

Mr. Bargerstock asked what they were going to do with the building, and Mr. Ruller said it would be part

of the redevelopment project, similar to the former Right Dimensions group. He said they are trying to pick up behind that process.

Mr. Bargerstock asked if it was true that Right Dimensions negotiated with these people, and Mr. Ruller said they negotiated with each of the property owners in that block.

Mr. Bargerstock said his understanding was they had an agreement, in principle, to exchange that building for the building being developed by the car parts store. Mr. Ruller said they waited eighteen months, and they were unable to deliver those agreements, which was part of the reason they recommended breaking off with that developer. Mr. Bargerstock said he is talking about the negotiations between that developer and the Demmer family that own the building where the hardware store is located. He asked if that was a true statement, adding he heard it in the Council Chambers. He said he heard they were going to do a 1031 exchange, and Mr. Ruller said they were in negotiations with every developer for more than eighteen months. Mr. Bargerstock asked whom Demmer would sell to if Kent did not buy it, and Mr. Ruller said he would not speculate that response.

Mr. Bargerstock asked the last time they had a professional appraisal done on that building, and Mr. Ruller said that Howard Boyle referenced that previously. He said he thought it was about five or six years. Mr. Bargerstock asked if he knows of any commercial ventures where people buy property with five year old appraisals. Mr. Ruller said he did not. Mr. Bargerstock asked Mr. Ruller if it was fool hardy to purchase a piece of property with a five year old appraisal, and Mr. Ruller noted it was said that it is a stagnant market. He said the price is where it was before. Mr. Ruller said they looked at comps, adding Mr. Bargerstock's building was one of those comps. He said it was indicated that with recent sales, the price was favorable. Mr. Bargerstock asked who determined the price was favorable, and Mr. Ruller said the staff reviewed it. Mr. Bargerstock asked if they are a professional appraiser, and Mr. Ruller said they just pulled property tax records. Mr. Bargerstock commented that any citizen could pull property tax records, and they are not professional appraisers.

Mr. Bargerstock said the agreement allows them to have the property for nine months, with the City paying them \$25,000 and renting it back to them for \$2200 per month. He said it was a good exchange. He asked what happens after nine months, if they chose to pack up and close the doors, and Mr. Ruller said the City has the opportunity to market the building, bring the building down, or make it part of a development deal. He said he has personally tried to help many businesses locate downtown in the last month, and some have wanted the hardware store.

Mr. Bargerstock said they will give them the money for rent for the next nine months, and after that time they can leave, and the City will be the proud owner of a building that they paid in excess of \$300,000. He noted it was closer to \$400,000 when they factor in the \$25,000 plus operating expenses and taxes. He said they are going to try and market that building in the worst real estate market in the world. Mr. Ruller said it is one of many scenarios, adding it is part of a block they have identified for redevelopment purposes. He said the last developer was unable to do it, adding he is trying to give the next developer a step up, which the previous developer could not do.

Mr. Bargerstock asked what developer he has in mind, and Mr. Ruller said he is not actively marketing the property until they get the land. He said he did not want to put the cart before the horse. Mr. Bargerstock asked if there was any reason why the owners, out of the kindness of their heart, did not offer the City an option like the Ricciardi family, and Mr. Ruller said that was mentioned and they declined, for whatever personal, business, or professional reason. Mr. Bargerstock asked why they could not sell it directly to the magic developer who is going to buy all of the property, and Mr. Ruller said he cannot continue to speculate on "what ifs".

Mr. Bargerstock said they heard from the Blue Ribbon Panel talk about results, adding they are now talking about investing nearly \$400,000 and expecting a return on that investment. **Mr. Hawksley called a point of order, adding it was not a question.** Mr. Bargerstock said the question is what kind of recapture time to they expect on these monies, and how many jobs do they expect to create or retain. Mr. Ruller said that would be part of the discussion, like when they were all interested in seeing

redevelopment of the block before he became City Manager. He said they worked with Right Dimensions, and did their best. He said they saw where Right Dimensions could not live up to their end. He said whatever they saw at that point, he is continuing to see and does not see that changing. Mr. Bargerstock said there was no public investment at that time, adding it was just private dollars. He said they are proposing he takes public tax dollars, invest them in a phantom developer that does not exist with no written agreement, no quantifiable rate of return, no analysis of a rate of return, no job creation, and no guarantee of job retention. He said he did not see the economic, adding that although this is being proposed as economic development, he is having a hard time understanding where they have economic development. He asked, again, where the return was, and Chair Wilson said he already answered that.

Mr. Bargerstock asked who set the price, and Mr. Wilson said that question was already answered. Mr. Bargerstock asked why they authorized the DKC to initiate this, and Mr. Schultz said they have an operating agreement with them. Mr. Bargerstock said he read the operating agreement, and it does not authorize this type of negotiations. Mr. Ruller said the owner went to the DKC because they have a good relationship. He said the DKC approached the City, adding that he and the Mayor were part of the discussion as they are part of the board. He said they asked if the City could try and negotiate it, as they have done previously, or let Mr. Silver do it. He said that Mr. Silver felt it made sense to let them do the bulk of the work, and he will be in the loop as it moves forward to Council. He said this process has been used previously in a successful manner.

Mr. Bargerstock asked Mr. Ruller if this were his person \$400,000, if he would invest it, and Mr. Wilson said that was not a playable question, and asked Mr. Bargerstock if he had a real question. Mr. Bargerstock said that was a real question. Mr. Wilson overruled the question, and asked Mr. Bargerstock if he had another question.

Mr. Bargerstock asked when the insane asylum takes over city hall, and Mr. Wilson moved to Mr. Kuhar at this point.

Mr. Kuhar asked how long they have owned some of the other properties, and Mr. Ruller said he was uncertain. He said it was the barber shop property. The Clerk noted it was 2001. Mr. Kuhar asked if they owned the properties on College Street, and Mr. Ruller said they own the land where they took the building. Mr. Kuhar asked when those were purchased, and the Clerk said it was in 2003. Mr. Kuhar asked if they own the old liquor store, or if Kent State owns it, and Mr. Ruller said he did not know where the old liquor store was located. Mr. Ferrara said it was "The Rock," and Mr. Ruller said that Kent State owns that location.

Mr. Kuhar said they purchased these properties six or seven years earlier and took them off the tax register. Mr. Wilson said they are on the tax register, because the City is using them for public use. Mr. Kuhar asked if they are paying real estate taxes, and Mr. Wilson said they are required by law to pay them. Mr. Kuhar said the city is paying real estate taxes, and Mr. Ruller said that is correct when a business activity occurs on the property. Mr. Kuhar said they had these properties for seven years, in the name of economic development, and Mr. Ferrara asked Mr. Kuhar where is math was. He noted that 2003 to 2007 is four years.

Mr. Kuhar asked if they planned on buying the hardware store and sit on it for six or seven years, and Mr. Ruller said they were actively in the midst of a development project. He said when that was unable to culminate into an actual project, the City stepped in. He said they are trying to pick up where the developer left off. He said the developer was unable to secure properties, so they have done their best to go after the properties so the next developer can take it over. He said he has every intention of a quick development, adding the critical piece is the availability of land. He said they look at what other cities have done to expedite redevelopment in tough areas, adding they have gone after the land, and marketed it. He said that is their strategy, and he has every expectation they will be able to do that in Kent.

Mr. Bargerstock said he appreciated the last comment, and asked the Manager if his expectation is

realistic, and Mr. Ruller said it is realistic. Mr. Bargerstock asked if it is realistic based on the real estate management practices of the City. **Mr. Schultz and Mr. Hawksley called for a point of order.** Chair Wilson questioned whether it was realistic with this Council. Mr. Bargerstock said the West River neighborhood was a perfect example, and Mr. Wilson told Mr. Bargerstock he was out of order.

Mr. Wilson called for audience comment at this time.

**Julie Bargerstock, S. Willow street:** Ms. Bargerstock asked if the Manager said they pay the DKC, and Mr. Ruller said that was correct. Mr. Ruller said they do pay the DKC. Ms. Bargerstock said she was under the assumption that they did not get paid. Ms. Bargerstock said as a resident of Kent, she wanted to tell any Council person who votes for this person, "Shame on you" to have the audacity to tell the people they have no money, but to spend this type of money. She said anyone living in Kent who shops in Brimfield knows there is a Lowe's coming. She said that she would bet them 10:1 there will be no hardware store in another six or seven months. She said they are supposed to be responsible to the citizens of Kent, not a long time business person. She said they are using taxpayer monies, and they are supposed to be responsible to the taxpayers. She said the fact that this is based on a five year old appraisal that they got from the "good old boys" in Kent, she told them "Shame on you all". She said the citizens should be very upset. She said she hoped the newspaper reported this the following day. She said they just listened to 1.5 to 2 hours of how they do not have money. She said she would bet them 10:1 that they could get that building at half of the price. She said if it were a profitable development, they would have private investors, and would not have to use the City's money. She said that there should be shame on anyone voting for this proposal.

Ms. Rissland offered, as a point of clarification, that they do pay the DKC as part of the operating agreement only, for any services. She said they do not pay them for the acquisition of property.

#### **MOTION TO AUTHORIZE THE PURCHASE OF 225 S. WATER STREET, WITH THE EMERGENCY CLAUSE.**

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

Mr. Schultz said the Manager has been quite appropriate. He said this moves them forward in the redevelopment of the downtown. He said they need the land. Mr. Schultz said the land was not successfully negotiated, and the DKC was able to do it. He said they owe the DKC a great service.

Mr. Hawksley said there would be no development in the downtown without the involvement of the public sector and land banking, especially in their region. He said it is a good move, and about time they are doing something.

Mr. Kuhar said he is voting against the motion. He said the one main reason he is on Council is because people asked him to run because they were outraged how the City spent money on real estate. He said they have done it for years, and are not good at it. He said he does not disagree that the control of the property would be an asset for development, adding that control is important. He said he would also agree if the City did not buy the property, Demmer would have two choices. He said those two choices would be to either sell the business or close it down. He said they are also smart enough to know if they make it available for development or to the City as an option, they have a better chance to sell it. He said if they really wanted to help the community, they will make themselves available and be part of the picture. He said for them to take the taxpayers' money, again, for an investment is wrong. He said his phone has been ringing about the purchase of the hardware for it. He said if that many people supported the idea, he questioned why they did not call him. He said all he has heard is the about the City spending money on real estate. He said then again, even if we bought it, whether the price is realistic for the market. He said he would oppose the motion. He said he hoped they would give this serious consideration. Mr. Kuhar said the block will develop, but he did not think they need to spend \$400,000 of the taxpayers' money to do so.

#### **MOTION TO AMEND TO PUT THE ISSUE BEFORE THE VOTERS**

Motion made by Mr. Bargerstock, seconded by Ms. Oswitch.

Mr. Bargerstock said there is a great divide on Council. He said they have a lot of genius real estate developers who think this is the greatest thing since sliced bread. He suggested if the citizens agree with that, they should have the opportunity to vote on it. He said if his twenty-seven years in real estate business and his instincts tell him he is wrong, he is willing to listen to the voters. He said in the twenty plus years he has listened to Council, the Council members are the lousiest managers of real estate. He said that knowing all of that and the deficit created by their wonderful spending practices, coupled with their great wisdom in real estate development, he would love to substitute their great wisdom for the wisdom of the voters. He suggested they see what the voters have to say.

Ms. Oswitch said she had no comment, adding she seconded the motion to hear what Mr. Bargerstock had to say.

Mr. Kuhar said this is not an issue for the voters. He said Council should consider the voters when making their decisions.

Mr. Schultz agreed with Mr. Kuhar.

The amendment failed by a hand count of 1-6-1, with Mr. Bargerstock as the only one supporting the motion, and Mr. Wilson abstaining.

Mr. Bargerstock said he had some comments on the main motion. He said his first comment is he hears a Council member say there is no economic development in the downtown. He said that member has failed to look at the private enterprises with the bar owners. He said they have a multitude of private owners who are putting forth hundreds of thousands of dollars for renovations. He said some have been in Kent for twenty-five years, while others are new. He said they are using their own money, capital, borrowing ability, sweat, and energy to develop the downtown for the City and doing it quite successfully. He said they did not look for handouts. He said that comment was way off base.

Mr. Bargerstock said every handout the City has been involved in has been a dismal failure. He suggested they look at the success of the West River neighborhood. He said they are still paying the DKC about \$130,000 for their losses. He said they went through the best economic times, during the Clinton era, could not sell or develop squat. He said the individual who built the condos is still trying to sell them four years later, and there is still vacant land that costs them and they have done nothing. Mr. Bargerstock said his calculations are \$4.5 to \$5 million has been thrown down the hole in the last twenty years. He said the wisdom of some members will probably prevail again. He said they will move the City down the rate hole. He said they have created the deficit spending. He told the Committee shame on all of them for slapping the police and firefighters in the face, that do not have jobs and for the ones working in Kent under strenuous conditions because they do not have the right resources. He said they also have some working in a dilapidated Police station because they cannot allocate proper resources to them. He said the Committee members are all real estate developers. He said they are foolhardy and nonsensical.

Ms. Oswitch said she originally supported the project, adding she has had a lot of time thinking about it. She said a lot of the reasons she ran for Council does not agree with the purchase. Ms. Oswitch said she did believe the real estate dealings in the West River area were wrong. She said she is torn. She said she wants to save businesses, and bring more, but she would like to see it a different way. She believed there was no reason why a developer could not negotiate with the business.

Ms. Oswitch said she has a problem with asking for tax monies, and turning around to buy a property. She said she has heard the fire department called out three times since the meeting began. She said they need more police and fire, adding they all know they have problems in the neighborhood. She said she and her husband have discussed a security system, since her neighborhood is going downhill. She said it is sad, and she has a problem asking for more money when they cannot give the neighborhoods what they need. She said there are other ways this could have been done. She likes the fact they are not moving out of Kent, but concerns her they are not willing to negotiate the move and/or the cost. She said in good conscious she cannot vote for the purchase.

Mr. Kuhar said he spent a good part of the day reviewing Kent in his head and all of the little businesses that have been knocked down. He said most of their private enterprise has replaced smaller businesses with better, improved businesses. He said they gained in that aspect. He said with the Demmers' willingness to sell, he has no doubt that block will develop. He said he hoped it started quickly. Mr. Kuhar said private enterprise needs to happen, with the City lending a helping hand.

Mr. Schultz said that private enterprise tried, and did not make it. He said to Mr. Bargerstock's comments, he did not want a whole downtown made up of bars. He said the whole block could be bars, and people would love it, but their community does not support it. He said that even if the Demmers went out of business, they know the block is key to the development, they could be like right Dimensions and ask for double the money, holding up development for ten years. He said the ability to acquire the property is a fact, which is the reason he is on Council and Mr. Bargerstock will not be on Council the following year. He said he is glad Mr. Bargerstock likes Stow, and told him to go to Stow. Mr. Bargerstock said they have driven him there.

***Ms. Oswitch called a point of order regarding the arguing between Mr. Bargerstock and Mr. Schultz at this time.***

Chair Wilson called for any more discussion on the motion.

Mr. Ferrara said, as a point of clarification that there are government monies being spent downtown. He said there is \$100,000 allocated for the Water Street tavern, which is their second economic development loan. He said it is not true to say it is all private enterprises, adding that cities have to help development. At this time, the Clerk restated motion

The motion carried by a hand vote of 5-3, with Ms. Oswitch, Mr. Bargerstock, and Mr. Kuhar dissenting.

Mr. Wilson said the final item on their agenda dealt with the amendments to the 2007 Appropriations Ordinance.

**MOTION TO AUTHORIZE THE AMENDMENTS TO THE 2007 APPROPRIATIONS ORDINANCE.**

Motion made by Mr. Schultz, seconded by Mr. Hawksley, and carried by a voice vote of 6-0-2, with Mr. Wilson and Mr. Bargerstock abstaining.

Hearing no further business before this Committee, Chair Wilson adjourned this meeting at 9:50 p.m.

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Linda M. Copley, Clerk of Council

**ACTION RECOMMENDED:**

- 1) REPORT WAS RECEIVED ON STAFFING LEVELS; NO ACTION WAS TAKEN
- 2) TO ACCEPT THE BLUE RIBBON PANEL'S REPORT IN PRINCIPLE
- 3) TO SUBMIT THE QUESTION OF REDUCING RECIPROCITY BY 25% TO THE VOTERS
- 4) TO AUTHORIZE A \$5 LICENSE PLATE TAX, WITH THE MONEY DEDICATED TO STREETS AND SIDEWALKS IMPROVEMENTS
- 5) TO AUTHORIZE THE PURCHASE OF 225 S. WATER STREET
- 6) TO AUTHORIZE AMENDMENTS TO THE 2007 APPROPRIATION ORDINANCE