

**THE CITY OF KENT, OHIO
FINANCE COMMITTEE WORK SESSION
WED., JANUARY 31, 2007**

This meeting of the Finance Committee of Kent City Council was called to order at 7:00 p.m. on Wed., January 31, 2007 by Wayne Wilson, Chair.

PRESENT: MR. BARGERSTOCK, MR. DELEONE, MR. FERRARA, MS. GAVRILOFF, MR. HAWKSLEY, MS. OSWITCH, MR. SCHULTZ, AND MR. WILSON

ALSO PRESENT: D. RULLER, CITY MANAGER; J. SILVER, LAW DIR.; B. RISSLAND, BUD & FIN. DIRECTOR; J. FERLITO, HEALTH COMMISSIONER; J. IDONE, PARKS & REC. DIR.; G. LOCKE, ACTING COM. DEV. DIR.; G. ROBERTS, SER. DIR.; C. TOLNAR, ENGINEER; J. PEACH, POLICE CHIEF; W. LILLICH, SAFETY DIR.; AND L. COPLEY, CLERK OF COUNCIL

ABSENT: JOHN FENDER, MAYOR & JOHN KUCHAR, COUNCIL

Chair Wilson explained that this meeting would be conducted as a work session. He said that during their budget discussions, some members wanted to present their ideas for change, and that was the first item on this agenda.

Mr. Wilson said that Mr. Bargerstock presented information the previous week. He said he thought the main action points were to do away with the DKC agreement and the social service funding. Mr. Bargerstock disagreed.

Mr. Bargerstock said he itemized five points. He suggested they look at the Charter, and they will see that preparation of the budget is not a role of Council. He said the Charter tells the Manager to prepare the budget, adding that Council's job is a checks and balance system. He said one of the flaws in the process is that they allow the expenditure of reserve funds to be included in the budget review, while they should be done item by item. He said their budget should be the anticipated revenues versus the anticipated expenses. Mr. Bargerstock said they allowed managers previously and currently to include their reserve funds. He said they have a substantial reserve fund in Kent. Mr. Bargerstock said that once they exceed their anticipated revenues, it should be a matter of policy decided by Council.

Mr. Wilson asked Mr. Bargerstock if he had a motion, and Mr. Bargerstock said he had no motion, as Mr. Wilson asked for suggestions.

Mr. Ferrara asked Mr. Bargerstock if he wanted the Manager to explain the difference in funds coming from the reserve fund, and Mr. Bargerstock said that is not their job. He said the job of preparing the budget belongs with the Manager, as he is the expert and has experts working for him. He said they should have a budget that includes the needs for safety forces and core activities. He said the non core activities should be debated by Council.

Mr. Bargerstock said they are granted the use of funds as a privilege, and it is not an absolute right. He said they need to know their expenses and revenues. Mr. Ferrara said he did not mean to be argumentative. He asked if Mr. Bargerstock was talking about budgeting expenses that exceed their revenue, and Mr. Bargerstock said they should not budget the monies if they exceed their revenue. He said they need to live within their means. He said there are discretionary items in the budget they never review.

Mr. Ferrara said he is guessing that it would be a paper transaction to say that the budget is \$1 million, and they would make the expenses meet the budget. He said they are having a structural deficit, adding he did not understand. He said it appeared Mr. Bargerstock is saying they need to cut the budget, and if that is the case, where do they want the cuts. Mr. Bargerstock told Mr. Ferrara that was his point, as that is not presented to them. He said some items in the budget are mandated, and they cannot do away with them. He said they have contractual arrangements, pension funds, and core operations of the city. He said they have the funds to meet those needs. He said it is the discretionary items that are not dealt with and just lumped together. He said they fight about it in the last six weeks of the year, and that is wrong.

Mr. Wilson asked Mr. Bargerstock to name one item that Council did not approve that is in the budget, and Mr. Bargerstock said that is not the issue. He said Council should view the discretionary items on a case by case basis. Mr. Wilson said that everything in the budget has already been approved, and Mr. Bargerstock said that is not his argument. He said that based on the Charter, the Administration is to present a balanced budget. Mr. Wilson said the budget is balanced, and Mr. Bargerstock said it is balanced with reserve funds. He said that is incorrect as those reserve funds should not be there for the discretionary use of manager. He said they should be used with Council's approval on a case by case basis. He said when the budget is presented, it should be the anticipated revenues only, with matching expenses. He said the use of reserve funds should be fully discussed, and may be deemed necessary by Council. He said it is a more thorough process. He said they do the budget in two meetings, without any public examination.

Mr. Wilson said they have approximately \$10.5 million in reserve funds, adding that those funds accumulated by the prudent spending of the Administration over the years. He said it belongs to the taxpayers. He asked Mr. Bargerstock if he wants to cut services, while keeping the taxpayers' savings account, and Mr. Bargerstock said that is not his point.

Mr. Ferrara asked to return to his question. He said that Mr. Bargerstock made the comment that the spending of the reserve fund is at the Manager's discretion. Mr. Bargerstock disagreed, adding that he said the budget is presented by the Manager. Mr. Ferrara said if Mr. Bargerstock feels those are discretionary, he wants them brought forward for approval. Mr. Bargerstock disagreed. He said he is suggesting that the Manager prepare a budget matching the revenue with expenditures. He said if they use reserve funds, for any reason, it should be brought to Council on a case by case basis. Mr. Ferrara asked if that is not what he just said, and Mr. Bargerstock said it was not, adding there is a clear distinction. He said they can muddle it up anyway they want, but his statement is clear. He said they need to match their revenues with expenses, adding they would only spend reserve funds when those needs are brought to Council.

Mr. Schultz told Mr. Bargerstock he is the one muddling things up. He said there are two amounts of funds, with one being the carryover balance. He said that is part of the budget process that the Manager and the Budget and Finance Director are responsible for, while the reserve funds are monies for crises. He said there is about \$2 million, and it can only be used with a 3/4 vote of Council. He said that is money controlled by Council, and they have not touched that fund. He said the use of carryover funds is the Manager's prerogative, and the Council points to them to manage the budget. He said they did not fill fire positions in an attempt to manage the budget.

Mr. Bargerstock told Mr. Schultz he is putting words into his mouth, as his statement is clear. He said all reserve funds should not be allowed in the budget without a case by case review. Mr. Schultz said they have disagreed with him previously. Mr. Bargerstock said they have done it Mr. Schultz' way, and have a structural deficit. He said if they do it his way, there would be no deficit. He said they have their problems from doing it Mr. Schultz's way.

Mr. Wilson said they are getting into another history lesson, which was not the intent. He asked Mr. Bargerstock to present the next item. Mr. Bargerstock said it dealt with the assets of their community. He said one asset deals with real estate purchases in many forms. He said some have been done by options, some were purchased outright, while others were purchased through the DKC. He said they are significant assets, but quite a few are non performing. He said some were for economic development, with no basis nor payoff. He said this may not solve their problem, but is part of the problem. Mr. Bargerstock suggested they sell the properties immediately, and sever their contract with the DKC. He said at that point, either the DKC or the City would assume full control. He said they have obligations, and a method is in place to sever the relationship. Mr. Bargerstock said it is not in their best interest to go for revenue increases as long as their assets are non performing.

Mr. Wilson said the Council told the Administration to look at all of the properties, and to decide what is non essential. Mr. Wilson said they already sold the property on Summit Street. He asked if there were any specific pieces of property, and Mr. Bargerstock said they acquired properties in the downtown that are non performing to the tune of about one-half million in assets. He said they have the same amount in DKC contracts with no performance nor marketing efforts. He said these efforts need to be liquidated, and there has been no effort to talk about them.

Mr. Ferrara gave Mr. Bargerstock credit for bringing that information forward and spearheading the sale of properties on Summit Street. He said the fact is they are trying to achieve economic development. He said the properties are leverage. He said if they need those properties, adding he understood it was hard to quantify them. Mr. Ferrara said their job is the big picture, and whether a piece of property is a key piece. He said there may be no return on the investment, but it is still an asset. He said corporations keep other assets on the books with the intention of future appreciation. He told Mr. Bargerstock his point is well taken, but to indiscriminately sell the property leaves the City with no bargaining power.

Ms. Gavriloff said they want to create economic development, adding if the parcels are spread out, they cannot put anything together. She said they have nothing that is together, and possibly Mr. Bargerstock has a point. She said they need to look at what they are trying to accomplish. She said they all want to do the downtown area, but own property by the river. She said they may wish to sell that property and get more property downtown.

Mr. Ferrara said that was a good blanket statement, but over the last few years, there has been a concerted effort to say what they are focusing on. He said that based on the analysis, there is no reason to just sell property as it can play a vital role. He said they are not sitting on 150,000 square feet of office space. Mr. Ferrara said they need to look at the cost to the City, and factor in the market conditions. He said they are never going to make money on the sale of the properties, nor where they purchased with that intent. He said they will sell them for less now, with the current real estate environment, and asked if they should sell them at a fire sale. He said it does not make sense, when looking at the bigger context.

Ms. Gavriloff said they have taken a loss on quite a few properties to stimulate development, and suggested a fire sale would bring forward a developer.

Ms. Oswitch said that Mr. Ferrara is right, and land prices are not good at this time. She asked if they have an actual policy that says they should review their properties periodically to see if they are economically viable. She agreed that a few pieces are leverage, but one piece in the middle of nowhere is not a good move that needs reviewed. She asked, again, if they have a policy, and Mr. Wilson said he believed that is what they did about six months earlier. He said he understood that it would be ongoing, and if there was no longer a need for something, like an easement, they could sell off the property. He asked the Manager if he understood that correctly, and Mr. Ruller said that was the staff's general practice.

Mr. Ruller said that part of his sense is that a bulk of the properties, not purchased for wellhead protection, were purchased under the auspice of economic development. He said they are still in corridors where they are trying to seek economic development. He said if they decided to do nothing downtown, they would sell the properties.

Mr. Ruller said he currently has an intern putting together a West River Neighborhood analysis, and has learned that is not a completed project. He said when they look at the property values, as the results of their efforts, they are on their way up. He said he knows they are anxious for that information, and the Mayor, who was absent, indicated his feeling that they need to finish the last third of the project. He said that part of the problem is the right time frame, as they know they are not a scorching hot market at this time. He said it takes a little patience. He said at some time, they have to make the call and move on, adding that he hoped that they would have some of those discussions so staff has some direction. Mr. Ruller said they are working on both corridors, with more focus on the downtown area. He said they brought down the old KSU structure the previous fall, and the next step is the parking lot, which opens up development opportunities. He said there is a sequence, if they want to pursue the project.

Mr. Schultz said in the area they own, they did have a proposal a few years earlier. He said there is interest and potential. He said the balance is across the street from City Hall, where the University is looking at a conference center. He asked if they want to abandon that property and just walk away, adding that selling properties will not solve the structural deficit. He said they are short term monies that do not solve the problem.

Mr. Bargerstock said he does not like playing word games. He said they use confusing language. He said that what they have done in the West River neighborhood since 1990 is not economic development, and is real estate development at a great loss to the taxpayers. He said they were to get a return on

those dollars, and never did. He said that some of them are agreeing that they sold those properties at a loss, adding that is not the role of government He said they make lousy developers.

Mr. Bargerstock said the West River neighborhood is not a success. He said he spoke against it since it started in 1990. He said they have significant assets in that neighborhood. Mr. Bargerstock said they have shuffled a few properties, and a few businesses have moved. He said it is real estate development, which is a cost to the City and they could have used the money on roads and infrastructure, keeping the resources in the General Fund. He said the City has been on a real estate spending spree. He said they need to get out of the business and run their government effectively and efficiently. He said the structural deficit term is an excuse to spend more money than revenues, adding they do not have that right. He said they need a structural organizational change, and must match their government with the revenues. He said that is not his job, as his job is to set policy.

Mr. Ferrara said in generalities, he can tell Mr. Bargerstock that Butler Wick has gone from five to ten financial advisors. He said Wachovia has gone from two to five in their new area. He said they are still in Kent, but Kent has grown. He said that Butler Wick came to Kent, and was going to leave if they could not find office space. He said it is not fair to say that has not happened. He told Mr. Bargerstock he respects his opinion but the property values are up. He said the old Kemp building is bursting with physicians. He said that Mr. Bargerstock's comments are unfounded and generalized in terms of economic development. He said he disagrees that it was real estate development, adding it was bought for economic development. He said he can disagree with buying it, but has to agree it is part of a process to stimulate. He said they have to admit it is part of the process of economic development.

Mr. Hawksley said they have to be careful, and view the glass as half full, not half empty. He said that Hudson asked the people to tax themselves. He said they moved major industry to leverage a large development. He said that community took the initiative, and remade their community as they saw it was critical. He said that the current manager and previous managers have emphasized the critical need of economic development. He said it is public investment of public monies. Mr. Hawksley said to say they are wasting money on lank banking is short sighted.

Ms. Oswitch agreed with Mr. Hawksley, but cautioned him on the comparison of Hudson, adding a majority of those people can afford their tax. She said Kent is a poorer city in many ways, and it is harder and harder for people to dole out money to the City. She told Mr. Bargerstock she could be wrong, but she took his comments to mean that if they are bringing in \$500 per month, they would spend no more than \$500 per month, without charging or the use of credit cards. She said they have to be careful that they do not ask the elderly or unemployed to pay higher taxes. She agreed they have to land bank to jump start a neighborhood, but need to look at the cost to the community.

Mr. Bargerstock said he did not have a disagreement with the process. He said they started this project in 1990, seventeen years earlier, and he would not call that success. He said they went through the best economic times in ages, and sold nothing. He said that Northeastern Ohio is in a slump, and they will have a problem trying to sell them. He questioned holding the non performing assets, while asking voters form ore money. He said he has a hard time asking his neighbors to pony up money because of bad decisions. He said they need to fix the problem.

Mr. Schultz said Kent is not a poor community, adding that they are not taking money from the elderly or unemployed. He said they had a group of experts who spent a lot of time analyzing the issue. He said they would not force the citizens to pay more, as any income tax increase would go to the ballot. He said they have good intelligent, people, and he trust their ability to make a decision and trusts they will listen to arguments. He said one of the biggest things they were told by the CEOs was to not sit back. He said they were told they have to create their own destiny. Mr. Schultz said they are in an area that is losing manufacturing jobs, and the experts' proposal addressed those issues quite well.

Mr. Wilson said they have not made any decisions about going to the ballot. He said they have had no public meetings yet. He said he did not want to read in the paper they were asking to go to the ballot.

Ms. Gavrilloff said a lot of the baby boomers are retiring, and suggested they look at the statistics. She said they have residents making a choice between medications and property taxes, and to say they are all rich is not fair. She said people want to stay in Kent, and have been in Kent all of their lives. She said

some of those people struggle to pay their real estate taxes. She said she had a conversation with someone who chose not to live in Kent, because the cost of living is too high and the City is living well beyond their means.

Mr. Silver said they do not in tax retirement income, and Ms. Gavrilloff said she meant property taxes. Mr. Silver said the City does not get most of the money, and Ms. Gavrilloff said she thought the City received about 10%. Ms. Rissland said about 14% goes to the City; 14% to the County; with the balance to the schools. She said that most of the City's money is voted levies for parks and recreation that were approved by the voters.

Mr. Ferrara said the problem with economic development in Kent, northeastern Ohio, and North American is not indicative of the policies by the Administration, but is a function of the demographics. He said to say the City did not capitalize on the real estate boom five years earlier is not fair. He said they are wrong to blame Mr. Ruller and wrong to say his policy is wrong.

Mr. Bargerstock said on the issue of social service funding, he never advocated a cut. He said they currently fund them out of the General Fund, and no other committees do so. He said it is an inappropriate use of general fund monies, but whether they get it should be discussed. He said these are the items that the Administration should bring back, instead of using reserve funds. Mr. Wilson commented it was reduced in the last budget.

Mr. Bargerstock said that anything other than core expenditures should be brought forward. He said just to present it is wrong. He said they know that their core activities include police and safety forces, but there are a lot of other things that are not "must dos". He said they need to evaluate if there is proper social return or financial return, and if there is none, they should not spend it.

Mr. Wilson asked the Clerk when they have discussed social service funding recently, and the Clerk responded that she did not know off hand. He asked if it was in the last few years, and she said that was correct.

Mr. Silver said there is no item in the budget that Council cannot change by a majority vote. He said when a Manager puts the budget together, it is based on Council policies, including the funding of social services. He said that until Council changes that policy, it will probably continue. He said if they get five votes, they can change it.

Mr. Bargerstock said he was not talking about the funding of social services, just the use of General Fund monies. He said they have CDBG monies that are reviewed thoroughly. He said that lumping all of the social service funding together in one line item is inappropriate, and a flawed process. He said it allows more spending than revenues, without a full debate. He said they are not allowed to object.

Mr. Wilson said he thought they held some items from the budget, and Ms. Oswitch said they held the car allowances. Mr. Wilson said he is getting offended, adding he runs the budget meetings. He asked Mr. Bargerstock how many motions he made, adding they are in a majority. He said if Mr. Bargerstock thinks Kent is a dictatorship or run by a minority, it is not his fault.

Mr. Bargerstock said they asked his opinion, and he gave them his opinion. He said they have done it Mr. Wilson's way, and that is why they have a deficit. He suggested changing it.

Mr. Schultz said they have not done it that way for seventeen years. He said they used to have committee meetings and discussed each proposal. He said they raised the funds every year. He said people came in, they identified their needs, and increased the money. He said he would welcome a committee meeting, as the room would be filled. He said Mr. Bargerstock would lose, and it would cost more money. Mr. Wilson said he came on right when it changed, adding they got tired of Mr. Schultz filling up the room and the budget increasing. He said if that is what Mr. Bargerstock wanted to do, he could make a motion for further discussion.

Mr. Ferrara asked how they would review it prior to the adoption of the budget, and Mr. Wilson said that now would be the time. He said they spend eleven months a year dictating the budget, and at any meeting, a person can make a motion for discussion.

Ms. Oswitch agreed with everything being said in different perspectives. She said that she is thinking back on policies that are made throughout the year, but they spend one night on the budget and it is passed. She said other cities take a few weeks or months reviewing their budget, and they talk about it in more depth. She said they get a synopsis, without full discussion.

Ms. Oswitch said her mother-in-law has been on the Orange Village Council for twenty-five years. She said it is a tiny Village with as many Council members as Kent. She said they spend weeks discussing their budget before its approval, and Kent does it in one night. She said she did not come to the meeting with any solutions, adding there needs to be something where they spend more time having in depth discussion. She said they get a nice booklet, with line items, but do not know what the lines pay for. She questioned why they take two hours in one night, while others are taking weeks or months.

Mr. Wilson suggested others ought to take a lesson. He said they are not forcing a budget, but are saying if there is something they want to discuss further, they need to make a motion. He said no monies are spent until that meeting is held, and they can pull 100 items or 1 item for further discussion.

Ms. Oswitch said that they always wait until the very last minute, and one feels guilty if they vote against the budget. Mr. Wilson said they can pass a budget, but hold funding for specific items.

Mr. Lillich said historically, Council went through the budget, and one member who was still present could pull \$20 from one line and \$50 for another. Mr. Schultz, that member, agreed, adding he would have about \$100,000 to spend at the end of the night. Mr. Lillich said it would take forever to review all of the items, adding it is more amplified by the fact that there is such a low cap on increases for the last five to seven years. He said instead of line by line discussion, they might ask what makes up specific programs. He said the staff could put together all related costs and give them an idea, which might be a more effective way to review the budget to get the needed insight, without getting wound up in the minutia.

Mr. Wilson said he tries to run the meeting with an overview instead of each line. He said when he joined Council, he watched them "nickle and dime it". He said he did not agree with the way it was done, but if there is an item they want to discuss it can be held.

Mr. Bargerstock said he wisied to add to Mr. Wilson's comments, as that is the basis of his presentation. He said it is not their job, adding it is counter productive to review the budget line by line. He said he has watched this happen, adding it is unproductive with no solution. Mr. Bargerstock said the Manager's job is to match the revenues, with expenses, adding that the reserve funds are critical. He said they should be discussing those items. He said it should not be done in the budget process, adding they need public input and more thorough debate. He said that is why he made the proposal. Mr. Bargerstock said the Manager knows the day-to-day operations, adding that is his job. He said the Council does not know nor dictates the day to day affairs.

Mr. Bargerstock said he had an example. He said that earlier in the evening, they had Board of Control, and had expenditures for insurance renewals. He said they are fine contracts with fine agents. Mr. Bargerstock said if they said "no", they would have no insurance at midnight. He said there is no reason it came in this position. He said they have no idea if there is a better proposal. He said this should have been done three to four months earlier, and should have been presented to Council. He suggested that some other broker did not have the opportunity to come forward, as there was no public hearing. He said he has never seen the insurance contracts debated, adding there are regular changes. He said he changes his regularly, but has never seen proposals and/or debates. Mr. Bargerstock said the HR Manager was working on some plans, and questioned why they are not looking at those proposals.

Mr. Wilson said they see them in Board of Control. Mr. Bargerstock said it is a little too late. He said if they said "no", the City would have no insurance. He said he obviously would say "yes", as a dissenting vote would not solve the problem.

Mr. Schultz said he thought they discussed this previously, and Mr. Lillich had explained the process. Mr. Ruller said they discussed the health insurance, not the other insurances. Mr. Schultz said he thought Mr. Bargerstock had spoken about their health insurance. Ms. Rissland said it was their general liability, auto, property, public officials, and fire errors and omissions. She said they talked about it in 2004, and got a comprehensive quote through the OML. She said they had better coverage through their current

carriers. She said they had more presented last year. She said it was more detailed in previous years. Ms. Rissland said she could bring them more detail, but it takes time and resources to come up with that information.

Ms. Gavriloff said the health insurance changed after several years. She said no one else kept the same insurance for ten years, as health care is a dynamic industry. She said it may be good one year, and terrible the next, and they never try to save money. She said they made a change for the first time ten to twelve years, and saved about \$400,000. Mr. Wilson asked if she knows the Administration did not try to find a better price, and Ms. Gavriloff said when they asked, they were told it was a good plan. Mr. Ruller said it is still in process, adding it was just changed. He said it is still being implemented. Mr. Ruller said they do not have an HR Department, adding they need people. He said they had one person who did work on it, but to change annually puts a lot of stress on an organization. He said with the changes made last year, they had a lot of work. He said it is working, they are saving money, but it is a little more than one year. He said they will continue to review it.

Mr. Ferrara said it is presumptuous to say that no one reviewed it just because it did not change. Ms. Gavriloff said she asked that question. Mrs. Gavriloff suggested they need to look at it from year to year. Mr. Ferrara said he thought Mr. Ruller just answered that question. Ms. Gavriloff said it is the issue of fiscal responsibility. Mr. Ferrara said it is a fair question to ask. He said the issue he has a problem with is that process is not their job. He said it is the City Manager's job, and he does not want to debate insurance quotes. He said that is not the role of Council, as Council's role is oversight. He said he did not want to see the quote, adding he has confidence in the Administration that they are doing due diligence.

Ms. Oswitch agreed with some of Mr. Ferrara's comments, but told Ms. Gavriloff she stole her thunder. She said they had a HR person working on this, and he left. She said it may be worth it to have one or two more people if they can save monies elsewhere. She said she was surprised to find the insurance expiring, and commented that they wait until the last minute. She said she had a problem with the explanation that it would benefit them to keep the existing company because they know the City. Ms. Oswitch said everyone is changing for better rates. She said if they do not have someone, they need to get someone to find ways to save money.

Ms. Rissland said that with respect to their health insurance, their benefits structure is defined by negotiated bargaining agreements. She said a lot cannot be changed without bargaining. She said they are self-insured, adding that a PPO can counter some of their discounts. She said what they offer is negotiated.

Ms. Rissland suggested they bring the bargaining units to the table, adding there are all types of plans. She suggested they work with the union to save money and get better health insurance. She said the Board of Health looks at their budget line by line, and give Mr. Ferlito their approval to take the budget to the City Manager. She said that every department head has that nice amount of information, and suggested they put it on file so if they want to see what is under a line item, they can go to the Clerk's office.

Mr. Hawksley said from a policy standpoint, they look at the Manager and ask him if he is looking at the budget and ways to economize it. He said the Manager spent the last eight months going through the budget, and is doing a great job. He said that Mr. Bargerstock is an expert on insurance, while he is an expert in something. He said Ms. Gavriloff is their health expert. He said they are wasting valuable time, and should be thinking about the future and working with the Administration to get to the future. He suggested they let the Manager worry about this year's budget.

Mr. Wilson said if there is a line item in the budget they wish to discuss, they can make a motion for committee time.

Mr. Roberts said a lot of the budget is their best guess. He said he uses his best guess how much salt they will use and how many water lines would break. He said it would almost be better to look in the retrospect. Mr. Roberts said they spend it the best they can, and they shop the vendors. He said it is not like they are building widgets with people putting together the parts. Mr. Roberts said one of the functions of government is to be responsive adding they cannot put a dollar amount to the budget with the accuracy

they are asking. He said it would be like asking the Police Chief how many motor vehicle accidents will occur next year, adding they cannot predict the budget.

Mr. Roberts said there are options. He said the cost of picking up brush or their yard waste costs could be reviewed. He said it is close, but not to the decimal point. He said he was unsure how to attack that problem.

Mr. Schultz said to say they do not spend time discussing their finances is wrong. He said they spent the entire last year on the finances of the City, struggling with the issue of a structural deficit and how the city works. He said that is difference between Kent and other communities who wait until the last minute, have lay offs, and then raise taxes. He said they are looking for options, and are spending a lot of time looking. He said he does not want to nickle and dime the budget, adding he did have great fun and was successful. He said if they feel the health insurance was neglected, they can give the Manager a bad evaluation. He said if they want a committee discussion, they can move to place it in committee. He said his memory is they did have some of those discussions in committee. He commented they were back to history lessons and suggested they move on.

Mr. Bargerstock said some of his comments were misrepresented. He said the question is who pays the burden, adding it was well presented that the ones paying the burden are not under taxed. He said Kent is over taxed, not under taxed, and they have not spread the burden. Mr. Bargerstock said some are elderly and poor, and they cannot expect them to share the burden. He said that the other part of spreading the burden has to deal with a bigger base, adding it is the law of large numbers. Mr. Bargerstock said they have people shouldering the burden and some thing they should shoulder more. He said the University is the biggest asset and the biggest burden in Kent. He said they are a tremendous asset, but also increases the burden. Mr. Bargerstock said a lot of prime property is nontaxable, and the State had a formula that distributed some compensation. He said the schools do not have enough money, adding there are ways to deal with it.

Mr. Bargerstock said they should work with the legislature to get more of a refund. He said he spoke, previously, to Dr. Crail, who thought it was a good idea and wanted to explore it. He said they need to team up with Kent City Schools to lobby the state for greater compensation from the loss of property taxes on a university that has expanded. He said there is no benefit, but they get the burden. He said he was talking to the Engineer about the big hole on Summit Street. He said they are not getting compensation, and are not going to get it. He said they need to spread the burden. He said they have the ability, and just need the focus.

Mr. Bargerstock said the other part deals with taxation. He said he is not against taxation, but is against the increase of taxes. He said an increase in the rate is a bigger burden, as is the removal of reciprocity. He suggested an admissions tax.

Mr. Bargerstock said he and Ms. Oswitch were at an OML meeting and were told they could do a tax. He said when he mentioned it to the Law Director, the Law Director made an off the cuff statement that it could not be done, without any research. He said he has yet to find anything that says they cannot do it. He said they tout their town/gown relationship. He said the new University president is open to discussion with the City. He said that instead of discussing economic development, they should get together for an admissions tax for their infrastructure and/or safety forces. He said they have discussed a sin tax, adding this is not that burdensome. He said he is suggesting a tax of \$30 to \$50 based on the percentage of their enrollment, adding it would generate a large amount of money, helping with their situation. He said as the burden increases with the enrollment, this will help their revenues. Mr. Bargerstock said he would enjoy that more than telling their residents they want more taxes.

Mr. Wilson said he is saying he does not want to put the burden on the residents, and wants to put it on the students from out of town. Mr. Bargerstock said they are either living on the campus or off campus, and are part of the community. Mr. Wilson asked if he intended to put it on one small portion, and Mr. Bargerstock said Mr. Wilson is putting words in his mouth. Mr. Wilson said he was trying to be clear.

Mr. Bargerstock said the population at the university almost matches the City's population. He said that the people working there pay taxes, and a lot of the people do not work in Kent, and just attend school. He said they are not contributing to the tax base, but burdening the City's traffic and services. He said

they are not getting an equal return.

Mr. Bargerstock said that instead of going to the existing taxpayers and say they want more money, they should spread it out. He said it is not a large amount of money, and would be a very small burden. He said a lot of them can spend \$20 to \$40 per night having a drunk party downtown in the boarding houses. He said they wouldn't mind if they used it for pedestrian safety, good police and safety forces.

Mr. Silver took exception to what was said. He said he did not appreciate the fact that it was represented that he gave an "off the cuff" opinion. He said Mr. Bargerstock gave the name of the person he spoke to, and that person said they did not look at the idea. He said he called Squires, Sanders, and Dempsey, adding he recognizes areas where he is not an expert. He said he got their opinion, but did not ask for a brief, which was a cost of \$2000 to \$5000. He said his opinion was informed, not off the cuff, and they cannot do it. He said it is their option if they want to lobby the legislature, but under the existing laws, it cannot be done.

Mr. Bargerstock said the comment was off the cuff, and he appreciated the research. He noted that he did not know about it.

Mr. Ferrara said he keeps hearing about tries to put an admission tax on the University, but Mr. Bargerstock neglects to accept what the University brings to the table. He said if they closed down, the City would lose 30% of their tax base. He said it is not direct payments from the students. He said the University hires people who pay income taxes, representing almost 35% of the income tax in Kent. He said there is a tax levied and a benefit to the City. He said to say they are going to tax the students is political suicide. He said Dr. Lefton is a go getter type of guy, and their admissions are already down about 5%. He said he would take the conference center to a location on campus, adding there would be no tax benefits. He said it is ludicrous to explore the opportunity of taxing the students.

Ms. Oswitch said she wanted to provide clarification that it was not an admissions tax on the University, but an admissions tax to everything, including high school basketball games, movie theaters, KSU football games, and everything that they need tickets for. She said they were not going after the KSU students. She said it meant they tax all activities, and they were not just recouping the money from the University students.

Mr. Wilson asked what was posed to Mr. Silver on the floor, and Ms. Oswitch said it was the admissions tax. Mr. Schultz said it was at Kent State only, and Mr. Wilson agreed. Ms. Oswitch said she remembered the definition of an admission tax, and Mr. Wilson said it was not discussed by Council. Ms. Oswitch said they can look into it, but it would not solve the structural deficit.

Mr. Hawksley suggested for the sake of the hour that they get to the main course of the evening, as it was 8:20 p.m.

Mr. Kuhar said they have suggestions sent in by Mr. Kuhar, and asked the Clerk to read them at this time. They are listed below:

Reduction in costs:

- 1) Administrative staff reduction... consolidation of duties
- 2) Strict compliance with energy management policy
- 3) Rethink proposed Crain Ave. bridge vs. county paid for bridge and traffic flow improvements
- 4) Sale of all non-productive and non-essential city owned real estate

Income:

- 1) possibility of beer tax
- 2) Retail and industrial development.. If a hotel conference center is considered for KSU, it should be located on University property with easy access to RT 261. Retail shopping, food, housing would be best suited for the down town area. This would allow our residents to benefit as well as visitors.
- 3) Reviewing our misdemeanor fine structure

Mr. Ferrara said the conference center should not be on the campus, adding it would be a loss to the

City. He said the Parks and Recreation Director can tell them that sports tourism is a big form of tourism. He said the University has the facilities, and they need a place for them to stay. He said there is no reason not to work with them.

Mr. Bargerstock agreed that it is the greatest asset in Kent, while it is the largest burden also. He said all of their property is non taxable, and they pay no property taxes whatsoever. Mr. Wilson and Mr. Ferrara disagreed. Mr. Bargerstock said it is not property tax, it is from the State's compensation fund. Mr. Ferrara said it was semantics. Mr. Bargerstock said the schools and the City suffer. He said they do get compensation, but on a low level. He said they have not done a good job lobbying the state for an increase, and should be doing it with Council. He said the University does their job educating people, but the City is not getting fair compensation. He said it is their own fault for not asking.

Mr. Ferrara said fairer values were fine, but Mr. Bargerstock was totally twisting his words. He said he was saying that putting the hotel conference center on campus was not good joint economic development. He said with respect to the property tax, no one would disagree if they can get more money. Mr. Bargerstock said he was not talking about the hotel conference center. Mr. Ferrara said an admission tax is not a sound policy, and Mr. Bargerstock said it is more sound than asking taxpayers for more money.

MOTION TO SEND A LETTER TO THE STATE SENATOR AND STATE REPRESENTATIVE TO SEE IF THEY CAN PURSUE ADDITIONAL COMPENSATION FOR IMPACTED COMMUNITIES.

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

Mr. Ferrara said he wanted to talk about the money earmarked for the Crain Avenue bridge. He said it is a lot of money for an only slightly better level of service. He said those funds could be better spent. He said he would like to discuss the funding for the bridge. Mr. Wilson pointed out it is now the Fairchild Bridge at this point. Mr. Wilson said they are spending a few million dollars this year, but asked about pulling the plug the next year. Mr. Ferrara said the monies have been set aside for the bridge. He said they voted to not accept the money four years earlier, adding he and Mr. Wilson voted against the change.

Mr. Wilson said they spent \$1.4 million on the design of the first and second bridges. Mr. Ferrara said they do not need to spend another \$3, \$4, or \$6 million on the process just because they spent \$1 million already. Mr. Wilson said he could support the removal the fancy amenities, such as the "cushy little things". Mr. Ferrara said they are tripping over nickels.

MOTION TO REFER THE CRAIN AVENUE BRIDGE TO COMMITTEE FOR MORE DISCUSSION.

Motion made by Ms. Gavriloff, seconded by Mr. Ferrara.

Mr. Schultz said they keep going over the same things. He said they went through a whole community process, and it was not just a whim of Council. He said to try and change it now is wrong, and he disagrees.

Mr. Ferrara said they can get into the folly of group thinking. He said when they get a bunch of people involved, they think it will be a good thing, and overlook the cost. He said they are present talking about budgets, expenses, and revenues, and just because they spent money is not a good enough reason to spend more. He suggested they cut their losses and run. He said he is not saying that is what they have to do, but he could entertain the option of a less sophisticated design.

Ms. Oswitch said they have never seen the design. She said they had ideas, but have never seen the design of the bridge. She questioned how they can remove the "foo foos". She said that committee spent years on the planning. She said she takes resentment to the fact that Mr. Ferrara feels it will not increase the level of service. She said she knows more about levels of service than she cares to know. She said the traffic will move better through the neighborhood, and will go through the downtown, increasing the business downtown. She said a lot of thought went into the process. She said right-of-way acquisitions will begin in a few months.

Mr. Bargerstock said he was in absolute agreement with a lot of what Mr. Ferrara said. He said they

should use that same logic when buying property.

Mr. Wilson said he will vote against the motion. He said if someone wanted to remove the fluff, he could support it. He said he already saw them pull the rug out from the County Engineer's feet once. He said he remembers when Mr. Marozzi came in to inform the Council he was going to replace the bridge. He said Council and the Administration stopped him and began discussing realignments, adding he believed it was spearheaded by the Engineering Division. He said after spending all of the money on designs, they pulled the rug out from underneath him. He said it would be wrong to do at this time.

Ms. Gavrilloff noted she made the motion, and should have spoken first. She said they are not talking about one bridge, but are talking about two bridges.

Mr. Wilson said he calls that "fluff". Ms. Gavrilloff suggested they do not need decorative lighting either, adding that the Middlebury bridge is just a bridge. Mr. Wilson suggested they put all of the fluff on the table, and Ms. Gavrilloff said they cannot do that without discussion on the bridge.

At this time, Mr. Wilson asked the Clerk to restate the motion, and she did so at this time.

The motion failed by a hand count of 3-4-1, with Ms. Gavrilloff, Mr. Bargerstock, and Mr. Ferrara supporting the motion. All others opposed it, except Mr. Wilson who abstained.

MOTION TO REQUEST Mr. SILVER CONTACT THE KENT BOARD OF EDUCATION, SEEKING THEIR COOPERATION, AS THEY REQUEST COMPENSATION FROM THE STATE ON LOST PROPERTY TAXES.

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

Mr. Wilson asked why they would not authorize the Manager to do that, and he could ask the same of the Law Director. He pointed out they were cutting Mr. Ruller out of the process. Mr. Bargerstock said they already asked the Law Director to write the letter.

The motion carried by a voice vote of 6-1-1, with Mr. Schultz dissenting and Mr. Wilson abstaining.

Mr. Bargerstock said that as much as people got angry with his suggestions he did make some suggestions. He said that people who were critical did not make any suggestions.

MOTION TO ADOPT THE RECOMMENDATIONS OF THE BLUE RIBBON COMMISSION.

Motion made by Mr. Schultz, seconded by Mr. Ferrara. Mr. Ferrara quickly withdrew his motion at this time. Mr. Schultz said the Blue Ribbon Commission did some good things. M. Wilson pointed out they have had no neighborhood meetings. Mr. Schultz said he had no second, as Mr. Ferrara withdrew it. Mr. Ferrara said he thought they meant the Bicentennial Plan.

At this time, it was decided to discuss the scheduling of the community meetings.

Ms. Oswitch suggested they move it to the wards. She said they have to allow time so the elderly can venture out. She said it definitely has to be in the wards to be accessible. She said it has to be well publicized, and they need to alternate the nights throughout the City.

Mr. Hawksley suggested Stanton Middle School, Kent Roosevelt, and Kentway. Ms. Gavrilloff asked about her side of town, and suggested the Shelter House. Mr. Wilson asked about the south side of town.

John Bard spoke from the audience at this time, and suggested the use of the grade schools.

Ms. Oswitch said it was a good suggestion. Mr. Ruller said this will be done mainly by the Blue Ribbon panel, with the Administration just introducing the thoughts. Mr. Bargerstock said that Mr. Bard had an excellent suggestion, adding the way the wards are fragmented makes it hard. He said the schools are the center of activity for everyone.

Mr. Wilson suggested they may have to compensate them. Ms. Oswitch said most have people available, because of athletic practices. Mr. Ferrara suggested they turn it over to the Administration to discuss it with the Board of Education. Ms. Oswitch suggested one Saturday meeting, possibly in Council chambers, as it is hard for some people to attend during the week. She suggested they do it right. Mr. Wilson said they are talking about seven different meetings.

Mr. Ruller asked what time frame they were looking at, and Ms. Oswitch suggested they get through the horrible weather. Mr. Ruller asked, as the new guy, when the horrible weather ends, and Ms. Oswitch pointed out they were late this year. Mr. Wilson suggested mid March, and Mr. Hawksley said they plant peas on the 15th of March. Ms. Oswitch said it is cold, but not dangerous.

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

At this time, Mr. Wilson recessed this meeting at 8:45 p.m. This meeting was reconvened at 8:52 p.m.

Mr. Wilson said they would be discussing the goals for 2007. He said they received a lot of information from the City Manager, and stressed that was extra information. He said they are not going to spend time discussing each body's operation, as it is just the overall picture.

Mr. Ruller said he offered the information for structure, adding he followed the general parameters from previous retreats he has attended. He said they were two-day events, and classic retreats. He said when he met with a Council member earlier in the week, he was told that is when the eyes glaze over. Mr. Ruller said it is important to do strategic planning, but not to lose sight that people want outcomes. He said he offered those thoughts from some processes he participated in previously, and provided them as a point of reference. He said he always tries to check step his goals against the bigger pictures, which is why he provided the mission statement, vision, and sustainability goals. He said they are broad.

Mr. Ruller said he summarized the goals, adding some sent him one line explanations and priorities. He said that Mr. Bargerstock and Mr. Hawksley both spent more time, and he distributed the information at this time.

Mr. Ruller said he found it helpful to tally the votes. He said he went back through Council's work in 2000 to see the evolution of priorities. He said that although they did not receive a 100% response rate on the survey, they distributed that information as a point of reference.

Mr. Ruller said he tried to give them a little framework. He said they realize they have tighter money, with less ability to do things. He said when he and Mr. Wilson chatted earlier in the week, they agreed it is almost hard to have a goal session without money to do the goals. He said that the issue of business development and growth was close to the top for almost everyone. He said that is the best way to build the revenue base. He said they need the business vitality to grow, sustaining what they do.

Mr. Wilson said he did not know this was going to be in his committee, until he received his packet the previous week. He asked if there was any preference from the committee on how to attack the issue.

Mr. Schultz said the information speaks for itself. He said this is what they should use to go forward. Mr. Wilson asked if anyone wanted to explain their there goals, and no one offered to do so.

Ms. Gavriloff asked if they are going with the top three, and Mr. Ruller said if they want goals, they need to make outcomes. He said they know there are not going to all of them. Mr. Ferrara suggested they ask the administration to review them through their process, in coordination with their own priorities. Ms. Gavriloff said that seven out of nine say that new business is important, and that speaks volumes. Mr. Schultz said he believed Mr. Ruller was intelligent enough to figure it out.

Mr. DeLeone said that new business and economic development were together. He said they need to take care of the existing business, adding they had a few shut down in the last year. He said the City has an ambassador program, and it is important to keep it up. He said we need to help them if they are hurting. Mr. Wilson said he felt that was included in the goal of new/growth businesses. Mr. Ruller said that Mr. DeLeone's comments are what he meant.

Mr. Bargerstock said he hoped to provide a little clarity when speaking of new business. He said when some people talk about new businesses, they are talking about social service agencies, one man shops, or mom/pop shops, which is not how his mind works. He said they need the ambassador program and round table discussions, like with Davey Tree and Mr. Cowan. He said they need real jobs to get real revenues, and there is a place for all of this in Kent. He said they need to bring job growth to those businesses, and get more bang for their buck, instead of spending time downtown to talking to the mom/pop businesses. He said there were ideas at the Main Street forum, but no discussion on how to fund it. He said he wants to see the Manager work with people like Mr. Cowan about making Davey Tree bigger or how to keep auto dealers from leaving, not walking around town telling people how to run a bead shop.

Ms. Oswitch said they need to look at anything in the "2s", adding a lot of those are also important. She said she spent the day driving around town, looking at empty stores, and her concern is in Ward 3. She said they lost Tops, and Baskin Robbins never came. Ms. Oswitch said that is one of their main roads. She said they need to focus on the downtown, and cannot forget about the other areas. She said they need to look at business citywide.

Mr. Ruller said that the City made a significant investment in the Main Street program, and will have tremendous focus with a staff person. He said for that aspect, they have done quite a lot. He said that he hopes it proves to be a good thing. He said they need to figure out where they want to go, and used the hotel conference center as an example. He said they need to look at the downtown and everywhere else. He said once he has consensus and direction, he will come back to work on specific elements of the strategy to doing those things well, with choices. He said to that extent, they are not going to make everything happen, and need to go after a few things.

Mr. Ruller said if they want an incubator, he would return with opportunities. He said efforts in economic development can be stretched too thin. He said that people are talking about a hotel/conference center, but he does not know how they feel about it. He said another issue is the old hotel, adding he would like to bring some of that back, to decide if they should work on them or put them on the back burner.

Ms. Gavriloff said she would like to know what they are working on as far as economic development. He said they know what is going through the Planning Commission, but asked about the rest. She said she appreciated they cannot be specific, but could be informed on the types of projects or development. She said she does not want specifics, just an idea of what they are working on and what Council can do to get a company to take the next step.

Ms. Oswitch said it was nice when they received a report from Mr. Huber on who was cited, adding they do not receive it anymore. Mr. Wilson suggested it may be better to let the staff do the work, and when they need Council's help, they would come back. Ms. Oswitch agreed, but she said there are times when people tell you something in public, and as a Council person, they know nothing about. Mr. Wilson commented that can be to her benefit. Ms. Oswitch concluded she would like the report.

Mr. Hawksley said that previously they had a quarterly economic development report, adding it might be a good opportunity. He said it would seem practical, based on the Blue Ribbon RECOMMENDATIONS, and Mr. Ruller's marching orders should be the economic development plan. He said if they are Planning to sell those recommendations to the community, people will want to know about the plan. They want to know what the City is doing with their money.

Mr. Silver pointed out there is only so much time to do their respective jobs. He asked if it would help to show how much preparation time was spent on the report. He said that the Code Enforcement officer is only part time, and he could end up spending two out of twenty hours on a report. Mr. Ruller said that he can assure them that all department heads do not want to come in on the same night with an insurance issue. He said they want the time to get it done right. He said they almost broke even in 2006, and that was because they did not fill any positions and held up on some work. He said he wanted to be sure they understood there are consequences. He said what they are seeing by some of the delays is what happens when they stretch themselves. He said they are trying to live within their means, and staff did a remarkable job with the budget with a 0% increase. He said they found ways to save money but the consequence is the reason of this discussion. He said they would like to produce more reports and bring forward work earlier, but it is important to not lose sight of that connection. Mr. Ruller said the department

heads do not want to wait until the eleventh hour, adding they are stretched thin.

Mr. Locke said he has watched the City operate for a long time, adding that everyone has a notion on how to do it, but cannot agree on what it should be. He said that no one will say they do not want economic development or new business. He said it is how they do it, the minutia, that they cannot agree upon, and the Administration has been left to its own devices to identify what is important in economic development. He said they sometimes agree or disagree on the concept or the specifics. He said it would be useful if they could focus their efforts and energies on where they want to go with something. He said they need to determine what is important, and how much time should be spent. He said when they return to Council, they will say what is needed, and at that point, can debate the merits and not the concept. He said for them to be successful, they need to get beyond that and all work together instead of everyone on their own perch. Mr. Locke said he did not care who were the players, adding it will be the same issue.

Ms. Gavriloff said they never looked at the cost benefit analysis until the last few years, where they can begin to see the outcome. Mr. Wilson disagreed. Ms. Gavriloff said they need to see how many jobs are going to be created, and whether they are manufacturing or technology. Mr. Wilson said he cannot think of one time when they did not get an estimate of the jobs in return. MS. Gavriloff said it happened when she first starting serving. Mr. Wilson said he always thought it was tied in.

Mr. Bargerstock said the statement by Mr. Ruller, followed by Mr. Locke and Ms. Gavriloff makes the case for what he is proposing. He said the manager is saying it is frustrating, and his comments were not meant to burden the administration. He said it should be on Council, but they have not done the job of review. He said first of all, it is never presented, and most of the votes have had a political, rather than numerical slant. He said there is no cost benefit analysis, and usually it is something thrown in at the end of the year. He said they yell a little and move on. He said if they are going to talk about economic development, they need to define it. He said he knows what it means to him, but others say that the West River Neighborhood is economic development, and he disagrees. He said he vigorously opposed the land banking program, the West River neighborhood expenditures, the acquisition of the barber shop and the Dix property. He said he did not see any real numbers. Mr. Bargerstock said he opposed the acquisition of homes on College Street, as he saw no plans and nice ideas. Mr. Wilson said they are back to a history lesson, and Mr. Bargerstock said it is about how they spend their money.

MS. Rissland said she recalled doing several benefit analyses in the West River Neighborhood. She said she did them for the Kemp Building, the Frazier barber shop, etc. She said they estimated the number of jobs, personal property taxes, real property taxes, etc. She said that once 9-1-1 happened, there was no interest. Ms. Rissland told Mr. Bargerstock she still has the spread sheets.

Mr. Bargerstock commented that Council either made bad decisions or she gave them bad numbers, as they did not get the benefit. Mr. Ferrara took exception to his comments, and others agreed.

TO ADOPT THE TOP THREE GOALS, AS RECOMMENDED COUNCIL, FOR 2007.

Motion made by Mr. Schultz, seconded by Ms. Gavriloff.

MOTION TO INCLUDE THE NEXT FOUR.

Motion made by Ms. Oswitch, and died for want of a second.

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

Mr. Wilson asked Mr. Ruller if he felt it was clear, and Mr. Ruller said they will try to come back around the first part of March so they can have the next step of the discussion.

Hearing no further business before this Committee, Chair Wilson adjourned this meeting at 9:30 p.m.

ACTION RECOMMENDED:

- 1) TO SEND A LETTER TO THE STATE SENATOR AND STATE REPRESENTATIVE TO SEE IF THEY CAN PURSE ADDITIONAL COMPENSATION FOR IMPACTED COMMUNITIES.
- 2) TO REQUEST MR. SILVER CONTACT THE KENT BOARD OF EDUCATION, SEEKING THEIR COOPERATION, AS THEY REQUEST COMPENSATION FROM THE STATE ON LOST PROPERTY TAXES.
- 3) TO ADOPT THE TOP THREE GOALS, AS RECOMMENDED COUNCIL, FOR 2007.