

**CITY OF INDEPENDENCE
FINANCE COMMITTEE MEETING
MINUTES
MAY 5, 2020 4:30 P.M.
VIRTUAL MEETING VIA ZOOM**

Present: Chairman Vice Mayor Dave Grendel
Councilperson Kenn Synek
Councilperson Dale Veverka

Also Present: Mayor Gregory P. Kurtz
Councilperson Kathleen Kapusta
Councilperson Tom Narduzzi
Councilperson Chris Walchanowicz
Councilperson Jim Trakas
Finance Director Vern Blaze
Finance Assistant Maggie Osysko

Chairman Vice Mayor Grendel called the Finance Committee meeting to order at 4:37 p.m.

Chairman Vice Mayor Grendel said as we approve during our Council meetings, we will go right into the first item on the Agenda, the amendment to the Annual Appropriation Ordinance; and again, that will be introduced and I believe voted upon at the May meeting. Vern, I will leave the floor to you to lead us here in this discussion, and we will go from there.

Finance Director Blaze said thank you Chairman and thank you Council and Committee. This is the first request of an amendment to the Appropriations Ordinance for 2020. It's basically due to a couple of change orders that occurred at the April meeting and the payment to J.D. Williamson. Outside of that, it's really not out of the ordinary. We will go through it. If you are looking for, we can certainly have discussion on the topic; but if you are looking for a discussion on budget cuts as far as operating and so forth; this budget amendment does not include any of that to any material extent because those decisions have not been solidified by the Mayor. So, right now the May budget amendment that we are proposing is just reflecting a few things that we are reviewing, mostly the ordinances that were passed. There were additional spending ordinances that were passed at the April Council meeting.

Chairman Vice Mayor Grendel said and Vern if I may, we do have a Council meeting set aside I think for May 19th. Is that correct Debi?

The Clerk said the Strategic Planning meeting.

Chairman Vice Mayor Grendel said it's Strategic Planning Part 2. I believe we were talking about having it on May 19th at 4:30 p.m. I believe that by that time, it's two more weeks away from now, maybe we will have a better idea on how the State's program of getting us back into,

getting the economy back running; and we might have a better idea on further budget moves at that point based on how, and I think Vern you will know a little more too from RITA as far as collections go and that. So, that will be a discussion that we will continue on. We might have to have more discussion once the 19th and as time goes by because this thing changes from day to day and week to week. So, it's probably good that we do keep on top of things. I am sorry Vern for going on.

Finance Director Blaze said no, perfectly fine and 100% accurate Chairman. We should have the remainder of the RITA collections that we will receive in May that are basically March's collections by the end of the week prior to May 19th; so hopefully we can report to Council on May 19th what those final numbers are reflecting.

Just a quick gloss over in review. When Council adopts an Appropriation Amendment, what you are doing is authorizing a maximum amount of money that could be spent; and so the Appropriation Ordinance is strictly a spending ordinance. An Appropriation Ordinance does not have a single revenue line in it. It is strictly how the money is going to go out. I feel that before we could jump into answering that question, what is this Appropriation Amendment entail, how the money is going to go out; what goes out the door here, the City is really predicated on what comes in the door, what revenue we have coming in. So, if you have the one attachment, it's one of only two that I attached to the multi-page cash flow statement that I provide for Council on a periodic basis. It's Page 4, the revenue page; and I will give you a few seconds to find that in the attachment. It should have some different colors, some orange, brownish rust color and then the one column that was projected, the 2020 budget revenue, and then some yellow columns where we are going to propose to amend that. While you are looking for that and finding that, I will continue to talk and clarify it more. This revenue page, I present it again because I think it's very important that Council knows where the money is coming from before it can allocate how it's going to go out the door. There is no mechanism really in the Appropriation Ordinance to approve revenue estimates. It's strictly an estimate by this department that I am more than willing to take suggestions, input, ideas, alternative revenue estimates. This is the best estimates that we have, and then these estimates will help down the road as far as allocating revenue because our revenue is our primary resource for spending. Again, revenue is not appropriated.

So, any disagreements? Any ideas? Talk to me, bring them up, let's discuss them; but there's really nothing to really vote on as far as estimated revenue because it's just our estimate, and hopefully that's clear.

If you have that sheet pulled up, you will see that in the rust colored column that the net City of Independence revenue that we had projected for 2020 was rounded off to \$44,000,000 even. That's after subtracting out the HIDTA money and the Strike Force money that runs through our books. After some of the changes that we will talk about in that second last column which is the yellow highlighted column, we are estimating now a total decrease of \$5,375,000; and it's broken down as noted in that far right hand column.

The big one is obviously the income tax. The \$3,400,000 that we are projecting income tax to be down is 10% of the \$34,000,000 that we anticipated coming in this year. You know from my communications, I have personally have hesitated to get down to an exact figure of how much is

revenue going to be down because of this pandemic. It's a loaded question because I have stated the best, I don't know how long it's going to be. I don't know of the thousands of employers in Independence how many of them stayed in business, how many of them temporarily closed up shop, how many kept employees on the payroll, how many didn't, how many laid off. We are going to find that out over the next couple of months; but we have to start somewhere for the discussion. RITA itself estimated revenue losses from all of the hundreds, if not thousands of public entities across the state that it collects and processes income tax collections for. For us, their estimate was just about \$3,000,000. It was \$2,999,000, rounded to \$3,000,000. So, I took that as a starting point and said look that's just under 10%. I am going to bump that up to 10% of what we originally thought and hopefully we are conservative on that number. Nobody knows. We heard estimates anywhere from 20%, 30% or more. It's an unknown, but we have to start somewhere. The appropriations we are presenting are based off a 10% reduction in income tax.

Chairman Vice Mayor Grendel said Vern, you brought up a good point too. I know in your notes, a number of these companies, the people are still working; but they are working at home. I know as a tax preparer, if you work and live in the same city, that is the best possible tax situation. So, I wonder if they continue to work at home for any length of time, is that tax revenue going to go to their hometown where these people live? Or is it going to go to Independence where their company is based at. That's a big point that you mentioned.

Finance Director Blaze said great question, and it's been brought up across the state because my understanding is that in the emergency order that Governor DeWine issued and maybe some subsequent legislation that the General Assembly adopted, it included language specifically dealing with this issue; and that language stated that as long as the Governor's Stay At Home Order was in effect, that even if you were working remotely from one community, your income tax will be withheld and paid to the location of where your employer is actually located. So, that's in our benefit as of right now; but, and there's always the but, once the Stay At Home Order is lifted, if companies continue to employ this model and continue to let their employees work from home, work remotely, work from wherever, the Ohio Municipal League has opined that their fear is some lawsuits are going to start challenging that and saying look it's taxation without representation. If I lived in a community, let's say in Summit County, and my employer is located in Independence; but I am not in Independence physically for more than 20 days a year, why should my taxes go to Independence? They should stay in the community I reside in. If that dynamic becomes a wave, a trend, then it's something very definitely that we are going to have to keep in our sights and adjust accordingly. We benefitted tremendously over the years by being an employment base, and that has helped our municipal income tax collections. If employees are now, 10% of all the employees who work in Independence are now allowed to work remotely, and that remote location is out of the Independence area and things change and they don't have to pay taxes in Independence, then sure that's going to impact us. Right now that is not the case. So, our projected decrease only really reflects the reduced business activity, the closing of the restaurants and bars, the hotels shrinking down to minimal staffing and likely other businesses taking some measures to conserve their cash that will have an adverse impact on us. So, that's the big one.

Going down the list, the next largest one is the hotel/motel lodging tax. The money we collect for the month of April will be the true tale. That will come starting this month. We usually collect that only about a month in arrears. We started to see the drop off in March because the Stay At Home Order was instituted I believe in the middle of March; and so that's when a lot of those businesses were forced to essentially, a lot of people stopped traveling and the hotel business shrunk significantly. So, on a percentage basis, even though the \$600,000 is a lot smaller than \$3,400,000 of income tax that we are predicting to go down, on a percentage basis of the \$1,300,000 we were anticipating collecting, it's a large percentage because those hotels and motels as we understand it are on basically minimal staffing, minimal occupancy; and even if the Stay At Home Order was lifted today, I don't see personally business travel just the light switch turning on and immediately the occupancy going from 5 or 10% to 60 or 70%. I think it's going to be a gradual ramp up. So, we are trying to be very conservative in what we estimate on that.

Recreation and Community Services, obviously those two departments and the Community Center has been closed. No money really being taken in the door. I have seen a lot of refunds processed for a lot of bookings that were booked for the Community Center during the second half of March through April and now into May; and so we are actually refunding money. So, I just don't see total money that those two departments used to take in being the same through 2020 just by the fact that that building has been closed. We don't know what the summer is going to look like. If large gatherings are not allowed to get together beyond the current 10 people, I have to think we are not going to see Little League baseball this summer. Don't know, but I am anticipating that we don't. We won't have all those registrations. We won't, I don't think the pool is going to open on Memorial Day weekend just because we haven't gotten direction or guidance from Columbus about anything beyond May 12th with the businesses. I am sure it will be forthcoming this month. I believe Recreation Director Walchanowicz is preparing the pool to open on time, if we are allowed; but I personally don't see it happening. So, again I think people will hold off on buying passes and daily admissions until they see that the pool is actually opened. So, that's another reason for Recreation, Community Services revenue to be down.

The next one is interest. You should see from my communications that interest rates fell like a lead balloon earlier this year, and for some of our investments that we had with Independence Bank that were yielding 1.9%, almost 2% earlier in the year, first quarter this year, fourth quarter last year, are now down below 1%. It doesn't sound like much, so okay, it went from 1% to 2%. On a percentage basis, that's a 50% decrease. So, we have to cut back on the amount of interest income that we are going to receive.

Fines, waivers, court, I do believe the Mayor's Court, Clerk of Courts, Angie Zidanic and Mayor Kurtz, to their credit, have created a very progressive technologically advanced way to hold hearings electronically instead of in-person. To their credit, I am being told that municipal courts across northeast Ohio have reached out to inquire how we have done that. So, kudos to the Clerk of Courts and the Mayor for coming up with a system to deal with the lack and ability to have in-person face-to-face contact with the public and in coming up with a way for it to be done electronically so well that other communities are looking to adopt that.

That being said, I am not privy to a lot of the Police Department nuts and bolts, daily information that they share directly with the Mayor; but just in general, because you know it, you see, when I run in the morning, the amount of cars on the road the last six weeks has been a fraction of what a normal rush hour morning typically is. So, multiply that times 7 days a week, times the last 4 or 5 or 6 weeks, and there's just been a lot less opportunity to write tickets. So, my guess is that ticket revenue at least right now has decreased, and that category is going to decline as well.

The next one down is Strike Force. You see it going up significantly by \$1,300,000. That's just a timing issue. We had projected possibly having to pay some Strike Force funds in fiscal year 2020, but not receiving them until fiscal year 2021. In further conversations that Maggie has had with the Strike Force leadership team, there is a chance that the funding could be reimbursed to us by the fourth quarter of this year. So, given that, we were comfortable adding it to projected revenue for this year. It's really just a pass through. It goes out, it comes in. Actually we have to write the check first, and then we get reimbursed by a similar amount. So, it's just a pass through. It really doesn't have an effect on the City's finances other than some of the money that we are able to recoup. For the Strike Force it's through some of their drug busts and the money they get; but we are just a pass through so whatever is shown on revenue goes out in expenses. We are not out any money on that, but the gain is relatively nominal.

Two more categories that we are projecting some revenue decline, deposit and bonds is the next one going from \$275,000 down to \$150,000 estimate. That one is also fairly inconsequential because a builder, let's say they are going to build a house; and they put up some money. Some of it stays with us to cover inspection fees, but some of the other like landscaping bonds, grading bonds and so forth, once they comply with the Building Department's requirements and all conditions are met, some, most, all of that bond is returned to either the builder or the property owner. So, bonds and deposits, I don't get overly concerned about that number. We mostly just budget a revenue amount. It's an estimate based on how much building activity, remodeling activity we might anticipate in a given year; but we also know that a good portion of that goes back out in return money. So, that's not really a revenue generator for us, but we do think that there's been some reduced activity in that regard.

Mayor, correct me if I'm wrong, but I'm under the impression that Pulte had cleared that phase at the north end of South Great Oaks right before the pandemic hit in January and February of this year. They did it over the winter because the weather was conducive, and right when they were going to start getting ready to put the undergrounds in, that's when the pandemic hit; and they might have put a temporary hold on further progress on that phase until they see how this is going to play out. Is that a correct statement Mayor?

Mayor Kurtz said that's a fair statement Vern. They are on hold right now.

Finance Director Blaze said so that's just one example of proof we have that we are not going to get as many deposits and bonds that we had anticipated. So, that's a nominal decrease, and the all other categories, it's just a number of them. You can see that of the total of \$49,000,000, the \$2,500,000, we throw the other 5% of the Other Categories into that. Based on those categories and what Maggie and I see coming, we reduced those by the amount reflected in that fourth column, the \$775,000. The total is a \$5,300,000 estimated budget revenue reduction of the

City's portion. It's the \$44,000,000, the last number in the rust colored column minus the \$38,000,000, that's the revised number for the difference. It's that number that I think will drive, not necessarily the May budget amendment that you see before you next week; but it's going to drive the decisions that the Mayor is going to present to you over the next month or two as far as his plan for how we are going to deal with that projected revenue shortfall.

I will stop talking about the revenue and just open it up to any questions or comments.

Chairman Vice Mayor Grendel said so Vern, it looks like looking at your chart there then we are at \$38,600,000 that you are revising to be our net revenue. It's going back to how it was 4 years ago in 2016. It looks like we are on par with what the revenue was back then, give or take a few hundred thousand. This is what it looks like today, and come the middle of June or so, we would even probably have a better idea on how things are going. So, this is kind of fluid chart because again we are in uncharted territory. We don't know if a pandemic is going to ease up a little bit or how the economy coming back is going to take place. Hopefully, you will be able to update us as figures get in, maybe on a monthly basis because I don't see these being dead on a month from now because there are so many unpredictable things that could happen.

Finance Director Blaze said 100% correct, and that's why I put a date on this spreadsheet because every day I go in there and I update it with the current date that I updated. I pop in this set of Excel spreadsheets frequently, and for the very reason you stated, especially now. We are not in a very stable time period where you could make some estimates in there. They are kind of at least in the ballpark, and they are going to hold steady for a while. We might get our May collections and our June collections, and my head could be spinning either way to be positively surprised or even more negatively surprised than the 10% that we are projecting. So, I will update this continuously and always communicate that with the Mayor and Council.

Chairman Vice Mayor Grendel said and probably what we would do is once you feel comfortable; and you do make a new projection or that, that's when we can schedule a Finance meeting, when you can get these figures out to us. Like I say, you have enough on your plate too with just the ordinary day-to-day; and of course, this is like running two sets of figures because now we are constantly updating things. So, this is a great chart, and I would recommend for Council we should keep hold of these and update them as every month goes by with the revised figures. It gives us a better idea of what we are dealing with as far as income is concerned, which will help us to make better decisions on the appropriations. That's all I wanted to say.

Finance Director Blaze said that's fine. I'm just waiting to see if anybody else has any questions or comments.

Chairman Vice Mayor Grendel said just jump in.

Councilperson Kapusta said I disagree, it's not a great chart; a great chart would be more positive.

Finance Director Blaze said it was until mid-March. Actually, our first quarter results mirrored many communities in that the economy really was humming along; and most of us, including the

State of Ohio, were actually tracking just slightly above projection. So, we were on a very positive trend for 2020; and it's not the end of the world. With things starting to open up here a little bit. The Governor is going to get that restaurant task force recommendations back; they will be allowing those entities to open up soon. It's going to come back, it's just a question of when.

Chairman Vice Mayor Grendel asked any other questions?

Councilperson Synek said my comment and observation is that much more will be known August 15th through the middle of September than now. The tax deadline has been extended to July 15th; so any business that had a net profit in 2019, it was still a good year for the economy. So, if you still had taxable income, then still a tax bill to be paid; but they have until July 15th to pay it. I am sure everyone is hoarding cash right now. There is at least some opportunity for a slight positive surprise in terms of the net profit tax payments that will come in July; but certainly the payroll tax issue, employment levels are going to be down. I think Independence generally fares well insofar as our Rockside Road tenant base is a service based business that can work from home. Other communities that may have more manufacturing warehouse sort of situations where they have stopped manufacturing. If you are not manufacturing, you are not going to pay your people at all. So, it would be interesting to see how it plays out, but I feel at least somewhat optimistic that the jobs in Independence, given the nature, could likely continue from home. We will see what each individual player did; but all this will be known in the middle of August or at least September.

Mayor Kurtz said Councilperson Synek brings a good point about net profit tax and filing deadline change pushed later in the year. We are also having to, this is going to be a new situation looking forward. The impact of this work at home strategy that we were forced to embark upon, in reading some of the different articles, talking to some of my colleagues; we are not sure where that's going to land permanently. It may be a gradual change. We are going to have to watch that I believe this year if we can trend upward in the third quarter, fourth quarter and get back to a new normal so to speak. I think the next thing we need to be cognizant of is a more permanent shift; and we have to be very careful of two things. One, if the state changes, doesn't continue the emergency Governor's resolution in the legislature where you are going to pay your taxes to where your base of employment is rather than home; that's going to affect us.

The other thing is, we get through this tsunami; the next one is going to be several years from now when there's a different strategy in place by the multiple employers we have here. We have to be very cognizant of a change in strategy overall. We will put that together. We will discuss it as a group; and then we will determine what we are going to do strategically long term. There could be another wave of this 3 or 4 years from now, depending on how we get through this.

Finance Director Blaze said your point is correct, and I was just on line to see if I could confirm that. It doesn't impact us tremendously, there might be an additional deferral because I am getting some communications that might lead me to believe that the property tax, the second half collection deadline has also been extended just like the income tax filing deadline has been extended in Ohio. I don't know if you have gotten that yet.

Councilperson Synek said I haven't seen that yet. I also want to comment on the comment you made earlier Finance Director Blaze about the (inaudible) wages for employees who are working from home. Councilperson Trakas made reference to this in chat box; but the Ohio House did pass a bill, it's House Bill 197. It actually makes it a matter of law that for calendar year 2020 work from home is treated as work from principal place of employment, the normal office. That's the rule for 2020. It is tied to House Bill 197, not to the Governor's State of Emergency. So, when the emergency order is lifted, that rule about employees still being taxed as if they are working in Independence even though they are working from home will continue for the balance of calendar year 2020. What the Legislature did was suspend something called the 20 day rule. It's essentially if your employee works in another community for up to 20 days, you still treat them as working in the home office location. Only on day 21 and after would you treat them as working in that remote location; well that 20 day rule is suspended for calendar year 2020.

Chairman Vice Mayor Grendel said it's smart that they did that because that would be chaos if they hadn't.

Councilperson Synek said it would be for all of us.

Mayor Kurtz said now I wouldn't be surprised if there's some taxpayer challenges somewhere down the road to our current tax allocation strategy formula; but right now that's great news for us.

Councilperson Synek said yes it is.

Chairman Vice Mayor Grendel said I don't see how they can put a municipality, because you budget and plan according to how the law reads. Something like this hits, that would be really unfair to communities that have a big tax base like we do as far as wages go and that.

Councilperson Veverka said the other piece of the puzzle that is of some concern, is speaking with at least one business owner, as that person notices that about 75% or 80% of their staff is working from home, if they are successful with this particular arrangement, the potential. This person is evaluating, if their lease is done in two years, how much space will they need? They can really downsize their physical space, and that would make a difference I would think in the ability to fill the buildings. So, that would also have an effect down the road.

Councilperson Kapusta said the offset to that if you read the articles recently that are out there, is that some of the office space that is doing the cubicles are thinking this may not be the way of the future. They may actually need more space as they try to social distance their own employees for their health. I don't know how much of that will help as well.

Mayor Kurtz said I will vote for you Kathleen.

Councilperson Veverka said I vote for her too.

Councilperson Kapusta said I think it just points to how uncertain everything is as we follow along.

Finance Director Blaze said well after the revenue side, there's the actual amendments to the Annual Appropriation Ordinance; and that is listed as Exhibit A in the attachment. You can either reference that directly, or I sent a follow up e-mail at 2:44 p.m. to everybody. It just outlines 5 bullet points of what the major changes were or are on this; and the first bullet point really isn't a change to the Appropriations Amendment, it's what we just talked about that the revenue is going to decline, and that we have to anticipate that and be ready for that.

We are proposing a nominal decrease in the General Fund Appropriations, and it's primarily due to the Recreation and Community Services Departments being effectively closed to the public for the last 6 weeks; and we don't know how long that's going to last. They have reduced their, they eliminated their part-timers to essentially nothing because a lot of them were lifeguards and so forth. So, we are just feeling that the amount we had originally appropriated in both Recreation and Community Services is now going to be a little bit high. We took a little bit of those down. It won't affect any current employees with the slight nominal decrease that you see. It won't require the Mayor to lay anybody off. It's just that they have not been operating on all 8 cylinders. It doesn't look like they are going to be on 8 cylinders for a while yet; so we could tap back a little bit on the amount that we have appropriated there.

We also decreased the Economic Development appropriation a little bit to reflect the fact that the position has been vacant effectively for two months, at least from mid-March through mid-May; and the fact that the original appropriation as you see was \$245,000 for wages, salaries and benefits. That anticipated the Economic Development Director, him or herself, working the entire 12 months along with an Assistant like there used to be and because that Assistant has not been in place for the first 4 four months, it doesn't appear to be on the near term horizon, we were comfortable dialing back on the unappropriated in the Economic Development Department.

That is the third bullet point. It necessitated a little bit of an increase in General Government. I don't recall the exact (inaudible). We have had a lot of our part-timers that were not let go, but they just realized hey you don't need part-time lifeguards. The Civic Center is closed, you don't need the attendants upstairs and so forth. I don't know if they were ever technically laid off in the technical sense, but a number of them have filed for unemployment and that will cause the City's unemployment costs to go up. The rates we pay are based on our claims history. Like everybody, the claims history is going through the roof. That's why the General Government goes up, but on a gross basis, the total General Fund was originally appropriated at \$24,500,000 and because of the subtractions and additions, we still have that down by a little over \$200,000. So, that's going in the collect (inaudible).

We needed to recognize the Strike Force revenue. We already talked about that, and then the last bullet point was the two change orders that were approved last month, the \$300,000 for Fabrizio for the Rockside Woods Blvd. North, \$150,000 for Lafayette with Catts. We technically didn't have to amend the Appropriations Ordinance yet for those. We would have at some point because that \$450,000 was a material amount; but we had enough in there right now that we could have paid those out if we had to, but we figured it's going to happen so let's attack that now.

The one we really needed to have the Appropriation Amendment adjusted for was for the \$229,000 and change payment to J.D. Williamson for the Hemlock Trail overages.

So, that's essentially the budget amendment, and that's before you the Appropriations Amendment. It's reflecting revenue is going to be down, but again you don't appropriate revenues. Your appropriations are maximum expenditures. We don't legislate revenues. We are going to decrease the General Fund appropriations a little bit. The Strike Force gets increased because it's a pass through, and then we had to reflect the \$229,000 payment to J.D. Williamson.

So, that's the net effect of what you are being asked to approve in May. I suspect as all of us do that the heavy lifting is still to come, whether the proposed way to get us through and steer this ship through the next few months is attacking the Operating Budget, delaying, deferring, cutting out capital purchases, delaying, deferring infrastructure projects or some combination of all three. That decision has not been made. It's not the Finance Department's decision. Certainly we play a role in that by assisting the Mayor, assisting Department Directors by giving them information as to what would happen if decision "x" is made or decision "y" is made and how that would affect the financial picture of the City; but it's really Council's decision and the Mayor's decision as to what gets done to navigate these uncharted waters.

Again in summary, the May budget amendment, the Annual Appropriations Ordinance that will be on your agenda next week, it's nothing more complicated than what I just articulated there. I am open to any questions on that at this point.

Chairman Vice Mayor Grendel said Vern I'm looking at the street resurfacing. It looks like it was at \$6,000,000 and now it's at \$4,700,000. It's on Page 2.

Finance Director Blaze said yes, correct.

Chairman Vice Mayor Grendel said that reflects that reduction of (inaudible).

Finance Director Blaze said the \$6,000,000 was an initial estimate based on what we see as going to be passed through that fund. We were comfortable reducing it, but Maggie correct me if I'm wrong, I recall that last Utilities Committee meeting it was a known fact that prior to that at the April meeting Council approved the two Creek Maintenance contracts for \$200,000 each for \$400,000 total; but Engineer Ramm also outlined at the Utilities Committee meeting a couple of million dollars of additional projects that could be done. Right now we aren't budgeting for that, we are budgeting based on what Council has approved; and we are comfortable going from that \$6,000,000 to \$4,700,000 based on the legislation that's been adopted so far, but should the Mayor, should Council, should the collective body take the necessary action and say well \$400,000 is not enough for 2020, we are going to do "x", "y" and "z" and it is going to cost "x" amount of money, then Chairman you are correct. That number, that \$4,700,000 you see would likely have to be amended back up.

Chairman Vice Mayor Grendel said I see.

Councilperson Trakas said (inaudible) that is possible. There's a lot of ideas out there, but nothing in direct correlation to being allocated in the budgeting.

Finance Director Blaze said that's correct, and that's why we stayed with just what Council has approved thus far. We didn't go so far as to add. Well okay Engineer Ramm, he presented "x" million dollars worth of additional projects, throw that in there. We have to wait until Council takes action, and the Mayor takes action before we will start putting pen to paper to make changes like that.

Chairman Vice Mayor Grendel asked any other questions from Council?

Councilperson Trakas asked I was just curious, do we pay unemployment compensation for part-time employees?

Finance Director Blaze said if they are employed, and they file unemployment and they made enough money to qualify under the State's minimum hurdle, if the State pays them, then ultimately it is reflected in the premiums that we have to pay going forward. I believe Maggie what we pay out in unemployment is based on our past unemployment claims history. So, every employer that has been forced to furlough, lay off, terminate employees is going to be faced with this dynamic that what they pay out for unemployment going forward will be higher than they did in the past if they haven't been in any type of layoff or furlough mode.

Councilperson Trakas said I am just saying from a (inaudible).

Mayor Kurtz said hey Jim you are really muted. We can't hear you.

Councilperson Trakas said what I was saying is that I don't think we should pay part-time employees unemployment compensation. We should fight that type of thing. Part-time is part-time; it's not a full-time employee. Do we have a policy about that?

Finance Director Blaze said there's nothing to fight there Councilperson. If they were an employee getting W-2 income from any employer, us or working the front desk at Dairy King all summer; if they made enough in part-time to meet the minimum hurdle that the State says, they are eligible for unemployment. We don't pay unemployment for them. We employ them, and should somebody happen to become unemployed that was on our payroll, that's when it affects us. That's why we are going to be affected because we have had part-time employees who made enough money to qualify under the State's minimum hurdle. That's why we are going to get hit a little bit.

Councilperson Kapusta said I think the interesting thing too is I have had two residents, not City employees, but just two residents who are part-time; and they are making more on their State unemployment than they were working part-time.

Chairman Vice Mayor Grendel said well I heard that too Kathleen.

Finance Director Blaze said I would surmise that maybe that's a true statement if you add in the additional \$600 a week that the Federal Government includes. If you don't, it's my understanding that you will only make from the State in unemployment a certain percentage of what you made when you were employed, but it's not anywhere close to 100% of what you made. So, the only way that statement would be true is by adding in that \$600 a week that some employees were eligible for.

Councilperson Kapusta said that's what it was including Vern, yes.

Finance Director Blaze said that's a dynamic Councilperson Kapusta that a lot of employers are faced with as they start to open up now, especially the ones when the restaurants start opening up, trying to get employees because they made "x" amount as a kitchen assistant and now when you add that \$600 a week. You take \$600 a week times 50 weeks, that's \$30,000 right there plus the unemployment. So, if they were a part-time employee making \$12,000 to \$15,000 a year, yeah the numbers are in their favor right now to not go back too quickly. Unless the Federal Government cuts that \$600 off, and then that will get them back to work.

Mayor Kurtz said well that's cut off I believe July 31st currently, but they are talking about taking it until the end of the year right now. It is affecting people's judgment to go back to work. Now if you do have a job, and you are called back to work and you refuse, then you just can cut off the unemployment approval.

Councilperson Narduzzi said so Vern, I have a question. I am just thinking outside the box here. Putting the government incentives in perspective, if we were to re-negotiate our union contracts for a year, I don't know what we gave them for 2020. I think it was 2% or 3%, and we were to take that and say push it back one year; would they be able to recoup that from the government in some form where it would save us 3% but yet they would be whole by recouping that from the government?

Finance Director Blaze said the response I could give to that somewhat related is if the City or any employer, let's say they have a 40 hour a week employee; and they want to take them down to 32 hours, basically work 4 days a week instead of 5 if they are an 8 hour employee, they would be making their compensation for the 32 hours and then there's this additional program available that it's like unemployment compensation that they could collect for the additional 8 hours that they are not being employed. Whereas, in the past, to collect unemployment insurance you had to be unemployed period; and so your question is a little bit different. It's not hey if we cut some people's hours, can they make up that lost wage somewhere else, which they could. Your question is if we took the raise that was negotiated into the contracts for 2020 and pushed it to 2021, would there be a way for them to make that money up? Is that the question?

Councilperson Narduzzi said I guess so. In the long run it would save us some money and help us through difficult times; and yet they would remain whole by a different source.

Finance Director Blaze said right. I doubt it, but I commend your thinking out of the box; and that's not to say it wouldn't happen. I think the first logistical hurdle we would have is we are sitting here on May 5th, those employees have already been paid one-third of that pay increase

through the end of April; so if you ask them to forego that for 2020, yeah they could forego what's still ahead of us for 2020, but then we would also need to get back what was given already. I think you would be asking for a pretty big logistical and political hurdle with that. So, keep the ideas coming. I think the Mayor and myself would love any creative ideas of how the City can conserve cash, whether it's reduce expenses, defer, delay expenses, defer, delay capital purchases, infrastructure projects, any and all of those I think are fair game for discussion. I have to think that the Mayor will be ready sooner rather than later to propose a plan for dealing with this to your body.

Mayor Kurtz said one of the questions Council has to at least should influence if nothing else is the pay increases for non-bargaining people. Now there is another example of that balancing act that we, that dynamic we live with. You have to keep that in mind too.

Finance Director Blaze said which for clarification purposes it's not written in stone anywhere; but the past practice has always been whatever wage increase is negotiated and granted and approved for the bargaining units, that's generally the wage increase that whatever Mayor it was at the time would try to grant to the non-bargaining employees. So, whereas the bargaining employees started to get their 2020 wage increase with the first pay of 2020; the non-bargaining have not gotten any increase this year so far. So, if it was granted to them, then a decision has to be made, do you keep them whole on par with the bargaining unit employees and make it retroactive to January 1 or do you save some money and start it whenever it's granted. Those are all decisions that have to be made.

Chairman Vice Mayor Grendel said Vern, getting back to that Exhibit A that you provided us, could you give us an explanation on Page 3, the TIF funds, the highlighted areas that you have there?

Finance Director Blaze said that's just the classic moving around of money. The Northeast quadrant one, that's the big jump from \$12,000 to \$312,000; most of that we needed to account for the \$300,000 change order with Fabrizi. The one from zero for Selig TIF to \$225,000; we had some funds in that account, and the additional payment approved by Council at the April Council meeting, almost \$230,000, we only needed \$225,100 to make that number work. So, that's the big 2; it's the Northeast quadrant where we had to make the Fabrizi payment, and the Selig TIF Fund where we had to make the J.D. Williamson payment.

Chairman Vice Mayor Grendel asked what's the Hillside/21 that extra \$70,000?

Finance Director Blaze said it goes from \$50,000 to \$70,000; and that's up \$20,000. It's reflecting the bill we received regarding some additional engineering work, that project that's on Council and the Mayor's horizon for the sidewalks on the north side of Hillside from Hemoga east to Twin Creeks.

Chairman Vice Mayor Grendel said and finally the Northwest quadrant, it went up \$20,000.

Finance Director Blaze said yeah it went up \$20,000. We still get some, if you know there's the Development Agreement with IRG; they are still doing work behind the scenes on that, it is my

understanding. Apparently, they have had some consultation with the Law Department for direction on that. I am not saying that they have used \$20,000 of additional time of Greg O'Brien's and his associates; but when we receive the Law Department's invoice each month, we try to break it down and charge the gross amount into the appropriate fund; and it all doesn't just go into that General Legal Services in the General Government General Fund. We try to charge it off into the appropriate fund. We must have caught over the last couple of months some billings, line item billings pertaining to the Northwest quadrant so we just proposed an additional couple of thousand into the Northwest quadrant to account for that.

Chairman Vice Mayor Grendel said I see. That would be a good topic at maybe one of our workshops to see what the status of that arrangement is there with that company because I don't think we have gotten any update on it for a whole year, or close to a year.

Finance Director Blaze said if you saw in the Mayor's Administrative Update a week or two ago, an offer has been made and accepted to a new Economic Development Director; and it's my understanding that person will hopefully start before this month is out. If that's the case, I think we will be able to get back on track a little bit better with some of the Economic Development issues. The Mayor and I have been trying to do what we can in lieu of no Jeremy sitting in the office next to me; but we are all being forced to wear many hats right now. It's not the ideal situation, but it's the hand we have been dealt with. We have to play it. We are excited about the new Economic Development Director as I am sure all of you will be. I think this individual is very compatible with the mindset that Jeremy brought to it. I know we all appreciated the job that Jeremy did, and the path he set us on as far as Economic Development. I could sit here today and the Mayor could chime in, I am 100% confident that the new Economic Development Director will do all of that and hopefully more. I have a great relationship with Jeremy. I miss him already, but I think from a business perspective I think that the new Economic Development Director is going to be, you are going to like this individual. You are going to like what this person brings to the table. You are going to like what this person does for Independence regarding Economic Development. It's exciting, and that gets to your point Chairman about getting top of the details of this Development Agreement. We will be more on top of that when this individual comes aboard and hits the ground and starts being able to fill in the gaps that the Mayor and I have not been able to fill in these last 6 weeks.

Chairman Vice Mayor Grendel said and this is just a suggestion, I know that in all the years that I have been on Council, I know Doc Asseff for 10 years I think was the Chairman of that Economic Development Committee; and I think Kenn is now the Chairman. It would be nice once this person is on board to have a committee meeting there and probably all of Council would want to be there just to introduce her so we can ask some questions and get to know her. To me Jeremy was one of the key, besides the Mayor and the Finance Director, I look forward to the information and the advice and everything we got from Jeremy. That is like our bloodline and everything; and it would be nice to have that same comfort level with the new person. It would be nice to hit the floor running that we can ask some questions, find out a little more about this person and get a close relationship with that person from the beginning. Basically it will be a stranger, and I speak for myself; I don't know how my other Council members feel, especially the four who have been on with me for a number of years. You want to have a comfort level with that person that you know really knows what our philosophy is. When Jeremy left, that was

a big blow; I enjoyed his expertise and what he brought to the City. I hope we get the same level with the new person. I think the rest of Council probably feels the same way.

So, maybe Kenn, once that person does get here, it would be nice to have a meeting to just kind of go over philosophy and meeting that person. I know the Mayor has vetted that person out, and I have full confidence he hired an excellent person. It would be nice for us to get to know that person too.

Mayor Kurtz said first of all, who said it was a she, Dave. Come on.

Chairman Vice Mayor Grendel said I'm trying to be pro-active.

Mayor Kurtz said you are correct, but the Finance Director is accurate. As a matter of fact, let me just say this that in speaking with her current employer.

Chairman Vice Mayor Grendel said it is a she, my premonition was correct.

Mayor Kurtz said the fact of the matter is her current employer, when I spoke with him; he asked me if I could delay the start for a month. Now that speaks volumes in terms of her, what she can bring to the table. You will be as excited, and Kenn I look forward to meeting, an Economic Development meeting; but it won't take long to settle in, but I can just say this, there's large plans, large opportunities. It is going to be transformational to a certain extent, and with a variety of other benefits to this. We will be going back to Council, and once we get seated for your support in restructuring certain aspects of how we deliver our services.

Chairman Vice Mayor Grendel said and Mayor you have made a decision on a Communications Director, it's my understanding.

Mayor Kurtz said yes. As a matter of fact, you will read in the update this weekend; we have 3. The latest is, today we swore in firefighter/paramedic to replace the one that left. The Communications person will start Thursday, and then the Economic Development Director will start later this month. So, 3 important positions; and it was really heartwarming, you will hear about it or see it. We had to do the swearing in with our masks and social distancing, which was unique, similar to what the Finance Director eluded to earlier about the courts and how we are holding court. It's going to be a different dynamic with how we go to business, but this is exposing different opportunities for us; and we are embracing them. So, hopefully you will be able to do the same thing when we get to that point.

Chairman Vice Mayor Grendel said we are excited. At least I am excited to meet these new individuals, and hoping they bring to the table what Jeremy and people like Jeremy. It's exciting to know that we have quality people here.

Finance Director Blaze said I will just throw out this nugget for you to chew on. The new Economic Development Director is totally on board with the City's practice of using tax increment financing as a revenue producing strategy so much to the point that, an Economic Development Finance book was written years ago; and she authored the Tax Increment

Financing chapter to that book. So, that's why I can't say that again we all love Jeremy; he did phenomenal for the City, but I am just as excited for his replacement because I think she brings so much to the table that you will gain a similar type comfort level with her that you had with Jeremy. It helps that she grew up in Independence and currently lives in Independence; and short of her being able to come back and work for the community that she grew up in, the community where she graduated from high school from and the community that she currently lives in, I don't think Mayor Kurtz would have been successful in getting her to consider coming here for any amount of money in the world. She was very, very satisfied with her current employer. Had been there for 11 years now or more, knocking it out of the park; but the once in a lifetime opportunity to come back and work for her "home" community, was just an offer that she had to take a flyer on and had to say wow what can I do for my community? So, she is going to bring that element to the table too because she is invested in the community, and it's personal to her. She wants to see this City succeed as bad as anyone of us do.

Chairman Vice Mayor Grendel asked is the Communications Director from Independence also or from another community?

Mayor Kurtz said actually grew up in Parma, spent time in a number of communities throughout the country, coming back from Virginia.

Chairman Vice Mayor Grendel said very good. I speak for myself, I am excited about meeting these people; and once we get past this hiccup we have had now and everything, it will be great to have some refreshing and some new sets of eyes and new voice and mind working for the City too. So, that's going to be a big plus.

Mayor Kurtz said I heard a number of you voice your thoughts relative to these positions the last several months; and I think you will be excited about the knowledge, the breadth of experience and how they can hit the ground running for Independence because they know Independence. Be prepared because some of these are going to offer some great opportunities to raise the bar, similar to what we did when we brought Jeremy on board; and so this is another opportunity to, and with the newly created Communications person, it's going to really create, I am excited because we are going to create some synergy and raise the bar in a number of areas.

You can't say enough, not to minimize the new hire for the Fire Department because I was going to say earlier that we had social distancing, but you can't believe the number of team members from the Fire Department who showed up for the swearing in. I thank them all for their commitment, dedication on behalf of all of us for their continued dedication to serve. It was very heartwarming to see all of them show up for the swearing in. It was unique when you have masks on, and you are social distancing. We even put x's on the ground so where I stood, everybody stood, so that we could accommodate things. It's similar to what we are doing with the court. We are transitioning, but it's not boring for sure.

Councilperson Kapusta said Mayor this is somewhat applied, but in your newsletter on Friday when you talked about Jacob Kingzett. I hope that we can continue to do that throughout the weeks ahead during this pandemic. I have heard so much positive feedback from residents on that; and we know that through our own resident firefighters, as well as I am sure through many

like Councilperson Trakas serving and other people serving in hospital positions. I think that's just a real positive thing for us to do.

Mayor Kurtz said we will, and you can't say enough about the frontline, those people who are just sacrificing, the caregivers in the hospitals. Those are the ones that really, and their families. They are raising the bar.

Chairman Vice Mayor Grendel said very good. Thank you Mayor.

Mayor Kurtz asked is there anything else you want to say about the Economic Development Director because I just want to make sure? Just kidding.

Chairman Vice Mayor Grendel said I think we have heard quite a bit, and are you going to give kind of a bio in your report this week?

Mayor Kurtz said absolutely.

I wanted to be fair with her timing with this unique situation; but when I talked to her employer, and he asked for that time, it reflects well on her, but I also want to be fair for him too. So, these are just the dynamics of bringing on quality people.

Eventually we will get through this, and we will be able to communicate face-to-face; but you will be excited I believe.

Chairman Vice Mayor Grendel said very good. Thank you.

Now committee, is there any questions regarding that first topic, the Amendment to the Annual Appropriations that you have for either our Finance Director or for the Mayor and everything before we move on to the next? Or, if there's any more Vern that you have to offer on this subject?

Finance Director Blaze said no. I served on Council for 16 years, and I don't recall ever having an hour discussion on an amendment to the Appropriations Ordinance; but I am very glad to have it. I think the more information Council has, the better. I have said it before, and I will say it again, it just helps you make better, informed decisions for your constituents.

Chairman Vice Mayor Grendel said and I believe Vern also you gave a narrative, a verbal narrative of the changes too that we can read, some of the changes you had.

Finance Director Blaze said those are technical in nature, and Maggie came up with the three and a half page sheet. I appreciate my team's assistance, and those are more technical. We transferred this. We advanced that; but if that turns you on, and you want to read it, have at it. We included it.

Chairman Vice Mayor Grendel said very good. My committee, or any other Council member, any questions for Vern or the Mayor?

Hearing not, we will move on to the second item, the initial discussion of the 2021 tax budget.

Finance Director Blaze said the same thing with that one, and in all the years that I served in the legislative body; the tax budget was always, I wouldn't say a throw away, but it was more of a technicality to comply with Ohio Revised Code provisions that require each public body to come to develop a tax budget. I remember at that point we used to have to hold a public hearing prior to Council being able to adopt it, and I don't recall anybody ever showing up for a tax budget public hearing, let alone having anything to say about it. Again, it was more to comply with some technical requirements. I do think it takes on some added importance at this point and time due to if you read the e-mail this afternoon; to the talk in the community about inside millage and so forth. That's why I am glad that Councilperson Synek is on the call today because I am sure he did a lot of research regarding inside millage over the last couple of years, and I know what I know, but I am sure he can take your inside millage topic discussion to even new levels. I would say the most important part of the tax budget that we need to look at is Schedule 1, and it's pretty simple to follow because there's really only 2 lines there; and that is the schedule where public bodies request their, Councilperson Synek is posting it on line there.

Councilperson Synek said I have shared my screen so we can all see that.

Finance Director Blaze said excellent. Thank you.

Chairman Vice Mayor Grendel said thank you Kenn, we do.

Finance Director Blaze said that way you don't even have to find it in your e-mail but this is the schedule where the public body requests, in our case just inside millage. We don't have outside millage to request from the County. The school district does, so their Schedule 1 is a little bit longer than ours with a number of line items; but this a draft. I drafted it. It's based on the current assessed value in the community of \$484,000,000. That does not include some almost \$80,000,000 of assessed value property in TIF districts; but apparently the taxes are levied on the assessed value, and the assessed value number does not include the TIF district valuations. That's a separate calculation.

So, past practice here has been the City requests a little bit of money for the General Fund, which includes a little bit that goes to the Fire Pension, and then some money to supplement what goes into the Police Pension Fund. You see, based on the amount of mills in the second last column, times the assessed valuation shown at the bottom; it calculates to the \$900,000 and change that would go to the General Fund and \$145,000 and change that would go to the Police Pension Fund. Those millage numbers, the 1.9 and the .3 are the same that was requested of the County Budget Commission last year; and for purposes of this discussion, it's what I placed in Schedule 1 at this time. Obviously, there are some different schedules; but our debt schedules and other schedules there. The debt is what it is right now. We are not asking for any new debt; so those are there because they have to be, but the biggest determinant of what we are going to get revenue wise is the inside millage here and the 2.2 mills that are on this initial draft proposal.

So, that's really all I have on the tax budget. I did indicate, I will say one more thing, in the e-mail there is a Schedule 2 that we will have for you long before this needs to be adopted; but

that's a sheet that has a bunch of numbers with transfers and advances. It is a very complicated spreadsheet, but it's one that is included in this document nonetheless. If we want to discuss it, we will do our best to discuss it in any manner of detail that Council wants to. That is the very in the weeds document that just kind of quantifies what a Budget Commission, what amount of money we project to start 2021 with, what we project to come in, what we project to spend and what would be left over at the end of the year. So, it's a fairly fluid number because nobody knows here in May of 2020 what those numbers of 2021 are going to look like yet; all we can do is the same thing we did with the revenue projects is that makes some estimates and some projects based on our best estimates and our best reading of the tea leaves of what is going to happen going forward, put the pen to paper, put it down, knowing that through the amendment process we have up to 12 cracks before Council in any given year, and more if needed, to amend a budget in an Appropriations Ordinance.

So, in my mind, the main primary purpose of the tax budget is to request the inside millage; and again, we are requesting the 2.2 mils in this draft initial version that I have before you. That's all I have. I will open it up to either questions or discussion at this point.

Chairman Vice Mayor Grendel asked Vern do you anticipate this legislation being on First Reading in May and then vote on it in June or First Reading in June?

Finance Director Blaze said I'm still comfortable with that. We technically could adopt it at the July Council meeting on July 14th; but that only gives us one day to get it down to the Budget Commission on July 15th. I would prefer we keep it on First Reading in May. We could have other meetings if we end up having more meetings about the tax budget; and we still have until June 9th to adopt it. If we don't, we can call a special meeting for late June or early July. My preference would be just don't adopt it on July 14th; that's cutting us really, really close. If by chance, it didn't get 4 votes, we would be in a pickle.

Councilperson Synek said so before we talk about scheduling a vote on this document, I think there's a much larger more important discussion Council and the Mayor needs to have which is to say this 2.2 mils is a maximum amount. It is within Council's and the Mayor's power to levy less than 2.2 mils. Now last month Councilperson Trakas introduced legislation to provide a stimulus for our business community to try to help through this Covid-19 crisis and reducing property taxes is a way to provide a stimulus for our community in terms of less property taxes, this rate is for both residential and commercial in calendar year 2021.

So, it is within Council's power and prevue to levy less than 2.2 mils. We could (inaudible) 2.3 mils, but that would take a mil away from the school district; and I'm not sure anybody wants to do that. I think Council can and should have the discussion, kind of an add on to Councilperson Trakas's stimulus ordinance from last month, as well as Covid-19, as well as the potential effects on this a year from now for our school district. There are many layers to that onion, and I would really like for us to have a discussion about it before we just vote on this.

Chairman Vice Mayor Grendel said good point Kenn. I was going to ask the Mayor, you have been here many, many years; has that 2.2 changed in the time that you have been here? It seems

to me that's been a constant, that 2.2 total inside millage has been constant since I have been associated with the City for 17 or 18 years.

Mayor Kurtz said I believe there might have been a tenth of mil adjustment periodically for the past couple decades, a tenth here, a tenth there. I think there was a tenth or two that wasn't used by the City. I think it went down. I can't recall off the top of my head exactly how much; but it's been a nominal decrease. I am saying over the last 2 decades, probably a tenth or 2. Kenn might know the answer to that though.

Councilperson Synek said I think it's been the same since 1928 frankly. In 1928 or 1933, it used to be a 15 mil limitation, and then it changed to 10. When it changed from 15 down to 10, there was a change between the school district and the City; but I think it has stayed unchanged since the 1930's.

Chairman Vice Mayor Grendel said that was my understanding too Kenn. How much does the school, the inside millage, they get roughly 6?

Finance Director Blaze said 6.3.

Councilperson Synek said 6.3.

Chairman Vice Mayor Grendel said and there's 1.5 that the community is allowed; but that has not been taken or levied.

Councilperson Synek said well Cuyahoga County levies the other 1.5 of the 10.

Chairman Vice Mayor Grendel said I see.

Finance Director Blaze asked does the County automatically pick up any unused inside millage then Kenn?

Councilperson Synek said it has to be requested on this budget form. The County Budget Commission is the one who arbiters the inside millage for all the taxing districts. So, the City of Independence will submit its tax budget. The school district will submit its tax budget to the County Budget Commission. The County Budget Commission matches them all up, makes sure no one is getting more than 10 mil; and if somebody were, there are some provisions and they say okay school district your maximum share is this, City your maximum share is this, work it out. The Commission's job is to arbiter those sorts of disputes.

Finance Director Blaze said correct, that is my understanding; but since between the City and the school and only 8.5 mils is being requested of the Budget Commission, that other 1.5 was I mistaken when I thought I heard you say the County gets that then?

Councilperson Synek said the County does levy 1.5 mils of inside millage across all of Cuyahoga County. So, the school district and City governments are allowed to split the remaining 8.5.

Finance Director Blaze said, so we are at the max then.

Councilperson Synek said yes.

Finance Director Blaze said there's not an additional 1.5 out there that can be grabbed.

Councilperson Synek said correct. It's spoken for.

Councilperson Veverka asked on a \$100,000 house then, the value of a tenth of a mil would be how much?

Finance Director Blaze said well a \$100,000 house would be taxed at 35%, which is \$35,000 divided by \$1,000 is 35 and you multiply that times. Well 1 mil Councilperson Synek would be \$35; so Councilperson Veverka if your question is what would one-tenth of a mil be, that would equate to \$3.50. Am I doing the math in my head correctly?

Councilperson Synek said I did some calculations, and I have been working off a median home value of \$250,000 which is the median home value in Independence; and 1.6 mils would equate to roughly \$150 savings I believe to the median homeowner. Of course, commercial owners, they would see a similar benefit.

Councilperson Trakas in the plan introduced last month had some administrative challenges to it in terms of how do you pass out grant money to businesses; and this one is an across the board savings for all property owners that really requires no administration for anybody in the Mayor's office or the Finance Director's office. This would just be leaving more money in the homeowners', property owners' bank account. It's a stimulus, and it's also a potential way of sharing revenue in the future with the school district.

Chairman Vice Mayor Grendel said well it's definitely something to think about. I just hate, especially nowadays with what is going on with our finances; I feel uncomfortable reducing our income at any point, not knowing. Maybe if conditions were different, and we were having our best year ever, things are looking great; that would definitely be something to look into. At this point, I still think \$1,000,000 from our revenue from income is substantial, especially since we are going to be losing another maybe \$3,000,000 or \$4,000,000 or \$5,000,000 what Vern projected, and maybe even more.

Councilperson Synek said I have another schedule that enforces my thinking on this I would like to share with you for just a moment.

Chairman Vice Mayor Grendel said sure.

Councilperson Synek said so 30 years' experience as a CPA; so I am a numbers guy; and one of the basic financial statements in for profit businesses is called a Statement of Cash Flows. The principles in a Statement of Cash Flows are used to kind of take some of the numbers the Finance Director has provided and reformat them in terms of a Statement of Cash Flows. A Statement of Cash Flows takes an entity's cash in and cash out and puts it into 3 separate

buckets, which is to say cash flows from operating activities, cash flows from investing activities, cash flows from financing activities. Your investing activity, there are capital expenditures, your roads and bridges and streets and sidewalks. Financing is borrowed money and interest and fees on that; and everything else is operating. So, this actual history rolls forward the City of Independence's cash balance from January 1, 2016 we had \$20,000,000 in the bank; and December 31, 2019 we had \$40,000,000 in the bank. This schedule reconciles 4 years' worth of cash in and cash out.

So, what forms my thinking on this whole concept is mostly this revenue over expenses from operating activities. Each and every year for the years 2016 through 2019, we have had \$13,000,000, \$14,000,000, \$18,000,000, \$17,000,000 of positive cash left over after all the City's operating expenses are covered, the Fire Department, the Rec Department, all of the basic functions of government are covered; and there's still \$13,000,000 to \$18,000,000 left over. We use that money to spend approximately \$9,000,000 or \$10,000,000 a year on permanent improvements. I have taken a look at what other communities have done for permanent improvements, and we spend a lot. We have abundance here. North Royalton, a community with 3 or 4 times our population, 3 or 4 times our land mass spends \$3,000,000 a year, \$4,000,000 a year. What we have to spend for capital improvements is an amazing opportunity. Of course, we have debt and borrowing and repaying of debt; but I am confident about, Coronavirus or no, I am confident about the future because of this surplus being over \$10,000,000. It's not going to be as big of a surplus come 2020, but the revenue would have to drop to Depression levels, and we would all be in a world of hurt if this ever turned negative; this will still be a positive number going out to the future to cover all of our operating expenses.

We are in a great place, not as good as if Covid-19 wouldn't have happened; but we are still in a great place. If I get the chance Mayor, I will share with you my thoughts about re-opening, finances and all that. My decision is focused largely on this significant amount; we have \$15,000,000 to \$20,000,000 excess after we pay all the basic operating costs. So, if we were to redo this inside millage by 1.6 mils, that's about \$800,000 of less revenue for the City. That's \$800,000 money saved for our property owners, and not a huge impact on the business, this \$3,000,000 plus of revenue a year. It's not a huge, certainly you don't want to lose any dollars, but it's my way of thinking; an \$800,000 reduction to the property taxes from the reduction of inside millage is not negative. No one is going to lose their job; no programs are going to be cut because of that; but what it can do for our school system, and what it can do for our property owners, let them hold onto that money for a year during this difficult time, it would be pretty amazing. I have much more data I could share with you; it's been a passion of mine for 4 years, and this is a great overview.

This is what shapes my thinking. I think the City of Independence can afford; but the bigger payoff for what it can do for our school and our community for that \$800,000 is amazing.

Chairman Vice Mayor Grendel asked now something like this, it would have to be approved on a yearly basis? Year by year I would think. We approve this tax budget on a yearly basis every July.

Councilperson Synek said it's an excellent question. So, inside millage and what they call the 20 mil floor that essentially the City would have to do this in this year, do nothing next year; and it will be good in perpetuity. All it has to do is something called the 20 mil floor that if the school district reduces its inside millage that's currently levied for operating, the 20 mil floor will kick in. The school district will collect the same amount of money. The property owners will have to pay more taxes to the City, essentially the City, if it undoes this in year 3, will have enacted an unvoted tax increase on the people. The school district will be fine because of the 20 mil floor, and it's complicated. We can have a separate meeting to talk about that; but the short answer is the 20 mil floor protects the school district if the City ever changes its mind somewhere down the road.

Councilperson Kapusta asked so was that a yes or a no though. I'm sorry Kenn, maybe I misunderstood Dave's question?

Councilperson Synek said so the City would need to act this year to reduce inside millage, and not increase it again next year. If those 2 things happen, there would be no adverse effect at any point in the future for the school district if the City ever again wanted to reframe this inside millage, which it could do; but what it would do is trigger an unvoted tax increase on the people, no revenue loss to the schools.

Chairman Vice Mayor Grendel asked so if the City declined Kenn to take their 2.20 then the schools would pick that up like next year?

Councilperson Synek said the Budget Commission says there's this thing called free millage. If the City of Independence were not to levy this millage, it would create free millage, levy inside the 10 mil limitation that's not allocated to any tax districts known as free millage. That free millage has to be there according to the County Budget Commission. So, by us not levying it this year, it makes free millage that the school district could levy next year.

Chairman Vice Mayor Grendel said I see. So, it would be just a one year reduction for taxes this year and then next year it would go back to the current level.

Councilperson Synek said right. Except the revenue would then flow to the school district instead of the City.

Chairman Vice Mayor Grendel said I understand now.

Councilperson Synek said now the other nuance of inside millage in the hands of a school district it's levied for permanent improvements. The school district can use that revenue to support a bond. So, the school district has \$800,000 in annual revenue from this inside millage for permanent improvements. It can take a loan out for 30 years using that \$800,000 as a repayment source; and depending on what interest rate you use, with that \$800,000 that the City gives up, it could turn into \$15,000,000 next year for our school district to build a new school building, to fund repairs to existing building, but it can only be used for permanent improvements. It can't be used to fund salaries or anything like that, just permanent improvements. So, \$800,000 to the

City quickly turns into \$15,000,000 for our schools; and that's the real power of this idea. It's the nuances of what inside millage means to the schools.

Councilperson Kapusta said so let's say 3 or 4 years down the line the sitting Council at that point and time and Administration felt that money was needed back, that millage was needed back. Is there a vehicle for them to take that back?

Councilperson Synek said so what would happen in that regard, when we do this tax budget, instead of levying less we would levy our guaranteed minimum share again. That would go to the County Budget Commission. The County Budget Commission would say hey wait a minute, when we add up what the school district got, that's more than 10, that can't happen. There's a law that says how much the school is entitled to, the City's entitled to. The City would get what it's legally entitled to, the higher rate, but the schools would have to give up some of their inside millage that's levied for general operating. The school district is at the 20 mil floor, so when you take away inside millage that's levied for general operating, the 20 mil floor will fill that back up again. So, the school district will not lose any revenue, but the City will collect more; and the net effect is an unvoted tax increase on the people enacted by the Council and City of Independence. The school district is unharmed again because of the 20 mil floor. I can show this a little bit better on a spreadsheet.

Councilperson Kapusta said so if that were needed, and you are really way ahead.

Councilperson Synek said I get it, it's technical. We could have a meeting on just this.

Councilperson Kapusta said right, so if the City felt that were needed, I understood the process where you said it could be petitioned to the County and everything; but then I also heard you say that it would result in an unvoted tax levy to our residents.

Councilperson Synek said correct.

Councilperson Kapusta said well that would be a popular group to be in that year wouldn't it.

Councilperson Synek said that's why I think that it creates such pressure, that it's unlikely to ever happen in future Councils. If we were to do this now, it could; but unvoted tax increases are an unpopular thing to do; and for \$800,000 revenue on an entity that's going to continue, whose revenue is going to continue to rise.

Chairman Vice Mayor Grendel said now Kenn, isn't it \$1,000,000 that 2.2 generates.

Councilperson Synek said that's 2.2., but we don't have to do all. We could do a half a mil, we could do 1 mil. I have always used the number 1.6 mils.

Chairman Vice Mayor Grendel said I see.

Councilperson Synek said now more than ever, respect and appreciate our first responders; and we levy 6/10's of a mil for Police and Fire pensions, and no one wants to get involved in that.

Chairman Vice Mayor Grendel said I see. So, you are leaving the .6 for the pensions.

Councilperson Synek said pigs get fat, hogs get slaughtered. We could levy zero, okay there's reason for all of this. We could do half a mil a year for the next 4 years, whatever we want to do; but we should have a discussion about this because the impact for our school district is so huge and what it does when you try to attempt to pass a future levy. We can go out and say hey we have this other thing with our City, we are pooling our community resources in this amazing way that's not going to cost taxpayers additional money out of their pocket. There's so much here that we can and should think about before we just race to hey let's do it the way we always have done it.

Councilperson Kapusta said I concur that there is a lot there, and I respect that you put in a yeoman's amount of study into this Kenn; but I have to go back I guess right now, and it's probably just the conservative in me. I have to go back to Vice Mayor Grendel's comments, his initial comments about is this timing for it? Wow, I am so apprehensive about what the future may hold economically for us as a City that I don't know that I would even at this point want to entertain further discussion about this. If we checked with all Councilpersons, and the majority felt that it was something they are interested in even considering at this time, I would obviously go along to get further knowledge; but I don't know if we have that kind of consensus. I would like to I guess get something from the other Councilpersons as to whether they would even consider at this point and time putting our City into this kind of financial decision with what we are facing from external factors, not to say that we would never look at it again; but I just don't know if the timing right now is something that makes me comfortable.

Chairman Vice Mayor Grendel said and I agree with you Kathleen. I'm kind of nervous, even my own finances; I always try to be conservative so that I know that I have more than a fallback. That's why I can't understand sometimes some of these businesses they only live day-to-day and everything. I try to provide the worst case scenario that we could still survive if some bad things do happen like what's happening now; and I would be awfully leery, especially we are not dealing with our own money, we are dealing with our City's revenue. We have so many responsibilities, look you can just tell from the Utilities meeting that we had with the flooding issues. We have our infrastructure, it seems like we have done a good job keeping up; some of it is over 100 years old and that. So, we have a responsibility to make our living conditions in this town; and that's why I blame our country, our infrastructure in the country has gone to pot. We need to, in order to keep the economy going, we need to make sure our roads, our sewers, everything possible is in tiptop shape. That requires a lot of money, and the City has a responsibility to the schools. I know I was on the School Board, there are so many unfunded mandates that drive me crazy. The State would say you have to do this, you have to do that; but they give a school like Independence, they don't give many sources of revenue to pay for that. That's neither here nor there.

Given the situation, it's very interesting what Kenn has brought up, but I think at this moment I would be awfully hesitant to support this; even though I think he has done a great job of studying this. I commend Kenn for that. I don't know how other Council members feel. Committee members, Dale how do you feel in that regard?

Councilperson Veverka said I definitely think if the times were better, it would be much easier to push; and I think it's a worthwhile idea. Part of what I am hearing I think is Kenn do you want to try to connect this with Jim's idea trying to ease the tax burden currently for residents?

Chairman Vice Mayor Grendel asked is \$150 going to really make residents ease their pain? I don't know; if that's the dollar amount that we are looking at with the average homeowner.

Councilperson Veverka asked Kenn what was your total amount that you suggested?

Councilperson Synek said I think it was \$250,000.

Chairman Vice Mayor Grendel said I think you are right Kenn.

Councilperson Veverka asked and what are we talking about, 3,000 residents times \$150? How does that math shake out?

Finance Director Blaze said it's \$450,000.

Mayor Kurtz said that's because half of it is going to the business community.

Chairman Vice Mayor Grendel said right.

I think as far as Jim's proposal goes, I think in discussing this earlier with the Mayor and Finance Director, we still don't know what the Federal and State programs will allow us. Would we get some funding source from them too? I think hopefully we will get some clarity if there is a third stimulus or that; I think it might be premature. I like to have our bases covered; because we have enough responsibility to this community from an infrastructure standpoint. I don't want to be loose and free with funding we have, but again, I acquiesce to the majority of Council in that regard; but that's what my feeling is on that.

Mayor Kurtz asked okay, what about everybody else?

Councilperson Synek asked what about everybody else?

Councilperson Trakas said I am willing to have that discussion because the School Board is going to be in the same boat we are in with their revenue losses. At least let's have something on the table that we can all look at the next meeting, and if it passes in June, we have a little time to look at it. Let's consult with our colleagues about that. I think the residents look at Independence, not the Board of Education versus the City, versus the Sewer District or anything else. If there is a way we can help them. We know there's no money coming out of Columbus for the schools, that's for sure.

Councilperson Synek said Jim, your mic cut out.

Councilperson Narduzzi said so Kenn, I think you have a great idea; and I know you did a lot of work on it. For one I think it's bad timing on the City's part. Two, as an elected official, I have

to put the City first. I have to agree with Dave and Kathleen is that my first interest is for the City. So, I guess in these trying times, I have to protect the City first; and \$800,000 may not seem like a lot of money when you have a \$40,000,000 budget, but to me it's a lot of money. To save \$150 per family, to me, doesn't seem like a lot of money. So, I think to give up \$150 per family to put the City in an \$800,000 loss of revenue a year forever, it's not just for one year, it's forever, I really have to look at that very closely before I would agree with it.

Councilperson Walchanowicz said I think it's open for discussion, but we need more time than just 20 minutes to do it. A meeting alone set aside for this should be done if we want to.

Councilperson Kapusta said and that's why Chris, if we have the majority of Council feeling that this something we want to do at this time, I would certainly concur with that. If we don't have the majority, then I think it's going to be a very involved discussion, and I think we have so much else on our plate right now that I would prefer to put it aside if we don't have the majority.

Councilperson Walchanowicz said right, I agree.

Chairman Vice Mayor Grendel said and I think like you a said, a decision like this is long term if we go out to the plan that Kenn gives, it will be a one year reprieve it seems like; and then next year the schools could grab that extra money. Then it's pretty much, I don't think any future Council people would ever want to tax our residents without a vote of the people. So, I think again we would be locked into that; but I think that down the road when things get going, they are going to say what were those Council people thinking back in 2020 when they made this decision. Things are so fluid, and especially with what has happened this year. I would be hesitant this year if things got more back to normal. Next year, from an economic standpoint, I might be more receptive at that point, but for now I am taking it day by day, week by week. I don't think it would be prudent at this point. I would love to have another meeting to discuss it because it would be, the more knowledge that Kenn can share with this, the better decision we could make, whether it be this year or next year.

If Council would want to have a discussion of this at our workshop, then I would be definitely open for that because the more knowledge we get, we are making decisions that we can feel really good about. Right at this moment, we will just again continue; I will do what Council wants. If you want to have another Finance meeting, or have part of our workshop on this, we will definitely have this topic. Kenn, you have put a lot of time and effort into it, and we want to also share in the knowledge that you have gained over the time. Sometimes it takes a comfort level because myself, this is the 17th year on Council; it's totally alien to what I have been, my feelings have been all along. I don't know if you are going to change that overnight, but I do see some of the points you bring up. It takes a little bit more in depth to really get that turnover in my decision making anyways.

Councilperson Walchanowicz said for future, any of us running in the future, for some reason it doesn't go to a levy vote, I don't want to be the one that decided on this; and now I have to go to the people and say hey we have to vote for this because it's already happening. Secondly, to have to vote on something like this in June, I don't think that a month is enough time to really sit

down and get to the nitty gritty of this topic and have it to be voted on this year for next year's budget.

Chairman Vice Mayor Grendel said you bring up a good point because that's something we can stay the course for this year but have these discussions and Kenn could lead them even to get us to that comfort level because to me it would take a number of these sessions for me to get comfortable with that, to change what has been the course of action that the City has lived by for so many years to all of a sudden give that up. I do like the fact that at least we are keeping the pensions whole for the Fire and Police.

Councilperson Synek said it was just a suggestion. It doesn't have to be 1.6 mils, it could be 1/10 of a mil. Anything between 1/10 of a mil and 2.2 mils is possible.

Chairman Vice Mayor Grendel said and you bring up a good point Kenn. That's something we could discuss on a regular basis and get us to that comfort level and everything because you put a lot of, you have spent I am sure hours and hours researching this and checking. So, it's something that we need to really, at least I feel, to chew on because I think the last years we voted on this tax budget, it was almost a foregone conclusion. We had the hearing, and correct me if I'm wrong Vern, but I think this has almost been routine to pass this in the past years.

Councilperson Synek said my hope Dave would be to have an opportunity to educate Council about the huge planning opportunity that is inherent in that inside millage levy. What it can do for our community when you think of the community being schools plus City, what this could do for our community is just amazing, at no tax increase to our residents.

Councilperson Walchanowicz said I think there's so much on our plate now, the Administration's plate, and adding more to it currently is a lot; and I think like I said before, we need more than 3 to 4 weeks of discussion to cover it. Whatever the millage would be, I think it should be put off for at least through the end of this year and talk about it, take the next 6 or 7 months to discuss it.

Chairman Vice Mayor Grendel said I am looking at my clock here, and I guess we are getting near the 6:30 p.m. time which the Planning Commission will begin; so I think what we do, we had a thorough review. If there's any questions regarding the appropriations and that Vern you would be open to handle any questions from the Council or my committee regarding that. Definitely we will save that. Again, I think this ongoing crisis, we are going to discuss it further when we have the meeting on May 19th regarding the effect of the Coronavirus situation; but Kenn you brought up some goods points, things that we are going to look at and study with you. We will definitely schedule from time to time. I think at this point we will need to probably put an end to our Finance meeting. If there's anybody else who has a final question from either the Committee or from Council?

Councilperson Synek said Mayor, open the pools, open the Civic Center, open the Fieldhouse as soon as possible.

Mayor Kurtz said I think the appropriate word is as soon as possible.

Chairman Vice Mayor Grendel said and Mayor, you are going to wait for the State to give you direction so you are not being an outlaw regarding those decisions too.

Councilperson Trakas said I would ask that we put that on the agenda for the Council meeting because I think there's important things to discuss, not just opening things up, but also public health and safety and balancing those things as well. I have concerns.

Chairman Vice Mayor Grendel said and depending on how much time we have next week, but definitely on May 19th. We might have to have a few more meetings just to keep up-to-date on these things because things do change so rapidly too. You bring up a good point.

Councilperson Walchanowicz said and Jim if we don't do it Council, we can have a Public Lands & Buildings meeting to discuss all that too because it is, it might give us a little more time And not rush through it during Council next week.

Councilperson Kapusta said we also have an abbreviated Caucus next week, remember that. We are starting a half hour later, so if we really think this is an issue we want to discuss, we could go back to the 5:30 p.m. start.

Chairman Vice Mayor Grendel said correct, and I am open. Who moved it to 6:00 p.m.?

Councilperson Kapusta said I think it was Debi Beal.

The Clerk said the Mayor moved it to 6:00 p.m.

Mayor Kurtz said like you said, the buck stops here. We will look at our agenda, we will look at the schedule; and if we need to adjust it, as long as Council is all available, then we can adjust it.

Chairman Vice Mayor Grendel said I think Mayor we would be available if you push it to 5:30 p.m.

Mayor Kurtz said just say 5:30 p.m., and if we see where there's a more robust agenda, we can even push it back to 5:00 p.m.

Chairman Vice Mayor Grendel said very good, thank you Mayor.

Moved by Synek, seconded by Trakas, to adjourn the Finance Committee meeting of May 5, 2020. Voice Vote: 3 yes/0 no; motion carried.

The Finance Committee meeting of May 5, 2020 was then adjourned at 6:32 p.m.