

**CITY OF INDEPENDENCE
FINANCE COMMITTEE MEETING
MINUTES
JANUARY 31, 2022 AT 4:00 P.M.
VIRTUAL MEETING VIA ZOOM**

Present: Chairman Vice Mayor Dave Grendel (arrived at 4:44 p.m.)
Councilperson John DiGeronimo
Councilperson Tom Narduzzi

Also Present: Mayor Gregory P. Kurtz
Councilperson Jim Trakas
Councilperson Dale Veverka
Councilperson Chris Walchanowicz (arrived at 4:16 p.m., left at 4:56 p.m.)
Finance Director Vern Blaze
Fire Chief Steve Rega
Community Services Director Emily Thomas
Recreation Director Tom Walchanowicz

Acting Chairman Tom Narduzzi called the Finance Committee meeting to order at 4:11 p.m.

Acting Chairman Narduzzi said first on the agenda, there are 3 pieces of legislation that were on last month's Council agenda. So, the first ordinance is 2022-7, an ordinance amending Ordinance 2020-20 regarding compensation of exempt personnel, and does the Mayor want to talk about this?

Mayor Kurtz said well the second one is the appropriation for the non-exempt, and the third one is the annual appropriation. Is that correct?

Acting Chairman Narduzzi replied yes.

Mayor Kurtz said so I am not sure if the Finance Director wants to start with the appropriation and work backwards. It doesn't matter to me. If you want to start with the pay ordinances, that is something that Council does every couple of years, and it's a clean up as well as projections. I can tell you that the wages have gone up across the board. The new report from ADP Research which tracks payroll shows the U.S. wages of existing job holders rose 5.9% in December compared to a year before, while those switching jobs had an average of 8% which is a record high. It just reflects on how tough the competition is, and as I mentioned earlier, the public sector normally is somewhat insulated for people moving around, but look money talks and we need to be competitive. So, that was the genesis behind the 2022-7 and 2022-8, something with housecleaning and just projecting so that's why we did the 15% to give us a little flexibility down the road for a couple of years. So, that's really what we are trying to get accomplished with those 2 ordinances, similar to what we have done in the past.

Acting Chairman Narduzzi said so I believe the last time we did it in 2020, we had a couple of people who had reached their limit. If we didn't do it in 2020, they would have never received raises because they were at the top peak of their pay. Do we have any of those affected as of today?

Mayor Kurtz said that's a fair question. We haven't looked. There will be some of them bouncing off the ceiling in terms of our pay ordinance, as one of them is the new Chief. So, we wanted to have some flexibility to move forward for 2022, 2023 and beyond. You are right, there are some of them hitting the ceiling. We have not finalized raises. We have some open collective bargaining issues we are dealing with. We did settle with the Service Department so we can enact that, but we really don't have firm footing on the rest of them.

Acting Chairman Narduzzi said so just like last time, it's not necessarily a raise across the board. We are looking down the road and giving ourselves a cushion because if everybody gets, usually we create 2% to 3% a year, we are just projecting out a couple of years down the road so we don't end up with someone not being able to get a raise basically.

Mayor Kurtz said that's true. Also, several people, we bring them in, there is a step, whatever the collective bargaining issue is, raises. Some of them we start out and see how they test their skill set, and then as they advance and contribute more to the City, obviously we bump them up to where the standard would be. We have the same situation, one of them would be the HR Director. They start them out, and see if they get their sea legs, how long it takes. If it's six months or a year or longer, and then eventually put them in a slot where they are competitive so that they don't want to go to another community. We start them out lower, get them engaged, check their skill sets and advance them more rapidly until they get settled down in the position.

Councilperson Togliatti asked and Mayor what were the step increases for the Service Department contract agreement?

Mayor Kurtz asked Vern do you have that handy, 2%, 3%, 3%? I could be off on the year.

Finance Director Blaze said let me pull it out and look.

Mayor Kurtz said we will get that.

Councilperson DiGeronimo said I certainly appreciate the increases that are needed, the disruption over the last couple of years just in the private industry is pretty well known. So, both to recognize the need to keep attracting. If you look at the 2022 appropriation, you see different departments, there's a need to hire or there has been a need to hire and still have jobs that haven't been fulfilled. So, it's the need to attract people as well as hopefully reward those that were able to stick out the time in the pandemic, learn different jobs, cover for one another. With our own employees here, definitely sensitive to the people that may have seen other opportunities and stuck with us.

Mayor Kurtz said and that's the new dynamic Councilperson DiGeronimo we are dealing with. We never saw this in the public sector so much. So, it's eye-opening, but it's something we are

all going to deal with the Covid situation and so we are hoping to get people, attract people, retain people so that we can build their user expertise and grow with that. So, yes.

Councilperson Veverka said I have a question if I may. Mayor, are we in progress with replacing the HR Director?

Mayor Kurtz said we have hired someone. They will be on board the 9th of February and so we will be able to circle the wagons. She used to work for the City several years ago, so it should be more seamless than normal.

Councilperson Veverka replied thank you.

Mayor Kurtz said we will have that information out to Council, hopefully in the packet this week so that you can have a better understanding of where we are going.

Councilperson Trakas said I just had one quick observation. Ordinarily I thought we did these ordinances after we were done with collective bargaining so that we can kind of match up the collective bargaining to the non-collective bargaining units. So, in the first collective bargaining units I think over the course of the 3 years, it's about a 9% increase, and these represent about a 15% increase. I know that it's a competitive situation out there, but does that create any strife for collective bargaining that we have?

Mayor Kurtz said these could be in place for 3 or 4 years. Like it was said earlier, these give us the framework, and of course you pass the appropriations and the budget, and historically you see how it fills in the blanks. We have a few of them that are challenged, and we talked about those in the past. That's how it just comes together.

Councilperson Togliatti asked do we know what the contract agreement is for 3 years, Vern?

Finance Director Blaze said it's 3%, 2 ½%, 2 ½%, so that totals 8%, but you always have to put a little asterisk there because these contracts aren't so simple anymore where it's just an across the board increase. There's 2 classifications of workers in that bargaining unit, the ones hired before a certain date, and the ones hired after. The ones hired before that date, in addition to the 3%, 2 ½%, 2 ½% are getting a one-time \$300 bonus this year. The employees hired after that date, and I believe it goes back to 2013 or so, they are getting an increase in their hourly rate of something like \$.30 an hour. So, it's 3%, 2 ½%, 2 ½% plus these little extras as well.

Councilperson Togliatti said and typically our non-bargaining increases mirror the collective bargaining agreements which are 8% or maybe 9% based on the next 3 years. So, if we are to approve this for 15%, realistically it could be in place for 6 or 7 years. The percentage increase seems a little excessive to me at this point and time if we have just agreed on an 8% increase with the bargaining units, and that's for 2022, 2023 and 2024. So, why do we need to make such a huge increase at this point and time?

Mayor Kurtz said again, you approve all of these every year, so you will see that there are some of them that will be more matched up because they are not consistent with the industry, or what

the level playing field is used to. So, we might not come back for several more years. It is something that we have to come back to Council for anyway. So, the Finance Director and I, we talked about it, let's make it 15% then we can start looking at these, segment this out over time.

Councilperson Togliatti asked but is there something you are basing the 15% on? Is there a reason that it is not 10%, it's 15%, it's not 20%? What is the rationale behind it?

Mayor Kurtz said because like the Finance Director indicated there are a lot of nuances that add up to this element. So, we are just trying to project out further. It's all projections.

Councilperson Togliatti asked and how many employees do we currently have that would be at their maximum at the end of the year if this wasn't enacted?

Mayor Kurtz said I'm not sure.

Finance Director Blaze said there are some that are at the max, and there are some that are approaching the max on the non-bargaining end. If I could just go back to the comparison between bargaining contracts and the non-bargaining people. It's sometimes difficult to talk about both segments, and I hate that we have the union and the non-union because it creates this us versus them dynamic, and I wish we were all just on Team Independence together, but it could seem like okay we are going to give the non-bargaining, if we pass these ordinances, they are eligible to get more money than the bargaining people are, and that's not fair to the bargaining people. Well, the bargaining people in a lot of the contracts can get bought out now in their retirement of unused sick time a lot more than non-bargaining people can. That's another thing that maybe HR will look at and recommend, hey if we are striving for equality across the board, either we have to bring the bargaining people down to what the non-bargaining are, or we have to bring the non-bargaining up to where the bargaining are. So, it's more than just wages as far as trying to make as close as you can an apples-to-apples comparison. When you factor in all the benefits, it's tough to just stay on the face of this and say oh yeah it's not fair to the bargaining unit because they are not getting as much. There is so much than the total compensation package than just the wages.

Councilperson Togliatti said just from my personal perspective and opinion, I would prefer to tone these increases, align them with the bargaining agreement that has already been approved. We go through the negotiation process every 3 years, there's no reason why Council can't update these compensation ordinances every 3 years. The last time we did it, it was not even 3 years ago. So, that would be my suggestion to the Finance Committee, and I would also like everyone on Council get a report that lists the employees who are going to be at their maximum so we know that this is really needed.

Finance Director Blaze said I was getting some interference there, I don't know if I caught everything, I don't know if everybody else did either.

Councilperson Togliatti said I would like to get a report provided to all of Council on the employees that are going to reach their maximum at the end of 2022 so that we know if this is

actually needed. We don't have any information on what our payroll is, and who is reaching their maximum and why this is necessary at this point and time.

Mayor Kurtz said well if it wasn't necessary we wouldn't be proposing it.

Councilperson Togliatti said no I understand that, but if Council is here to make decisions based on information that's provided to us, and I don't have the information of who is at their maximum and why we need to increase this, so that's what I am asking for.

Mayor Kurtz said we will get that no problem.

Councilperson Togliatti said you aren't doing anything this month, so we would have plenty of time to talk about it.

Mayor Kurtz said I think everybody had a lot of the information for the hearing with the different Department Heads. That's alright, we can answer these questions too.

Councilperson Veverka said I just would repeat Vern, still awaiting the report of the earnings from 2020, and I know now we have 2021 in the books. How is that coming along?

Finance Director Blaze said I'm writing down these requests Councilperson Veverka.

Councilperson DiGeronimo said related to the increases, just maybe from my background, charting the increases in line with collective bargaining agreements. Is there any other metric, benchmarking or compensation study that's ever done as far as the Cleveland area municipalities just to get a better idea of whether we are close, competitive?

Finance Director Blaze said in the last couple of years Avon Lake was the most recent community to take on a comprehensive northeast Ohio public sector salary survey. We did submit our compensation ordinances as part of that study. I am sure Letitia got a copy of it. So, when the new HR Director starts, that could be something we ask her to seek out.

Councilperson DiGeronimo said I don't have the appreciation for what other municipalities are paying for some of these positions and appreciate the range that's out there. From our experience, people are coming in, everybody is kind of coming from a different place, we are hiring a new Director in our company who is coming from out of state. He is moving up from the south, so we will cover some housing. That's a separate deal that is unique based on this guy's circumstances.

Mayor Kurtz said we don't want to have to pay for housing to attract somebody to come and work here in the public sector. You don't know though.

Councilperson DiGeronimo said you have to have a range. To say that we are stuck in this box, and we can only afford this, but depending on where that employee is coming from and what their deal was.

Mayor Kurtz said I'm not sure we want to align individuals and pay with the entire bargaining, it goes crossways, and I am not sure what that achieves. So, we are talking about qualified people. In the collective bargaining group you are all part of a structure. We are asking people to do above and beyond, especially the last couple of years, it's hard to measure the breath of people's involvement participating in the highest level of services they provide. So, I am not sure we want to align individual's pay with the entire bargaining unit, that's counterproductive in my opinion.

Acting Chairman Narduzzi said some of the non-exempt personnel, I mean they are not all going to get 9%, 10% up to 15% raises, but some of the lower paid personnel, they might get a 9% raise because if not they will go work at McDonald's. There's a sign at McDonald's that they start at \$15 an hour. To be competitive, and in my mind we are a service industry, so without personnel, you can't serve anybody. So, to keep them here, if you are making \$12 or \$13 an hour, I don't think a 9% raise is all that much to be honest with you. So, if you look at it that way, then we are only projecting out 2 or 3 years. There are different ways to look at it.

Mayor Kurtz said you are correct because we circling the wagons with other mayors right now because of even positions such as lifeguard. You have to raise these parameters so that we can keep and retain good people. We have an understanding amongst the mayors that we are not going to poach from each other for lifeguards and other specific positions, but you are going to pay more because McDonald's is now our competitor. We never thought about that a few years ago. So, there are a lot of different nuances we are dealing with. It's all transitory, it's all different this Covid dynamic, but I want to align individuals' pay with the entire bargaining unit. That is counterproductive to attracting and retaining good people.

Councilperson Togliatti said and John to get to your question, the Ohio Municipal League provides a very thorough compensation survey which is statewide, and I am sure the Administration can request the most recent version of that for Council.

Mayor Kurtz said we expect a high level of service from our employees which they traditionally do, so we need to make sure we compensate them and retain them, especially in this next normal that we are going to go through. Those are all good questions. We will get some information out, that's great.

Acting Chairman Narduzzi said so I think that covers 1 and 2.

Mayor Kurtz said Items 1 and 2, that's correct. The next one is the ordinance for 2022-9, is that right, the appropriation?

Finance Director Blaze asked what's the resolution to Agenda Items 1 and 2, just keep them on First Reading for the February meeting or place them on for a vote?

Acting Chairman Narduzzi said I would get the information that Councilperson Togliatti asked for.

Mayor Kurtz said we are going to get that information to everybody across the board, we are not going to get it to one specific person. We are going to recommend just put them on the agenda.

Acting Chairman Narduzzi said correct.

Councilperson Togliatti said realistically this won't affect our employees until late in the year, so I don't see the urgency of passing it.

Mayor Kurtz said I don't know about that. That's premature to make a statement like that. We will be reviewing this with HR as soon as we can hit the ground running. I am not sure that's an accurate statement for sure.

Councilperson Togliatti said well the pay accumulations won't exceed the maximums until they are paid that amount of money which will be in the fourth quarter, so there is plenty of time.

Mayor Kurtz said well it wouldn't even be this year necessarily. It would be certain and specific situations. I would recommend, if it's the recommendation of Council to put it back on the agenda, then that would be great. That's why we presented them. We will get that information. The Finance Director has logged it.

Acting Chairman Narduzzi asked so Vern are going to handle the appropriation ordinance?

Finance Director Blaze said the non-exempt ordinance there, 2022-8 just to close the loop on that last comment there. Those are hourly workers, and so we are not adjusting the salary that we will finally get to in the last quarter. The Mayor would adjust hourly rates, and that starts immediately.

Councilperson Togliatti asked do we have anyone that is at their maximum? That's the info that we need to make a decision.

Mayor Kurtz said we will get you that before the Council meeting.

Councilperson Togliatti said otherwise we are just raising things 15% to raise them 15%, do we need to do it? That's the question I have.

Mayor Kurtz said we will put that together for you before the Council meeting.

Acting Chairman Narduzzi asked so Vern are we going to move on to Ordinance 2022-9?

Finance Director Blaze said sure if that's your pleasure.

Acting Chairman said I think if the committee members are for it, we will just leave these 2, and they will be back on the agenda for next month.

Mayor Kurtz said I think you have to make a motion to put them back on the agenda, the committee does.

Acting Chairman Narduzzi asked didn't we leave them on First Reading?

Mayor Kurtz said if they are on First Reading, that's fine. You are right, we did. That's correct. Debi, they would be on the agenda for next week?

The Clerk said yes, they will be under Second Reading for next week.

Mayor Kurtz said sorry Mr. Narduzzi.

Acting Chairman Narduzzi said okay Vern, let's move on to Ordinance 2022-9, the 2022 Annual Appropriations Ordinance.

Finance Director Blaze said sure. I sent out some additional information on Friday and Saturday, so I am just more in question and answer mode. Unless the Mayor abdicates their authority to present a budget to a Finance Director, a budget is always an Administrative budget, and the Finance Department executes it. So, I don't abdicate for or against the budget, I am just here to answer questions and fill in any holes that anybody might have. I could make a little short intro here, and then if you want to take off from there, or you just have questions, I am good either way.

Acting Chairman Narduzzi said do your intro Vern, start the ball rolling.

Finance Director Blaze said just a couple of pages here, and the first 4 pages are just the pages from the annual appropriation ordinance. On Page 1 here, note that General Fund, that \$28,400,000 number down here in the lower right corner. Just kind of put that in the front of your mind because I did get a question about that. All the other funds in addition to the General Fund Page 2 except for the TIF funds, and those are separately identified here on Page 3.

A question was asked of me why this \$20,000,000, before I do that, let me just comment on the fourth page that I provided, and I made a note that this a different fourth page than what was attached to the original ordinance. This combines what used to be Page 4 and Page 5 with the advances and transfers. It's really more of the technical stuff for Maggie and I as far as what John used to refer to as moving the money around from fund to fund. We receipt all of our income tax into the Municipal Income Tax Fund, this \$27,000; there's more than that, but that is what is going to be proposed to be transferred out. You can see that the General Fund gets the most of it, and these Capital and Infrastructure Funds get the balance of it. Then there are some advances, that's mostly from income tax into the TIF Funds and then back to the Income Tax Fund where there's money available.

I did get a question from a Council Member asking about hey why does this \$28,400,000 number here not match up with the number that we dealt with Directors, this \$30,400,000, about a \$2,000,000 difference. Here is the response to that. The page in the Annual Appropriation Ordinance, Page 1 of 4, that's just the General Fund, but this page that we are looking here at, this I use internally with the Directors because there are a number of Directors who have financial responsibility over a number of different funds in addition to the General Fund, and so that number the \$28,000,000 in the General Fund, the \$28,400,000 and this \$30,400,000, somebody is going to be hey what's going on, there's a \$2,000,000 difference. Yeah, there is a \$2,000,000 difference because when you take that \$28,400,000 here, and the Mayor asked it to

be appropriated in the General Fund, the Service Department has responsibility for the SCM&R Fund, Fund 240, and they buy our trees out of Fund 830, the Tree Fund. So, Ron has a little bit more operating responsibility than just his General Fund account.

All of the pensions in all of the departments except for Police is a separate fund. So, when I am dealing with Chief Kilbane in the past, and now Chief Butler, it's hey you have your General Fund responsibility, but you also have your pension responsibility too. So, that's why this previous sheet that totals to \$30,400,000 includes that. Police have some other funds that fall as close as possible that can be categorized into Law Enforcement/Police. So, put those in that.

The Recreation Department has the Recreation Trust Fund that a lot of the operations for a lot of the programs that are run out of there that fees are taken for, the revenue and expenses are ran through that Recreation Trust Fund. So, for Recreation Director Walchanowicz I say hey this is your responsibility too. Then Angie has a little bit in Court for her 25 & Alive Fund. So, it all reconciles from what you are being asked to appropriate in the General Fund, the \$28,400,000 to the additional funds that are also listed on various places on the appropriation ordinance and how it all ties back to the numbers that you received.

I have one other sheet here, and this middle column here is just a very abbreviated cash flow statement to just say look we are just about closed with 2021, this \$36,300,00 ending 2021, beginning 2022 cash number. It should be pretty close by now. Every revenue estimate is an estimate right now. Every expenditure is an estimate right now. Every expenditure listed in this column is directly from the appropriation ordinance. If you recall the cash flow statement that I provided previously, it showed a projected end of 2022 unencumbered cash balance \$6,200,000, just like this does. For comparison purposes I threw in 2021 here to see where these numbers line for line were one year ago versus what the estimate of revenue is and what the requested appropriations are. Then I threw a third column here to the right, a final column, saying look if Council has issues with mostly the expenditures, the debt services is locked in.

Finance Director Blaze said I hear Vice Mayor Grendel. Welcome Vice Mayor.

Chairman Vice Mayor Grendel said finally the crack IT team has helped me here. Thank you Dawn. I am not going to get a new piece of equipment again the last 2 years of my tenure here. I was happy with that old thing, it was doing great.

Finance Director Blaze said well welcome, and I shared screen and just going through a little bit with regard to the appropriations ordinance.

The debt service for 2022 is pretty much set unless Council desires to pay additional principle off, that's their prerogative. The loans from the State are interest free so it doesn't really make sense to pre-pay those. The special assessment debt is money, we get special assessment tax money. We technically pay it, but we get money to pay it so we are just the pass-thru entity. So, really the only debt we have left is the long-term notes that we bonded out at the 1.6% at the end of 2020. So, you will notice this figure for 2021 is significantly higher because we did pay off some bonds that were eligible to be called. So, we did call them because they had an average interest rate of 3.6% approximately, and we can't get anything close to that on our investments,

so it didn't make sense to keep paying 3.6% for a number of years going forward when we could only get a fraction of a percent on our investments. So, that's why Council made the decision to back the Mayor's recommendation to pay additional debt off in 2021. In 2022 it will be back to what it is.

The Strike Force is just in and out, but I have to show it because we run it through our books. So, unless somebody has some questions about estimated revenue, that number is kind of given. We are trying to estimate fairly conservatively. Most of the income tax revenue, we are projecting a drop in that, but then there are some other revenue sources that have the potential to increase this year. So, we are actually not forecasting too much of an overall drop from 2021 actual to 2022 proposed, but we have to monitor this number monthly, quarterly for sure because we could only appropriate money that we already have, our starting money and what we project to take in over a given course of the year. If we start to see that we are not going to track close to this number, then it could mean that appropriations are over appropriated, and so we would have to pivot at that point. So, one of my big responsibilities is doing tracking and forecasting to make sure that if it looks like that situation is possible, that we don't put ourselves into it.

If the purpose of today's meeting was to question some of the operating expenditures or the capital and infrastructure expenditures, then I print this off and give it to anybody, and I guess you are free to fill in what you feel you would support for operating expenditures and what you would support for capital expenditures and infrastructure projects and submit that. We will just finish up the couple totals and see where that ends up too. So, it is kind of hey here's where the first column where we were in the most previous fiscal year. The middle column is the budget that you have before you, 2022-9. Then if there's not 4 or 5 votes of support on that, then okay then what is the alternative? Fill out a couple of blanks, and we will look at that and see where that ends up. That's all I really have unless somebody has any questions or the Mayor wants to add anything.

Mayor Kurtz said well there's still flexibility going forward. As most of you who have been around know these are all like silos, and we never spend all that money in the silos, and if we do on some of them, we shift them around and that's why we do the amended appropriation during the year. The Finance Director has done a great job of tracking our money, explaining our money, and that's why we are able to articulate this today. The heavy lifting for Council is going to be the capital infrastructure expenditures. I have heard over the last several months during these meetings that there are a number of projects people would like to get done, major capital projects. We have committed to some of them already. So, we will be talking about these in the near future in terms of prioritizing, and there's where a lot of our flexibility is going to be in terms of how we navigate 2022. So, again I think Vern has articulated this repeatedly for the last couple of years how this is a very fluid document. It needs to be addressed continuously, and that's why we have these amended appropriations, etc.

Councilperson Togliatti said with this page being up right now, and Vern had just spoken about the revenue. It looks like we are forecasting to be a little over \$1,000,000 down from 2021 actual, and I guess the question I have then is the email that I sent you Vern about that net profit tax repayment that we have to make, that's \$590,000 that right out of the gates we have to pay back next year?

Finance Director Blaze said the vast majority of the revenue estimate that is shown here of the \$43,000,000, last year for 2021 the actual was \$35,000,000 and change, round it to \$35,000,000 even. For this year, this revenue estimate, and the income tax that we quote, it includes the withholdings end of that profit, not just lumped into just the income tax revenue category. This initial budget estimate for revenue is estimating \$33,000,000 in municipal income tax revenue for 2022, that would include withholdings and net profit and it would be net of any refunds that RITA and/or the State would make. Again, the \$33,000,000 is just a projection right now. It's a starting point. We have to start somewhere, and trust me, we have watched income tax on a monthly basis. I am going to be watching it more frequently than monthly now because this is the critical pivotal year with everything I have been talking about in the weekly reports to prepare Council about the different taxing and how the taxes have to be withheld in the community that the work is being done versus the community where the employer is located. We are going to see how many employers are either complying with that or whether there is a lot of work from home. We will start to see over the next couple of months. I wouldn't panic about anything yet because there's always the delay collecting one month from your withholding from your employees and forwarding it to RITA probably by the end of the following month and then RITA is forwarding it to the individual municipalities probably by the end of the following month of that. So, there's anywhere from a 30 to 60 day delay on when we quote a revenue number of income tax for a certain month. That's the month we received it, cash in hand, we don't get a check. They do a direct deposit for us, but that's the month we receive it. It's kind of money that was earned by employees, and profits that were paid by companies anywhere from 30 to 60 days previously. So, there is a little bit of a lag here, I don't think January did fall off the cliff, even if February starts to decline, it's really going to be part of February and then March, April and May in my opinion that's really going to show us where we can start to see a trend of how we are going to be impacted and what the full extent of that impact is going to look like on an annual basis.

Even though the goal is always to kind of pass the budget and then get to about summer or fall before we have to amend it again, I suspect that this year, if and that's if with a capital I and capital F, if income tax starts to drop precipitously we may be amending the budget a little more frequently prior to the third or fourth quarter. We will just have to be much more on top of our game this year in that regard.

Chairman Vice Mayor Grendel asked so Vern you think it would be more accurate that maybe around June, we can take a very close look at it at the end of June and see what the second of the half of the year, if we need to make some major changes in the appropriations?

Finance Director Blaze said every time around the 15th of the month when we get our final remainder income tax for that month. Usually the following Friday I try to have the income tax updated in my weekly update, so you have all received it long enough to know, I don't just give that month, I give year-to-date, I give comparisons to comparable period of previous years so you can see trends. So, June Vice Mayor is a good time for us to have received a number of months income tax to clearly start to see a trend develop, but it might not be too early come March, April, May to afford you. You will have that information, and you will start developing your own conclusions. Like hey it's not dropping that bad, or we are holding our own here. We might be on track to hit that \$33,000,000 that we thought. Or oh my gosh, this is worse than we

thought, and the bottom fell out. Nobody here has the crystal ball. So, all we can do is start at a given point and be very flexible and adaptable going forward this year when it comes to the budget. I think every public entity is in that position, especially municipalities that rely on income tax.

Councilperson Togliatti said and looking at this page, the concern that I have is your estimated anticipated \$43,500,000 proposed revenue source. If that revenue source is overinflated, it affects the number down at the bottom which is the \$6,224,000 end of year unencumbered cash amount. If you look at the end of 2021, we had \$11,200,000 unencumbered, and now we are planning to end at \$6,200,000. If you look at Vern's spreadsheet, I think the General Fund on encumbered is \$5,197,000, which is even lower.

The Moody's rating, they look at the unencumbered cash to debt ratio to maintain our Moody's ratings, and if that ratio drops below 25% we really put ourselves in jeopardy with our ratings? If that revenue, that \$43,500,000 is over-inflated, then that means that the end of the year unencumbered cash is over-inflated, so you can end the year with \$4,000,000 or \$5,000,000, and we have \$28,000,000 in debt. So what is the percentage unencumbered cash to debt then, and how does that affect your Moody ratings and is that something we should be concerned about because that's raising a red flag for me right here?

Finance Director Blaze said no, I believe when we made this additional principle payment here in 2021, it took the total debt down to \$23,000,000 and change, down from the peak of over \$30,000,000 back there between 2016 and 2019. So, the debt has come down quite a bit. Moody's, any other rating agency, they will look at any number of factors to do a rating. I certainly won't be flippant about the City's credit rating from Moody's or S&P or anybody else, but if I don't have any immediate plans to borrow, I kind of can take the attitude I don't care what Moody's says because my debt is locked in for another 13 years. They could rate it junk if they want, our interest rate is fixed at 1.6%. Now I am not advocating to put ourselves in a financial position to let our debt get rated junk, so don't let anybody take that conclusion here.

This is an estimate. So, every year there's an estimate, and every year in the 20 years before me, this number was never talked about, absolutely never. It was always done internally, and I try to be very open with Council, the Mayor, the public because you can only appropriate what you have and what you think you are going to have. In the past, all the budget discussions just focused on what we are going to appropriate. None of it, none of it ever focused on what the estimated revenue was. So, again if there are 4 or 5 votes for it, what's in this middle column, vote it up or down February 8th. If there isn't, and you want to plug in additional numbers here, have at it. You want to plug in additional revenue estimate here, have it. The Mayor proposes a budget, the Administration proposes a budget. I think Councilperson Trakas could tell you from his time in the General Assembly. The Governor plops a budget on the House and Senate tables, and then they go through it, and what goes back to the Governor to sign oftentimes doesn't look anything like what the Governor proposed. Now we don't have that radical of a transformation process here on the local level, but Council is the body that adopts the budget; and so this is the budget that the Mayor has proposed. The Finance Department takes no umbrage that it's a great budget, that it's a terrible budget. It is what it is right here. It's right here in the middle column. If more than 3 Council Members don't like this, then get the Mayor your revenue estimates that

you are comfortable with, give him what expenditures you are comfortable with voting on and then the Mayor will decide if he's going to alter the amount or present back to you a different column. That's about as simple as we can explain it without getting into the weeds line-by-line, which we already did in December.

Mayor Kurtz said Finance Director if I may. Mr. Chairman, Vice Mayor may I?

Chairman Vice Mayor Grendel said go ahead Mayor.

Mayor Kurtz said a couple of things. We did have extensive review before. We had opportunities to ask questions before, during and after. Our discussions in December, every Member of Council, of today's Council, was active in participating during that process.

You can see there's almost \$13,000,000 in infrastructure expenditures. Again, that's one of those flexible numbers that Council you will decide during the course of this year what projects we are going to do and which ones we still have to complete.

You know what, you can say what you want, but when I got back in office I have reduced the debt \$7,000,000. So, that's just how I am because I am probably more conservative than other Mayors, and that's how I operate. So, \$23,000,000 in debt today, fixed interest rate, blame me for those things. The buck stops here anyway, but all I am suggesting is here is what we proposed. We were very sensitive to the revenue side this year. We have some exciting opportunities with economic development, and some of the economic development operations, and the way we are trying to structure some of these deals, it's locking in the amount of revenue we are going to get from some of our big customers. So, we are minimizing the risk, and look we will be the first ones to come back to Council if things change and adjust. So, ultimately you have to decide. We are asking you to give us the placeholder, the framework today, and we will as so many of you have been part of this process, we will be back, and you will adjust things throughout the year. Ultimately, we will decide which capital projects you want to tackle this year.

As the Finance Director said, I don't anticipate wanting to borrow money for some of these projects if we want to do something big, but if something comes around we may have to. Again, I don't have a crystal ball. We are doing the best we can to put this together, just like we have done every year, I have done every year for 25 years, and I have never had a discussion on revenue. This is good. I appreciate the input. I appreciate everyone's questions, but at some point you have to make a decision to go forward and if the majority of you say turn left, we are going to turn left. If you say no, then we will go back to the drawing board, but there is no crystal ball on any of this stuff. I appreciate the more robust discussion than we have ever had in the past, but I credit the Finance Director for being so transparent and the Finance Department for being so transparent with information. I have never seen a Council receive so much information than in the past couple of years, so I applaud him and his team for doing a great job of giving us all the information at their fingertips.

Councilperson Togliatti asked does Council receive the RITA reports, the Top 25 because I as a new Council Member have not received any of those reports, and I am sure there is at least one that has been provided this year.

Finance Director Blaze said you could contact RITA and check. When I got into this office, I was told in no uncertain terms, and Mayor Kurtz will confirm this, that the information that's shared with me as far as income tax receipts from businesses or individuals is privy to me and me only as the CFO of the City of Independence. I am not at liberty to share that with even Mayor Kurtz, and as much as he wants to know and Economic Development Director Hyser wants to know, I don't give it to them. If RITA gives it to Council, so be it. If RITA sends me something in writing saying I could share that with Council and Mayor, I will gladly do it. When I took this position, I was told by RITA it's kind of like you work at the IRS, and somebody just can't call you up and say hey tell me what so-and-so's tax return says. I would be in big trouble for that. So, I cannot share that with Council right now, at least it's my understanding.

Chairman Vice Mayor Grendel asked didn't we at one time? I can remember many years ago we would get a list that had the top taxpayers in the City and the revenue.

Finance Director Blaze said it's 2020 now, so things have changed.

Chairman Vice Mayor Grendel said I could remember, but that was a long time ago.

Councilperson Togliatti said they have always been distributed to Council.

So, can we have a discussion about revenue because Vern, so we do have to pay back \$590,000 correct?

Finance Director Blaze said I would have to go reference that email again.

Councilperson Togliatti said you are the Finance Director. Do you know if we have to pay back \$590,000 or not? That's a simple question. We had 5 emails about this.

Finance Director Blaze said I will look at the 5 emails.

Councilperson Togliatti said and then do we know has Kichler vacated their facility? Are they completely gone or transitioning out? How are they leaving the City, and when are they leaving the City?

Mayor Kurtz said we have had one conversation with a broker on the property. I guess there's a lot of interest. They don't tell us when they are leaving, when they are vacating. You know, you are in business. It's not something that's their priority. If they are respectful to us, they will let us know when they are moving out. We get some information from people when we are adding customers. Like we have MAI coming on board with a large payroll. We have several companies that are replacing existing businesses. So, it's hard to predict a definite timetable. Normally they are a siphoning effect, they transition slowly from some of those bigger companies. I have seen them leave abruptly, and I have seen new companies come in overnight,

and then all of a sudden they are significant. So, it's hard to give a pure answer on any of these questions.

Finance Director Blaze said and regarding that refund. I have never had to write a refund check and traditionally the City doesn't. If there are any refunds that RITA or companies that do business in multiple communities across the state, end up paying their net profit through the state, if the state or RITA is in agreement with the refund of a company, they just withhold that from us in the next month's remittance to us. So, we never have to write a check for any refunds. It's just deducted from our remittance from either the state or RITA, and that's why when I talked about this number in the \$33,000,000 projection, at least right now that was a net number net of any refunds.

Councilperson Togliatti asked so they will withdraw \$590,000 from us next year, the State of Ohio?

Finance Director Blaze said or this year in 2022.

Councilperson Togliatti said right 2022.

Finance Director Blaze said it's not a withdrawal, if we were scheduled to get \$1,000,000 from them, we would get \$500,000 that month.

Councilperson Togliatti said right, and these are conversations Council needs to have and be aware of that right off the bat we are \$590,000 down because we received an overpayment last year.

Finance Director Blaze said well it's a fairly routine occurrence because the \$35,000,000 that was in 2021 included a huge refund as well. So, again it washes out, Money comes in, and money goes out. It is the net that a legislator needs to be concerned about.

Councilperson Togliatti asked and how large was the refund in 2021?

Finance Director Blaze said it was probably just as large. It was an overpayment of an estimated tax by a business in Independence.

Councilperson Togliatti asked we have a baseline annual contribution from Kichler Lighting, so we know what we can anticipate losing when they do finally vacate?

Mayor Kurtz said whatever they report, that's going to be the number.

Councilperson Togliatti said the RITA report which obviously the Finance Director should get, so it's known information.

Finance Director Blaze said it's known to me, but I can't tell you. I can't tell the Mayor. I can't tell Council. I can't tell the Economic Development Director.

Mayor Kurtz said I think it's safe to say Councilperson, you see this reflects a reduction. We are being very conservative out of the gate, and we will watch how things go, and we will be passing along information. You will be the one to have the opportunity to make decisions based on accurate information at the time. Remember, everyone here knows that this is a framework for the year. It's not a locked in number. So, if anyone is under the impression that this is a locked in number, then we will educate you some more in terms of how this works. So, feel free to call me or the Finance Director, but this is a framework of what our projections are, and that's all it is.

Finance Director Blaze said it's kind of ludicrous to think too that if this \$43,000,000 number is optimistic that you as the CEO of the City is going to let all of this stand pat the next 12 months so that this would become even worse. No CEO worth his or her salt is going to just say okay our revenues are down, but we are just going to keep everything pat here, and the basket is going to fall out at the end of the year by the way. No, you are going to take corrective action. So, for anybody to say that this is an over-inflated number, and this number could end up a lot lower than even that, well I guess in the theoretical collegiate world it can, but in reality I don't think a CEO could let that happen because there wouldn't be any money left.

Chairman Vice Mayor Grendel said we are going to be monitoring this throughout the year and everything, so this is a unique year because of the change in the income tax collections and everything. So, I think we are committed this year. In past years we have never had something this drastic, and if we had anything we adjusted as the year went on. We constantly, like the Mayor said, it's a living document so we change according to how the economy is going. I know Mayor, I wasn't on Council at that time, but I remember we went through some tough times at the beginning of the last decade, and some adjustments were made, cutting back, and we were still able to fit things properly. Again, it takes constant reviewing and constant adjustment, but Council is relying on our Finance Director to give us good information, which he has, and the previous one has also. So, I think we are poised, and ready to face it. If we need to cut back, we are going to have to cut back. We will probably take a look at it in June and see the month's trend, but until you see actual figures, everything is a projection.

Mayor Kurtz said well 2 things Mr. Chairman. It's how much capital we are going to spend because that's a function of Council. Also, if we didn't reduce the debt by \$7,000,000, we would have \$7,000,000 more million at the bottom line of cash. We can borrow over \$50,000,000 if we want to. I am not suggesting it, but to have \$23,000,000 and you have that capacity. I think that's a strong statement on its own, and then Council will decide how much they want to spend in capital this year. It's going to be a discussion, so that's the next discussion we will be having.

There is a lot of opportunity to voice an opinion, to weigh in, and it's exciting that we are in a position to be able to have this discussion. Most communities aren't even having this discussion with the amount of capital that we are allocating, but the people of Independence expect the high level of services. As long as they expect the high level of services, we need to be able to respond to that. If we can't, we need to be able to educate them as to why we can't, but until that happens, I want to again thank the Finance Department and all the Department Heads who have worked so hard to help create this mosaic that we are going to use as a template to provide, not only the essential services that the people depend on, but also the opportunity to continue to

improve infrastructure, make sure that we have enough Policemen, Firemen, Service people to provide excellent services, safe streets, safe environments for everybody because that's what the people expect and that's what they expect of their Council to help support the Administration in those efforts. I appreciate the narrative, but at some point, you have to make decisions.

Chairman Vice Mayor Grendel said Mayor once we get the appropriations approved here in February, then that's the next thing we work on is the Five-Year Capital Plan, and there will be plenty of time to discuss. Even that's flexible, it's dependent on revenue stream and flow. It gives us a good opportunity to plan, yet be flexible. A number of times we have things 3 or 4 years down the road, and an opportunity came to get it done sooner, and we move things up. So, everything is flexible. Nowadays you have to be willing to review things and possibly change things almost on a monthly basis depending on what's happening.

So, I think Council, the old Council when we were going through this in December, I think we were pretty satisfied with the appropriations as they stood there, although those are temporary. We knew that they pretty much would be similar to what the actual appropriations would be, but I think each Department Head made their case, the Administration made their case. Council at that point was satisfied. Again, depending on the revenue, and if things remain the same, my position hasn't changed at all, but I do want to monitor. I know the Finance Director is monitoring that income tax revenue. As we start getting actual figures in March and April, we will keep our head in the game there in that regard.

Mayor Kurtz said absolutely, and that is why it's important that we have a good open communication channel like we have had in the last couple years. Everybody was transparent in terms of the information the Finance Director, The Administration supplies to Council. That's why we have been successful in making sure that we provide the high level of services to our community, reduce our debt, and every community is going through this process right now. We are blessed to be in the position we are in quite frankly compared to other communities, but we won't rest on our laurels, we won't rest on where we are at. We will be diligent, we will monitor it and make adjustments accordingly. We are adjusting to this next normal based on the Covid. So, these are all good questions, but we just have to make a decision and we will ride this out together.

Councilperson DiGeronimo said Mayor just to echo your comments, and Vern thanks for putting that schedule together for somebody new coming in, it's pretty transparent, and all the information is there to kind of catch up. I don't know how easy it would be for you to go backwards with this schedule, at least looking at 2022 alone, it's saying we are going to plan on spending more than we bring in. It's never maybe a comfortable position to be in, but if you look at the other years where we have been adding to that cash balance and been making some long-term decisions, you can see maybe some years where we have been not spending as much as we bring in or years where we have been stretched even more. If you look at this, this is time where we are saying we are in a mode to spend, we are in a mode to invest, and we are able to do that because of prior years performances.

Finance Director Blaze said you are correct Councilperson, and numbers are numbers. The real value in them is the story, the trends. When we get 2021 closed out, and I get through the budget

process and we get our capital budget framed up, I'm a big proponent in the past that anybody on here that has been in office previously knows that the spreadsheets I provide on a monthly basis always have prior year too because I think it really helps to know where you have been and where you are now, and that helps you to turn the lens forward and that's what the budget is for going forward.

As far as the spending, look on a very simplistic basis if you take in \$1,000 revenue one year, but you spend \$1,500, I think Laura Bednar is on, and the media could frame the headline Entity X overspends by \$500, undeficit spending, and the headline sounds great. You started the year with \$5,000, and you took in another \$1,000, and you spend \$1,500; okay so you tapped into a little bit of your cash, but you still have a boatload of cash even though you spent more than you took in that physical year. So, you have to look beyond just the oh hey our cash balance went down, we deficit spend. Well in 2021's case it's because we paid off higher interest rate debt. In other years it might be, hey we wanted to do some more capital and infrastructure and we wanted to pay some cash down for it. So, you have to always look at the story behind the numbers to provide some context for it because again if we started out with \$5,000. We took in \$1,000, and we had \$6,000 total to work with, and we spent \$1,500. Alright we still have \$4,500 at the end of the year. Yeah, we spent more than we took in that year, we deficated spent. We tapped into our savings so to say, and that's not a bad thing. That's what you have money there for to invest back in the community.

Councilperson Trakas said I had a couple of questions. I had Covid in December, and I really wasn't myself so if this is repetitive, my apologies. I flunked several military education classes too, but my apologies up front. I wanted to hone in on several points related to the budget and just getting some information about what is driving these increases.

The first one, and I think it's related to the second one. Now talking about the Service Department/Public Works. We have Line Item 110 500100 through 54121, a number of those line items see rather substantial increases. Obviously, wages look like they have gone up like 60%, or something like that. So, what was the justification for that, and is it tied to the second part, the Engineering increase? I know we had a conversation about establishing a Public Works Department, but I didn't think we were moving forward on that. I just wanted to see if we have an explanation.

Mayor Kurtz said well the Engineering Department, that's self-explanatory. We never hired the people that we said we were going to hire in 2021. So, we still believe that there is the need to create an internal workforce that would be offset by our demand and need for the external, the people and engineering firms that we brought in. The Public Works we haven't done anything other than with respect to the Sewer Division, I think you were eluding to. We still believe that the Engineering Department can be better served if we have the right number of people that can offset some of the costs of our outside consultants.

Councilperson Trakas said so the plan in Engineering Mayor is to reduce outside consultants and to use employees instead, is that correct?

Mayor Kurtz said that was always the goal. Again, it's a function of how many projects you have also, but I think that the previous Council and the various committees have agreed that there is a balance of having the right number of personnel to be responsive to our needs on a more timely basis and generate those ideas that help us to be more efficient and more effective with the same balancing that there would be a need for outside contractors, vendors that we currently use a lot of. It's a balancing act, and Don we all know, there is a good example, we need to have a support for Don Ramm in this case. You can't expect someone to work 60 hours a week continuously and not take vacations. It's an exercise in realizing that the last 2 years we have placed a greater demand on people, individuals to continue those high level of services, but in reality we need to have some support or additional support as Council approved last year. With Covid and all, it's hard to get traction on some of these things.

Councilperson Trakas said I'm just searching through the budget. I understand that, and I appreciate that. So, we would not be spending as much. Where is the line item that is for outside contractors? I didn't see where that was.

Finance Director Blaze said for a lot of the engineering contractors, they are funded right out of the TIF funds because those expenditures are eligible to be reimbursed by TIF, so they are funded here. Some of them would end up here in General Government, but most of the ones engineering related are funded right out of the TIF funds.

Councilperson Trakas said there didn't seem to be a corresponding decrease in those types of fund expenditures. So, I guess it would later on in the year because you have to hire people, is there a corresponding decrease at some point and time later in the year in contracting out versus employee costs.

Mayor Kurtz said Jim that will be an exercise in how much work Council decides we want to do. A lot of it will emanate from how many projects we are going to undertake this year.

Councilperson Trakas said okay, so that's understandable.

Mayor Kurtz said it's a balancing act, but we still want to hire the right people as a core to be able to support our key people in Engineering so that we have some sustainability.

Councilperson Trakas said okay, and going back to that one with the Service Department where the Building & Land wages went from 2021 \$484,754.00 to a proposed \$825,000.00. I simply don't remember the conversation, and then a number of those other line items jump rather correspondingly. What is the impetus for that? That's on Page 9 of the document Vern shared on Friday.

Finance Director Blaze said Councilperson Trakas the SCM&R Fund proposal by the Mayor is \$855,000, that is down. The SCM&R appropriations has always been \$1,100,000, \$1,200,000, \$1,300,000. That's because Service Director McKinley prefers to move some of the people that were formerly expensed out of the SCM&R Fund into his General 110 Fund budget. That's one of the reasons you see the significant increase in Service Director McKinley's because there's been a decrease in the proposed SCM&R budget.

Councilperson Trakas said okay, thank you. That is what I was looking for. I don't remember any unusual conversations, they both looked a little unusual to me, and I appreciate the explanation. Thank you.

Councilperson Togliatti said and getting back to Jim's question on the Engineering Department. How many additional employees are you looking to hire?

Mayor Kurtz said that will be an exercise, and we talked about it the last couple of years. Keep in mind, Covid has changed the whole dynamic of where we are at. We are trying to be very cautious of going forward. We also recognize that we can't continue to have a core group of people working day and night. So that's to be determined.

Councilperson Togliatti said okay. Typically, you would have a plan for your workforce before you budget the money to allow that workforce to work.

Mayor Kurtz said well actually we want to know if we have the money or not before we invest so much time and effort. We have framed things up, and then Council has to tell us if we are going forward.

Councilperson Togliatti asked how did we come up with the figure then? What is it based on?

Mayor Kurtz said well it's based on something we did 2 years ago.

Councilperson Togliatti said right, what is that?

Mayor Kurtz said well off the top of my head, I can't. It is something we went through so you are going to have to get some information down the road on that, but you will be part of that discussion because you are a member of Council. As we come to Council with different Engineering projects, you are going to be part of that dialogue, so we will be able to fill in the blanks.

Councilperson Togliatti said oh I understand that, but I believe everyone on Council should be educated and know what that plan is if we are going to allocate \$1,200,000 towards that department. I guess I'm the only one that doesn't know, so maybe another Council Member could enlighten me right now.

Mayor Kurtz said sure, we can pull out those Minutes too.

Councilperson Narduzzi said I don't want to beat this thing to death again. It's a working document. You have to start somewhere. If \$1,200,000 seems like a lot of money, then if we don't use it all, then we don't spend the \$1,200,000; but you have to have something in place in order to move forward. So, we can hire 1 person, 2 persons, maybe 4 people, we don't know. We don't know what 2022 or 2023 is going to bring, but you know what if Council is looking towards the future and wants to make an investment in the City to move it forward, I mean you have to put money where your mouth is. If we don't use it, we don't use it. We aren't saying we are going to use it, but the Mayor has to know what he has to work with. Like I said before, it's

a working document. If the economy takes a dump, we have the ability to pull in the reins and say hey you know what, we don't need to spend that money in Engineering. We have to have a starting point somewhere. So, I guess that's the Mayor's starting point.

Mayor Kurtz said fortunately we have the experience to back it up, and time will tell how much we have to spend or want to spend, but this is again, as I have said earlier, this is a framework. We will exercise good judgment throughout the year and hopefully at the end of the year we will be able to watch how successful we were. No, actually we will be doing it during the course of year because this will be reviewed periodically, and everyone who has been on Council knows that we have to constantly update these issues. So, we will constantly be looking at that.

Councilperson Togliatti said and right, we should be critically looking at it right now because we are deciding upon it, and we have, or maybe we don't have the information. Typically you have a plan, and you know how many employees you are going to hire. You know what they are going to cost. You set your budget based on that, and you vote on it, but it doesn't sound like we have that.

Mayor Kurtz said that's your opinion. I know you are new and coming back to this. It will take time to get reoriented, but realistically we have been through this so many times in the past, and this will be something that everyone will weigh in on during the course of the year. We just need to know if we have the flexibility to keep searching so Don Ramm can hire some quality people to replace some of our outside contractors, and if we do, the City will be better off. It's just a matter of time that we are going to go through all of this. I just ask everyone to be patient then.

Councilperson Togliatti said well it would also be nice to know how much in total we spend on the outside contractors and what portion that amount spent is reimbursed by developers or contractors. So, there's a lot of information that Council doesn't have to make these decisions.

Mayor Kurtz said actually we talked about a GIS Coordinator last year, and so those are all ways to become more efficient. Our goal is to bring somebody on board and make sure that we can constantly generate information that will be more efficient in the service and serviceability of our customers. It's a work in progress. It's something that's going to be dynamic. It's going to be moving. It's something that we do every year. So, it's January. We will continue to supply information, get your approval, and then we will continue to watch how things are going throughout the year, just like we have done every year in the past.

I can't say enough about how much I appreciate the Finance Director supplying the abundance of information and answers for everybody. So, there should be a comfort level moving forward.

Councilperson Togliatti asked Vern are you able to share the first page of your spreadsheet document, the main document? I guess I am looking at Page 1 of the 5 which is your 2022 appropriations.

Finance Director Blaze asked this page?

Councilperson Togliatti replied no. It's the one that is attached to the legislation. It's 1 of 5, spreadsheet.

Finance Director Blaze said these are the 4 pages.

Councilperson DiGeronimo said it's the \$24,000,000 number. In the ordinance it says Page 1 of 5. In the most recent one in yours Vern I think it's 1 of 4. That's the one though.

Councilperson Togliatti said no that is not what I am looking at. The spreadsheet that was attached to the legislation.

Finance Director Blaze asked what is it titled on top?

Councilperson Togliatti said there's no title on the top. On the C drive it's your January 2022 appropriations final. That's the file name.

Finance Director Blaze asked is that a 5 page document?

Councilperson Togliatti said it's a 5 page document.

Finance Director Blaze said no, I am not able to share that, but I can answer a question on it.

Councilperson Togliatti said looking at the Fund 110, the General, your unencumbered balance on January 1, 2022 is \$2,460,000, and then your estimated balance at the end of the year is \$3,400. Then if you go to the next fund, Fund 210, your Municipal Income Tax, you start the year off with \$301,000, and you finish the year with \$5,500. Is that a good way to leave the City for the coming year?

Finance Director Blaze said you must have an old version. The General Fund will start 2022 with \$2,300,000. Let's put it this way, every fund on the right-hand column has to end in a positive, and that's the whole purpose of going through that exercise. You start with what you start the year with, you add your projected sources, your revenue, your transfers in, advances in, and then you subtract out your appropriations, your transfers out and your advances out. Then the number on the right has to be a positive. I don't think we get overly concerned about any individual fund, what that balance is because there's close to 60 funds here in Independence. We are kind of looking more at the big picture that we can always do an advance, we can always do a transfer if we have to, if Council authorizes. So, we are more concerned with the bottom line, and that bottom line is that \$6,200,000 that we have been referencing here this afternoon. It's the estimated ending unencumbered balance of 2022 if 100% of the appropriations in 2022 were spent.

Councilperson Togliatti asked and \$1,775,000 of that \$6,000,000 unencumbered is our Rainy Day Fund. So, it is a little misleading in that respect, unless if things go bad we are going to eat into that Rainy Day Fund. As I have said through the course of this meeting, I think the revenue estimates are overly estimated. I am fearful that our unencumbered cash balance at the end of the year will be lower than it's anticipated to be. We have to pay back this \$600,000. We are

losing Kichler. We lost the Cleveland Clinic, 230,000 square feet. We are losing DiGeronimo Companies. No one has put the figure on those revenues that we know we are going to lose. So, how do we make a decision if we don't know what we are losing?

Finance Director Blaze said I don't think anybody is budgeting any loss from the DiGeronimo Companies this year or next year because according to the media, they are not relocating until 2024. So, that's a moot point. The Kichler, the other ones, yeah those are valid.

As far as the unencumbered balance though, remember the previous Finance Director is very fond of saying that the Auditors look beyond just what we call the 110 General Fund as to what they consider the General Fund to be. So, that \$2,000,000 in the Rainy Day Fund, they count that in the General Fund. The Compensated Absences Fund, Fund 211, they count that in the General Fund. They count a number of these. So, just because you might have a document that shows a somewhat projected low balance in the General Fund, again we are not getting too upset about that because one we have over 60 funds, and we are looking at the total of 2. The Auditors look at more than just the 110 General Fund when they reclassify and redo our statements, and they tell us what our General Fund balance is.

Mayor Kurtz asked okay Vice Mayor anything else?

Well, I have one more piece if you're done.

Chairman Vice Mayor Grendel asked any further questions of the Finance Director? Mayor, you have one more item?

Mayor Kurtz said there will be another piece of legislation to pay for additional attorney fees in the Mazzola lawsuit. We have just received another invoice in that lawsuit. So, we will have to pay those. I just want to alert Council that we are going to have to add that to the total that we spent on that lawsuit. That will be in the legislative form for the next meeting for Council to look at.

Chairman Vice Mayor Grendel said very good Mayor. Anything else?

Again, Tom and I have mentioned both that the appropriations are not always set in stone. There are going to be a number of things changing between now and then. Now the fact that we have money set aside for engineering, by the time it comes, if we are looking to see what the revenue is, we might not authorize that to be spent. So, I know in the past, I think Mayor we looked at overhauling the Service Department, creating some more, and it just never took hold. This is a proposal, but it's flexible depending on how circumstances dictate. I think we are probably going to take a good closer look once the year starts until we get into May and June and see what the trend is for income taxes because nobody has a crystal ball. We thought for sure our income would go down the last couple of years with the pandemic, and it hasn't. You just have to monitor consistently and still be aggressive in our economic development trying to get companies here.

I believe Kichler, they were going down as income tax they were paying since the new entity took it over. It's been operated a lot different because I have had 4 or 5 clients I did taxes for, and they all moved on from Kichler. They got pushed out for cheaper and less efficient employees. So, I think the handwriting was on the wall when the new entity took them over. They weren't going to be around for too long.

Councilperson Veverka asked can we go back to full screen please?

Dave, could I make a comment related to the engineering question. My comment is simply this. We have had a conversation in the past related to the increasing of the Engineering Department, and what I would say related to that is we need to be very careful as we balance the cost of employees compared to hiring outside contractors as we have the peaks and valleys when it comes to projects so we don't end up with too many people in the Engineering Department and not enough work. It's one thing to not need to contract an outside agency. It's another to be in a position where you don't have enough work for people you have hired, and the responsibility for the people you hired and their outside benefits. As we are looking at that number for the Engineering Department, we have to be especially careful and have a pretty good idea of how the projects might map over a fairly lengthy future I would think. I just wanted to bring that up.

Mayor Kurtz said you know Councilperson you raise a very good point. That's why we didn't make a lot of those decisions last year because we were watching, balancing and trying to make sure that we can find balance you eluded to. Also, the Engineering people do a lot more than just consult on major projects. Our City has become accustomed to real time answering of questions or generating ideas that solve a specific resident's problem or a neighborhood problem. Don Ramm has done a great job of his team of being able to solve problems on a more timely basis than they traditionally did in the past when we just had complete consultants. So, there's a lot more fluidity and transparency in that as we go along. We are being very careful about that. I appreciate the comment.

Councilperson Veverka replied thank you.

Chairman Vice Mayor Grendel said thank you Dale. Any other comments? I apologize for being on, I thought the new iPad was going to be functional, working right from the get-go.

Mayor Kurtz said well you look good Dave.

Chairman Vice Mayor Grendel said we are still in mourning here. We lost our dog here a few days ago. It's kind of a shocking thing. You don't think of it as that until you actually lose one every 10 or 12 or 14 years. You kind of realize how important they are to the family.

Finance Director Blaze said Dave I just put our dog down this morning. I know what you are doing. This has been a rough day.

Chairman Vice Mayor Grendel said it is. To see your dog die before you, it's really tough. It's tough to go through.

Councilperson Trakas said I am sorry for both of you having to go through that.

Before we get a chance to vote on this, I was wondering if Mayor if you could just send us out anticipated jobs, not that we know specifically, but anticipated jobs and job titles that you might be looking at. I know that a couple of departments are looking to hire. I have no problem with that, I just want to know what we are committing too. What we think we might be committing to during the course of the year, and if that's something we can get before next week.

Chairman Vice Mayor Grendel said excellent point Jim. If you could do that Mayor just to give us kind of refresher, a reminder on what you are looking at projecting; and again, some of these changes might not take place until we have a better grip on the revenue as Vern is able to prognosticate or project coming in May and June. A lot of this, like in the past, although even more so this year because of the change in income tax laws, we want to make sure we are on comfortable footing before we commit to certain hires and things of that nature.

Mayor Kurtz said absolutely. We stay high-level and stay out of the weeds, that's where we try to get things done in a global basis with a strategy that has been successful but always nimble enough to change because that's exactly what we are facing. So, we could have come back in and said our revenues are up, our income tax revenue is \$1,000,000. We have more than \$2,000,000 in additional revenue, but we didn't do that. We are trying to be very cautious, and yet balance that with the level of service and serviceability that the residents have come to expect. I don't want to be the one to tell them that we can't supply this service or keep this level of service today. If we have to in the future, the buck stops here, but until then, we have great Department Heads and a lot of them are moving forward going into their jobs. So, it's exciting, the future.

Chairman Vice Mayor Grendel said thank you Mayor. Any other questions or comments before we take a motion to adjourn?

The Clerk asked Chairman Vice Mayor Grendel and Councilperson Togliatti are you available on February 24th for the Joint Streets & Utilities meeting and February 10th for the Council Workshop? I will be able to schedule those 2 then. It would be 5:00 p.m. on February 10th.

Mayor Kurtz said that's just for the Council office, I won't be available.

Chairman Vice Mayor Grendel asked February 10th and February 24th?

The Clerk agreed.

Chairman Vice Mayor Grendel said that's my birthday, but I will celebrate it coming to the committee meeting. The 24th is okay. The 10th I have already put in a number of appointments for my tax clients, so that would be hard to change. I have February 9th completely free.

The Clerk asked if everybody else could look at February 9th?

Mayor Kurtz asked is this for the Council office discussion?

Councilperson Trakas said I am available after 3:00 p.m.

Councilperson Narduzzi said the same with me. I wouldn't want to go too late as it's my daughter's birthday.

Chairman Vice Mayor Grendel said February 9th would be fine with me then, if we could move it to that Wednesday. That's the day after our Council meeting, but it would be strictly the one subject and that's on the workings of the Council office.

Councilperson DiGeronimo said it's good for me also.

Mayor Kurtz asked what time is that?

The Clerk said from 4:00 p.m. to 5:00 p.m.

Chairman Vice Mayor Grendel said that would be fine. We would get straight to the point. We know what the issues are and everything. So, we will get right to discussing it. It's just the one topic Council Workshop.

The Clerk said then we have both meetings scheduled.

Chairman Vice Mayor Grendel said very good. So, that's February 9th and February 24th. The 9th will be 4:00 p.m., and the 24th is also 4:00 p.m.

The Clerk said perfect.

Moved by Narduzzi, seconded by DiGeronimo, to adjourn the Finance Committee meeting of January 31, 2022. Voice Vote: 3 yes/0 no; motion carried.

The Finance Committee meeting of January 31, 2022 was then adjourned at 5:53 p.m.