

**THE CITY OF KENT, OHIO
FINANCE COMMITTEE
WED., MAY 7, 2008**

This meeting of the Finance Committee of Kent City Council was called to order at 8:03 p.m. on Wed., May 7, 2008 by Wayne Wilson, Chair.

PRESENT: MR. AMRHEIN, MR. DELEONE, MR. FERRARA, MR. HAWKSLEY, MR. KUHAR, MS. SHAFFER, MR. TURNER, MS. WALLACH, MR. WILSON

ALSO PRESENT: J. FENDER, MAYOR; D. RULLER, CITY MANAGER; J. SILVER, LAW DIRECTOR; M. WEDDLE, PLANS ADMINISTRATOR; B. RISSLAND, DIR. OF BUDGET & FINANCE; AND S. CHESTNUTWOOD, ACTING CLERK OF COUNCIL

ABSENT: L. COPLEY, CLERK OF COUNCIL

Chair Wilson said they would be discussion the Celebrate Kent! Grant recommendations by staff. **Mike Weddle, Plans Administrator**, explained they had previously received four applications for funding requests from DICE, Who's Your Momma, the KSU Folk Festival, and the Kent Community Dinners. He said they have \$10,000 allocated, and are recommending DICE receive \$2500, Who's Your Momma will receive \$1000, the KSU Folk Festival will receive \$6000, and the Kent Community Dinners will receive \$500. He said all four organizations had representatives present to answer their questions.

Ms. Shaffer asked if the Who's Your Momma festival received funding the previous year, and if so, how much, and Mr. Weddle said they did not receive funding in 2007.

Mr. Kuhar asked what was requested, and Mr. Weddle said that DICE requested \$5000 and they recommended \$2500. He directed Mr. Kuhar's attention to the memo with the specific requests. Mr. Kuhar asked how it was determined to give some more than others, and Mr. Weddle explained the criteria at this time.

Chair Wilson called for audience comment at this time.

Jeff Ingram, Exec. Dir. Of Standing Rock Cultural Arts: Mr. Ingram said he was present to represent DICE and Who's Your Momma. He said DICE appreciated their previous funding. E said the other festival can grow and become unique. He said he was sorry it was not recommended for more, but appreciated their support.

Bob (name unclear), WKSU, 626 N. Willow Street: He thanked them for their continued support. He said the Folk Festival has a proven track record, and brings thousands of people to Kent. He said that attendees are mostly from outside of Kent. He said if one goal of this grant is to draw people to Kent, the Folk Festival does that as well as anything other than Halloween. He explained that they had thirty-five venues participate in Round Town night, and had six big concerts. He said the Round Town night has free music in the bars, restaurants, churches, and is one of the biggest nights of the festival. He said it is free, with a wide variety of music from 11:00 a.m. to 2:00 a.m. He said they had a little decrease in their corporate support because of the economy. He said that Kent is a critical part of their funding, and he appreciated their consideration.

Laura Mazur: Ms. Mazur thanked them for their consideration, and their contributions to the efforts of the Kent Community Dinners. She said this was brought back from the 1970s, with the first one in Nov. 2005. She said this is their first request for money, and thanked them. Ms. Mazur said many organizations and individuals work hard to put on the dinners, adding it is a good collaboration. She explained that KSU is hosting the July dinner. She asked those who are "regulars" of the pot luck dinners to stand up at this time, and they did so. Ms. Mazur said they are supported by many organizations in town, including the

Lions, Rotary, Kiwanis, fraternities and sororities at KSU, Boy Scouts, Girl Scouts, and many local businesses. She said they are glad the City agreed to contribute.

MOTION TO AUTHORIZE THE CELEBRATE KENT! RECOMMENDATIONS FOR DICE, WHO'S YOUR MOMMA, KENT COMMUNITY DINNERS, AND THE FOLK FESTIVAL.

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

Mr. Hawksley said he hoped they could come up with more money, adding it may not be from Kent's budget but leveraged from elsewhere. He said they are all great programs.

Ms. Shaffer said she wanted to reiterate what Mr. Hawksley said that they need to look at the budget. She said the Who's Your Momma Festival was wonderful, and the word is already getting out about the wonderful event. She said that Mr. Ingram has done a great job of fund-raising, and Kent's donation is a pittance as compared to the private sources. She said they should offer more for the community dinners also.

Ms. Wallach agreed, adding they need to find ways to come up with more funding in 2009.

Mr. Turner said he would like to parrot what was said, adding he has been involved with the community dinners for a while. He said if they have money to spend, they should try to do it. He said these are people who are doing this selflessly, building Kent's brand, and they should do better for them.

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

Mr. Wilson said the next issue on the agenda was the Summit Street Incubator tenant discussion. Mr. Weddle said they received information regarding a request by Jamal Uddin to lease the currently vacant suite in the Kent Development Business Center. He explained that this minority owned and operated business would renovate the double suite to accommodate a Hip Hop clothing store. Mr. Weddle explained that the administration supports the proposed lease, and recommends approval of the lease. He said they would like to start their renovations as soon as possible. Mr. Weddle said the owners and operators of the business were present to answer their questions.

Ms. Wallach asked if this was the same business, on Main Street, located above Leanders Barbershop, and Mr. Weddle said it was a different business.

Mr. Hawksley said the application indicated there would be the addition of one full time person for five years. He asked if it was commutative, and Mr. Weddle said they are anticipating one full time person and five part time persons. Mr. Hawksley asked if there was enough room for five part time people, and Mr. Weddle said they would work in shifts.

Mr. Wilson called for audience comment at this time.

(Name unclear): He thanked them for their consideration of this application.

MOTION TO AUTHORIZE THE LEASE AS PRESENTED WITH THE EMERGENCY CLAUSE.

Motion made by Mr. Hawksley, seconded by Mr. Ferrara, and carried by a voice vote of 8-0-1, with Mr. Wilson abstaining.

Mr. Wilson said the next issue would be the request by Don Joseph Toyota for tax abatement.

Mr. Weddle said the request is for a CRA tax abatement for the \$12.5 million expansion to Don Joseph Toyota. He said that associated with the expansion is the increase of real property taxes. He said the property is located in the City's CRA district. Mr. Weddle explained they are asking for a twelve-year abatement of 75% of the assessed value. He said the applicant has a compensation agreement with the Kent School Board. Mr. Weddle said the Board of Education supports this project, as does the Administration. He said they are asking for authorization of the CRA agreement and submittal of the

application.

Jeff Joseph, Don Joseph Toyota: Mr. Toyota said their business has been in Kent for forty-four years, and he is the second generation. He said they anticipate fifteen to twenty new jobs as the result of this expansion, as long as the economy improves. He said this is a huge project, and the tax abatement will help with it.

MOTION TO AUTHORIZE THE CRA AGREEMENT AND APPLICATION FOR DON JOSEPH TOYOTA, WITH THE EMERGENCY CLAUSE.

Motion made by Mr. Ferrara, seconded by Mr. Hawksley, and carried by a voice vote of 8-0-1, with Mr. Wilson abstaining.

Mr. Wilson explained the next item on the agenda was the Issue II preapplication. **Jim Bowling, City Engineer,** said they are seeking approval to apply for Issue II funds for Phase V of the Drainage Area Q project, which is a regional stormwater project. He said the fifth stage is the final stage, and includes Deidrick, Irma, and Chelton. Mr. Bowling said they will partner with Stow to build an outlet through Stow into Fishcreek. Mr. Bowling said this is programmed for 2009 in the five-year capital plan.

MOTION TO AUTHORIZE THE ISSUE II PREAPPLICATION.

Motion made by Mr. DeLeone, seconded by Mr. Hawksley, and carried by a voice vote of 8-0-1, with Mr. Wilson abstaining.

Mr. Wilson said their last item was the financial overview. **Dave Ruller, City Manager,** said that **Barb Rissland, Director of Budget & Finance,** has wrapped up the numbers for 2007. Mr. Ruller said they have spent a lot of time in the last few years studying the finances. He said their figures are consistent with what has been discussed previously, adding they are significantly under budget. Mr. Ruller said this is good for the reserve fund, adding it has benefitted for the last two years. Mr. Ruller said they have significant vacancies overall, and have saved a significant portion of the budget.

Mr. Ruller said they will see an impact this year from fuel prices and snow operations. He said he is cautious, but does not want to read too much into the numbers. Mr. Ruller said if they just spend what was approved, they would have a deficit situation. He said they have had some fortunate situations, such as the vacancies, to stay on the plus side. He said they will see as they fill those vacancies, the trend will be declining, and they will not have as many green days on the horizon.

Ms. Rissland said they have previously received all of the spreadsheets in their packets. She said the information shows how they ended up in 2007. She explained they anticipated revenues at \$17.2 million, and revised that to \$18 million in August 2007. She said they actually had \$18,350,000, which was \$117,000 over the amended budget of \$18 million. She said they received an EPA grant, and income taxes were a little stronger than anticipated.

Ms. Rissland said they budgeted \$15.6 million for expenses, amending that to \$16,338,000, and ended up with about \$15,000,000. She said this included all of the vacant positions, adding they came in under \$399,000. She said if they look at the money not spent on the vacant positions, they will see that almost \$800,000 was due to the vacant positions. Ms. Rissland said once they are filled, the unspent monies will go away.

Ms. Rissland said they had the equivalent of 18.4 vacant positions in 2007. Mr. Ferrara asked if their policy was to not fill the positions, and asked why they would factor them into the budget if they know they are not going to fill them. He said he did not understand why they are in the budget. Ms. Rissland said they were held for a while, but they are now filling them. She said they have increased the minimum staffing in the Fire Department, adding they are paying for the overtime cost with some of the funds from the unfilled positions. Ms. Rissland said it is their choice, adding they can pull them out of the budget if they do not intend to fill them.

Mr. Ferrara said that somewhere down the line, one may question if Ms. Rissland is being too

conservative. He said he is not questioning the logic. He said they are saying they have a savings, but not to count on it. He questioned whether it was to pad the rainy day fund or to send a message they do not want to dip into their reserve fund. He suggested if they are not going to fill them, it would be more clear if they were not included.

Mr. Ruller said about the time he arrived, they committed to a serious study of their finances. E said while they continued the process of evaluating their finances, they were committed to a holding pattern. Mr. Ruller said he polled Council and asked what they wanted to see, and sent a survey in the Tree City Bulletin. He said the message from Council and the residents was that service levels have declined. He said one of the messages they heard was to fill the positions, and that is what they are doing at this time. He said they cannot sustain their service levels, and are spending what was allocated. He said they have a proposal from the Blue Ribbon Panel, but they have not determined where they are going.

Ms. Shaffer asked what percentage of the budget is related to staff, such as salaries and benefits, and Mr. Ruller said it is between 72-75%. Ms. Rissland said it is about 72% of the governmental funds.

Mr. Fender asked about the vacancies, and Ms. Rissland said that some had not been because of staff's choice. She said from 2000-2005, they averaged ten terminations per year. She said they only had two terminations in 2008. Ms. Rissland said at the end of 2006, they had 19 vacant positions, and began filling some in the latter part of 2007. She said they had sixteen positions vacant at the end of 2007, and as of April 28, they have nine vacant positions. She said they will not have a cost savings in 2008, adding they have filled seven positions and made some of those positions full time positions.

Mr. Kuhar said they have not only filled the positions, but need to remember they have put some substantial wage increases on them also. Ms. Rissland said the negotiated wage increase is 3%, and Mr. Kuhar said e was speaking of the Code Enforcement Officer and the Civil Service employee. Mr. Wilson said the Council approved those. Ms. Rissland said any salary increases would not be reflected, unless they amended the appropriation ordinance to cover those increases.

Ms. Rissland said the biggest part of their expenditure savings have been the vacant positions. She said their other expenditures have been fairly stable. Ms. Rissland said another reason they ended up better with the ending fund balance is they budgeted \$3.573 million for capital outlay, and spent \$2.286 million.

Ms. Wallach said she remembered they did not have the outlay as the projects had not started, and Ms. Rissland said that was correct.

Mr. Kuhar asked if some of the unspent monies can be moved around for street and sidewalk repairs, which seem to be underfunded. Ms. Rissland said that is Council's prerogative. Mr. Kuhar asked how they initiate that, and Mr. Hawksley said it is done through the capital plan. Mr. Kuhar asked if they can do that, and Mr. Wilson said it is in the capital plan. Mr. Ruller said they could schedule future discussion in the Finance Committee, and Mr. Kuhar commented it is asphalt time. Ms. Wallach asked how they put that in committee, and Mr. Wilson said they can do it during "Council Member Comments." Ms. Rissland said a question is whether it can be done this year, also. Mr. Ruller said as they know, they have some redevelopment costs coming at them. He said the reserve fund is healthy, and there are in good shape overall. He said the Managed Reserve is the true emergency fund, adding that is what the state looks at in the audit process to see if there is enough money. He said there are rules of thumb in the government finance industry to explain the ratios to be maintained. He said he and Ms. Rissland have had some discussions. He said they need to look at that information, first, before spending it. Mr. Ruller said a lot of what they decide to do depends on the Blue Ribbon Panel. Mr. Ruller said they may rely on the reserve monies to fill the gap if nothing is done with the Blue Ribbon Panel. He said they need a conclusion on those recommendations first, adding they need a color scheme for when to worry and when Kent is "in the green".

Ms. Rissland said it is not just the numbers. She said they need to look at whether they need the voters to approve their options, and need lead time to mitigate any problems. Ms. Rissland said they are uncharted territory at this time, adding the interest rate is dropping and it is hard to say what will happen.

Ms. Rissland displayed the vacant positions in 2007, as compared to 2006. She said the fund balances are \$1.4 million stronger by having the positions vacant. She said that savings can go away just as fast when the positions are filled.

Ms. Rissland said their largest single source of revenue is income tax monies. She said they were up in March, with an increase of 7.76% and dropped back to 2.3% in April. She said in 2008, many revenue sources depend on timing. She said the property taxes are distributed twice a year, adding they had one collection already. She said they collected almost 45% of the total. She said they collected 36.82% of their income taxes, with 65% of the estate taxes. Ms. Rissland said the interest looked good, but the interest coming in the first part of the year was invested mid year 2007 with more favorable interest rates. She said she expected that figure to be down by the end of the year. She said they did a longer term, got a better rate, but will still feel the impact.

Mr. Kuhar asked what rate they had for the long term, and Ms. Rissland said it was slightly less than 5%, and is now down to 2% or 2.5%

Ms. Rissland said the Miscellaneous funds was up, mostly from \$196,000 from the SR43/59 resurfacing. She said the State gave them a figure to put in, did not spend it all and they received \$196,000 back. She said the biggest expense is personnel. She said some expenses were higher, such as the Community Development budget as the second payment of Demmer Hardware came due as well as expenditures for downtown redevelopment. She said for their other financing sources and uses, their first debt service payments will be in May, adding the biggest portion, the principle, was typically in December. She said they did not have much in capital or grants, adding the amount reflected related to the Fairchild Bridge.

Ms. Rissland said she wanted to see if they were better or worse than 2007. She explained that intergovernmental funds were down, as the State changed the timing of the local government funds. She said they have received no grants. Ms. Rissland said their charges for services were up, as they billed the operating contract sooner for Franklin Township. Ms. Rissland said that fines and forfeitures increased 6.9%, and they had some sidewalk assessments done the previous year. She said interest was up, but probably not staying there. She said their income is flat overall.

Ms. Rissland reviewed the expenditures, and said, again, that the increase in Community Development dealt with the purchase of Demmer Hardware. She said Transportation increased \$71,600, with about \$40,000 related to salt with some increase related to fuel and overtime from a heavier winter. She said the General Government increased 15.77% and that was related to filling positions. She said they also had an increase of \$50,000 for income tax refunds. Ms. Rissland said their expenditures were up 16%, while revenues increased about 5%.

Mr. Ruller said he knew it was long and laborious to go through the information, but is worth hearing the explanation. He said that financial matters are significant, and it all comes back to money at some point. Mr. Ruller said they have been the beneficiary of some good tight financial management. He said they also had some capital project delays, creating a few decent years of the "bottom line". He said they are afforded flexibility for now on how to use those funds. He said this good news is for the short term, and is not a long term or medium term strategy. He said they can discuss how to define how much risk they are willing to take with respect to spending down those items.

Mr. Fender asked how difficult it is to project the end of the year. Ms. Rissland said it depends on the downtown redevelopment, additional revenues, interest, and economy worries. She said they need to look at the income tax revenues to see if it continues to decrease or was the increase earlier in the year related to timing. Ms. Rissland said a large part of their monies come from withholdings. Ms. Rissland said they will know more when they discuss the five-year capital plan in July.

Mr. Ruller said Ms. Rissland was within \$100,000 of the year-end figures with her prediction in August.

Mr. Wilson commented if they spend it, it will be gone.

There was no audience comment at this time. Chair Wilson adjourned this meeting at 8:57 p.m.

Transcribed by Linda M. Copley on the 10th day of May, 2008.

ACTION RECOMMENDED:

- 1) TO AUTHORIZE THE CELEBRATE KENT! FUNDING AS RECOMMENDED BY THE ADMINISTRATION.
- 2) TO AUTHORIZE THE LEASE OF THE SUMMIT STREET INCUBATOR SPACE.
- 3) TO AUTHORIZE THE TAX ABATEMENT APPLICATION FOR DON JOSEPH TOYOTA.
- 4) TO RECEIVE AN UPDATE ON THE CITY'S FINANCES.