

**CITY OF INDEPENDENCE
STRATEGIC PLANNING COMMITTEE MEETING
MINUTES
MAY 26, 2020 4:30 P.M.
VIA ZOOM**

Vice Mayor Grendel called the meeting to order at 4:34 p.m. Present were Council Members, Kathleen Kapusta, Tom Narduzzi, Kenn Synek, Jim Trakas, Dale Veverka and Chris Walchanowicz. Also present were Mayor Gregory P. Kurtz, Finance Director Vern Blaze, Law Director Gregory J. O'Brien, Procurement Coordinator Dennis Zdolshek, Recreation Director Tom Walchanowicz, Police Chief Michael Kilbane, Fire Chief Steve Rega and Community Services Director Marilyn Senick (arrived at 5:10 p.m.).

Vice Mayor Grendel said it's our third Strategic Planning meeting of the year.

Again, in talking with the Mayor, we are going to be going until 5:30 p.m., and then adjourning this meeting and going into Executive Session hopefully as quickly as possible after that. I know we have a stop time at 6:00 p.m. That's when the Mayor will be leaving the Executive Session.

We are going to pick up with the agenda that we received over the weekend; and again, we are going to update any further information from last week regarding the Administration's plan moving forward from June until the end of the year regarding City events and also some of the programs that we offer the youth as well as the seniors and everyone as far as residents go. Mayor, I will let you have the floor.

Mayor Kurtz said thank you Vice Mayor, and thank you for everyone who participated at the Memorial Day ceremony yesterday. It was appropriate for the different situation we are dealing with.

I do want to just stay on focused on some of this. This is a strategic planning session, it's meant to address where we are going in the future. So, some of the different items can be briefly gone over with my Department Heads, but I think for the most part we will focus on where we are going as a community and then that's something that I can assure you. The strategic planning should focus on big picture items, and we can get into the weeds on some of these issues at some other time with legislation or some other way to navigate through that. I would like to think in the future strategic planning will evolve around long term strategies, whether they be economic development, whether they be events, whether they be some of the different places we are going in the future. For right now, we have an agenda so we will try to get through that quickly. I know Councilperson Synek needs a few minutes reserved for that one line item. We should be able to get through the rest of it pretty quickly so that we can meet our 5:30 p.m. Executive Session which is very important.

Vice Mayor Grendel said I think for future reference Mayor and Vern, I would like to have a Finance meeting sometime in June, whether it be before; so you and I have to get together and coordinate with Kenn and Dale; but actually all of Council so we move along the timeline that you have set up. You gave us the information regarding our debt and everything too; so I would

like to schedule a meeting. Look at your schedule and let us know if there's any vacation time that you are not going to be here; but we are looking at a Tuesday in June, and of course, not including our second Tuesday.

Mayor Kurtz said we have several people, School Board members and the Superintendent on as a courtesy if we need to ask any questions; but for the most part we are going to focus on our agenda and then go from there.

So, moving forward, the first question, the first item on the agenda is moving forward, what's our plan for the rest of the year in terms of events. We have the Rec Director and the Community Services Director on line. I talked to the Superintendent as late as this afternoon. I talked to our teams in the various departments. We are looking closely at the summer programs with our children, and we are getting closer to finalizing those plans so that we can articulate those to the community, to the parents for those who have signed up. We have over 100 people who have signed up for the various programs; and we are, through the generosity and the cooperation with the schools, they are willing to open, not only portions of the high school, but they are also willing to open up portions of the middle school to facilitate these programs because we normally run some of the programs out of the Civic Center, but in all fairness to the seniors, the schools are willing to give us the ability to balance that by opening aspects of the middle school. So, that's exciting, and it gives the team some flexibility to determine if we can still facilitate these programs, meet the State's guidelines and mandates, be able to train our people, have enough staff on board for our own safety and the safety of our community group leaders. Once we complete that analysis, we will make sure that we articulate that to members of Council and the community itself. Any questions on that? That's relative to the summer programs for the children.

As I mentioned, we are looking at a timeframe for opening up the Civic Center. I will divert to the Recreation Director Tom Walchanowicz to give you an overview of some of the tentative timetables.

Recreation Director Walchanowicz said what we are looking at as far as the Civic Center goes is opening most of the building next Monday which is June 1st. Once we get all of our protocols in place, and all of our safety measures taken care of, what we are looking at is June 1st for opening of the Civic Center. Now that will not include the gymnasium, and it does not include the Community Services side of the building. Our atrium obviously has to be a pass thru. We technically from the Governor's guidelines can't open the atrium, so we aren't going to have chairs in there. What we basically want is people to come in, use the building as they need, whether it's the indoor swimming pool or the workout facility upstairs or the aerobic programs, and then exit the building. At this point we don't want the people to hang inside the building and congregate. So, that's our plan for this building going forward.

Vice Mayor Grendel asked Tom, are you going to limit it to a certain number of people? If so, how are you going to inform everybody that only so many people can use the facility at one time?

Recreation Director Walchanowicz said well again like I said at the last meeting, we are fortunate that we have a large building for a smaller population; and then couple that with this time of the year is our slower time. So, when we looked back at our records from years past during the months of June, July and August, our numbers, those are our lowest volume numbers. We are going to keep close watch on it. We know what the number is for each room. We will not exceed it, but we don't even think we are going to come close to exceeding the number. Again, we will not allow the non-resident guests to come into the building, at least for the next three months.

Councilperson Walchanowicz asked are you going to have the locker rooms and showers shut down too?

Recreation Director Walchanowicz said yes, the indoor showers will be shut down. The restrooms will still be open, but the lockers are going to be off limits too.

Mayor Kurtz asked and the pool?

Recreation Director Walchanowicz said yes, the pool is going to be open; and we will have sign up for lanes. So, that's one of the things we are going to say to call in ahead of time. That's one thing we may get up towards our maximum is in the pool. That is going to be a call ahead.

Mayor Kurtz asked and what about the outdoor pool Tom?

Recreation Director Walchanowicz said right now we are looking at around June 15th to open that facility. We think if we get two weeks of operation under our belt with this facility, that we can safely open that pool June 15th.

Mayor Kurtz said we will communicate this to the community as we see we can achieve those goals set by the State as well as disinfectant. We will be responsible for disinfecting all of our facilities, including the school facilities if we are able to use those; and so we will be in a position to be able to maintain, not only the guidelines by the State, but the policies the City has in place for hygiene and sanitation.

Councilperson Trakas asked the Recreation Director how do you maintain social distancing in a pool setting?

Recreation Director Walchanowicz said in the indoor pool we are going to use lane lines, and we are going to have certain lanes for lap swimming. Then we will have other lane lines and rope buoys to keep like if there is open swimming and a family wants to come in, we are going to have the pool kind of segregated out.

Vice Mayor Grendel asked there will be lifeguards there Tom?

Recreation Director Walchanowicz replied yes. We will have lifeguards, and we will probably have an extra person around just making sure everyone is social distancing.

Councilperson Veverka said Tom when you have a five person family, they don't need six feet. Is there a way to delineate if it's a family, they could be together as compared to an individual that can't be with the family?

Recreation Director Walchanowicz said individual families will be allowed to be closer than six feet, and that's why we are going to probably have an extra person so when we see these people walking in, we are going to get a visual of families. Also, one of the rules we are going to put in place is where you have to be with a parent if you are, I think the age we set now is under 14. So, 14 and under you can't just ride your bike up here and just come in the building. You have to be with your family. It's going to be the same way at the outdoor facility, at least at the beginning.

Mayor Kurtz said so there are a number of different protocols that are going to be put in place. We don't want to spend a lot of time in the weeds on this right now because we are still working through things; but by all means if you have any questions beyond this meeting, just send an e-mail, and we will get you some answers right away. Any other questions on that?

Councilperson Trakas said you know Tom we switched over from using chlorine to that UV product in the indoor pool.

Recreation Director Walchanowicz said even though we have the UV disinfectant system, it's also backed up with the chlorine. So, all the time we use chlorine also so it's a dual system now of both the UV and the chlorine.

Councilperson Trakas asked that's acceptable to the State standard what we are doing?

Recreation Director Walchanowicz replied yes.

Mayor Kurtz said we will follow the County Board of Health. We will follow the State. We will be following all of the protocols; and if you have any more questions by all means just send an e-mail and we will be more than happy to address them. We will address them back to everybody.

Councilperson Trakas asked about legal ramifications.

Mayor Kurtz said Greg O'Brien, legal ramifications. Is there any exposure, anything that we need other than you have gone through our release and the protection that parents are signing for their children and different releases we have for the different participants in our facilities? My understanding is those meet a high threshold. Is there anything else we need?

Law Director O'Brien said Mayor, I think if you follow the CDC, the State and the County Board of Health relative to each particular activity, and what I mean by that is there's certainly

different guidelines that gyms have to follow versus your swimming pools versus your child care. As long as we are following those in the situations, and we enforce them; it has to be a dual system, right? We have to make sure we have them on paper, and our staff is trained on them; and we are implementing. I like the person roaming around to make sure that we are doing everything. Again, it's going to be very difficult for someone to sustain a lawsuit and prove proximate cause if they do unfortunately incur the Covid-19 infection. We could do, and I talked to Tom about this; this is certainly kind of maybe a belt and suspenders. We could put together some signage at the entrance of buildings, letting everyone know that we do follow these but we don't guarantee, that they assume the risk by entering them. That's really going to be kind of a business call. You don't want obviously heighten the fear, but we want people to know.

I have been asked and can develop certain waivers if that's practical. The waivers we have now I think are sufficient; but for like voluntary coaches if we are going to go forward with the baseball programs or whatever. I can beef up and provide a more robust waiver that coaches would sign and maybe participants could sign. I don't think it's practical when we open up our parks when someone signs up for a tennis court to have someone go out there, make sure we have a waiver for each individual resident using it because some may just come as "guests" of someone.

Mayor Kurtz said so it sounds to me like you have reaffirmed that our current system and protocols as well as the different waivers that people sign or that we have on file will be more than sufficient in terms of protecting the City.

Law Director O'Brien replied yes, but as long as everybody understands there's a lot of plaintiff's lawyers out there; but I think they will be spitting in the wind if they actually tried to file a lawsuit against the City.

Mayor Kurtz said well I do know that for the benefit of Council and those who are participating today that we stress every communication with the Rec and Community Services Department; we stress that these facilities will only open if they can assure me that we have an adequate system in place to prevent, hygiene as well as disinfecting facilities. So, that's a high priority throughout the entire community.

Law Director O'Brien said and one more thing Mayor, and thanks to Councilperson Trakas, he sent over House Bill 606 being sponsored by Dave's cousin Diane Grendel. It's in committee now, but in the body of that House Bill Ohio would adopt immunity (inaudible) Covid; and certainly the cities within the definition of that immunity. It has not passed. I am sure some of you know the Federal, the U.S. Senate, the Republican Party is requesting that, and that may come on a national basis. So, those will provide two, hopefully one will take hold and be passed, provide two possible additional opportunities.

Mayor Kurtz said we have the ramifications of the Covid-19 on the City safety forces and emergency services protocols. Chief Rega do you want to address that?

Fire Chief Rega said we are kind of on the front lines of this; and since the beginning we ramped up personal protective use quite substantially. The guys, through CDC recommendations are wearing N95 masks on all calls. We have additional protocols when we are dealing with the suspected Covid or a confirmed Covid case. So, that's kind of how we have been working from the beginning. We are constantly for a while there getting updated on protocols. One thing is for sure, they reinforce the fact that nothing has really changed since Day One to now as far as how we are supposed to social distance in the station, how we are supposed to treat patients moving forward.

One of the things that we changed that's a little bit significant is that per protocol, if a patient does have Covid systems but they are mild; that patient will probably stay at home to get care from their personal care physician. There was a release form that had to be put in place for that type of situation. So, we have adapted to that.

We continue to watch our PPE supplies, and we are looking at our burn rates and how much we have and what we need moving forward trying to anticipate any additional upswing of this virus or not. So, that's primarily what we have been trying to do, stay ahead of needs and what we need to do.

Mayor Kurtz said okay, thank you Chief. Chief Kilbane, protocols and safety issues in the Police Department. Are we still sanitizing the vehicles between shifts and making sure we have enough PPE equipment for our people?

Police Chief Kilbane said absolutely Mayor. Thanks to Chief Rega and the Fire Department, they pointed us in the right direction for some equipment that we can use to sterilize our cruisers between every shift. Also, just like Steve, we are making sure we have a sufficient supply of PPE issued to all the officers; and we have a just in case stockpile in case there is a big spike or major incident. Other than that, we have made some adjustments in our patrol tactics to minimize contact with folks as much as possible. We are doing a lot of business via e-mail and phone for investigative stuff that we would previously do in person. Additionally, we have adjusted our patrol patterns. It's a two prong approach. Number one, we have increased our visibility and presence in the residential neighborhoods because of the larger number of folks in the City who are home because of the lockdown. We want to make sure that they are safe, and additionally because some of the businesses are either on reduced hours or closed, we have instituted daily business checks. At least twice every shift officers are doing exterior checks on just about every business, paying special attention to the ones that are closed.

Mayor Kurtz said thank you Chief. In addition Chief, I know that some of these businesses have gone to two shifts to utilize their employees more effectively; similar to what the City has done in some cases. I also saw and talked to that the State Highway Patrol is out, and they are out stopping violators again. So, I am assuming that our people will be stopping violators and educating them as part of the reintroduction of our safety strategy.

Police Chief Kilbane said absolutely Mayor. As the businesses ramp up, the traffic is going to ramp up with people coming and going. We have already started that, getting an early start on it with making sure that we are maintaining a visible presence in the high traffic areas; and targeting aggressive drivers and the really serious speed offenses. The ones that are potentially hazardous to causing damage. Those are the ones we are trying to get the message out that you just need to slow down and get to work in one piece.

Mayor Kurtz said safety and educating those that we stop are the highest priorities. So, thank you. Any other questions on the ramifications on our safety forces from anyone?

Vice Mayor Grendel said Mayor I had a question for Steve. The number of runs that we make now because Rockside has been virtually shut down or semi shut down. The number of hospital runs that have been cut down considerably, and are there fewer runs for our residents because of the fear? I think Mayor you have mentioned a couple of times in your phone announcements that people are afraid to use emergency rooms because of the Covid situation. I just wanted to see what our numbers look like.

Fire Chief Rega said compared to last year at this time, we are down about 15% on EMS calls. That amounts to about 76 EMS calls. So, while it seems like a lot, we could make that up easily in one bad flu, or two bad flu months. So, it is true that people are not going to the hospital because basically we told everybody don't go to the hospital or don't overwhelm our medical services. Essentially, that's slow to ramp back up, but we are seeing an increase in call volume at this time, not significantly. It's going to ramp up slowly, but so far EMS wise it has accounted for about 15% reduction.

Mayor Kurtz said thank you Chief. Any other questions?

Councilperson Trakas said I have one. What about Vista Springs?

Fire Chief Rega said basically we have been in contact with them. We have worked out a protocol for when we arrive on scene, and they are meeting us at the door. We are trying to limit our access to the whole facility. We are just trying to meet them at certain locations when that is possible. Now if we have a patient that has fallen, obviously we are going to have to go where they have fallen. We don't want them to be moved, but there's a protocol for that. They are also following State protocols.

Mayor Kurtz said one more thing is that Councilperson Kapusta asked about the Covid impact financially; and let me give you a little data that was supplied by the Finance Director. The wages, both City paid and the Government program, remember that two week program amounts to, one is \$33,000 and one is \$17,500. Supplies is about \$20,000. These are all estimates, and tech support is \$5,000. So, right now about \$75,500 which would be what we would seek to be reimbursed once the dust settles and they pass legislation that would allow the funds that the Federal Government has issued to be allocated to the counties, to the cities for reimbursement. Hopefully, that answers your question Councilperson Kapusta.

Councilperson Kapusta said yes, thank you Mayor.

Mayor Kurtz asked any other questions on that?

Vice Mayor Grendel said I had one question. I think we had approved work to be done, I think over there on Patriot's Way. I went by there today, and they haven't gotten started.

Mayor Kurtz said they were supposed to mobilize today. So, that's when the work will actually begin.

Vice Mayor Grendel said very good. Thank you.

Mayor Kurtz asked any other questions?

Mayor Kurtz said Vice Mayor I think at this time based on the agenda, it would be appropriate that Councilperson Synek give an overview of inside millage for Council to contemplate.

Vice Mayor Grendel said very good. Kenn, the floor is yours.

Councilperson Synek said thank you very much. I appreciate you giving me the opportunity here to discuss this subject. I am going to share my screen here. I want to remind any participants who may have questions, there is a Q&A box at the bottom of the screen. You type your questions in there, and they will be recorded as part of the meeting; and we can either respond to them during the meeting or you can receive a follow up after if you put your questions in the Q&A box.

Councilperson Synek said hopefully you are now seeing inside millage.

Councilperson Kapusta said excuse me for interrupting, just to let you know if I ask ignorant questions, I am not seeing the screen share, my screen has frozen up. Thank you.

Councilperson Synek asked if everybody else was seeing the Power Point?

Several people replied yes.

Councilperson Synek said what I hope to do in the next few minutes is to provide you with a summary of the ins and outs, the rules and regulations of inside millage. I am going to try my best to communicate why reducing the City's inside millage will have a positive effect on the daily lives of our residents that is every bit the equal of Elmwood Park, the Civic Center/library, the high school/Shared Use Facility. When I try to put into words the essence of community life in Independence, those are the places that come to my mind first. My statement that inside millage is as impactful and consequential to our citizens as Elmwood Park, the Civic Center and the Fieldhouse may at first sound kind of crazy and (inaudible) exaggeration, but it isn't. It truly isn't.

It is within our prevue to create a new local government funding paradigm in Independence that will improve the lives of our citizens, adults and children alike, for generations to come. They say the best time to plant a tree is 20 years ago. The next best time to plant a tree, a small sacrifice by the City today will create a legacy that in time will rival that of Elmwood Park, the Civic Center and the Fieldhouse.

I have a few slides to share with you, to walk you through the technical and detail of all this. Let me start by saying what is inside millage? Inside millage is the first 10 mills of tax levied on real property. It's residences, it's the buildings on Rockside Road, it's public utility property like the CEI substation or the gas lines throughout Independence or cell phone towers. All of that real property is subject to a property tax, and the first 10 mills of tax on that property is inside millage. The Ohio Constitution requires that any property tax levied in excess of 10 mills has to be voted on and approved by the people. That millage not in excess of 10 mill limitation is unvoted.

How is inside millage levied? Well, it's an annual event. It may not feel like it, our tax budget has been the same since 1933; but it is an annual event. That's why every year the school district, the City, every taxing jurisdiction in Ohio has to submit a tax budget to the County Budget Commission. It's the County Budget Commission's job to oversee all of those tax budgets, make sure that the tax rates that are listed on those tax budgets have been voted on or fall within the allotted 10 mills of inside millage; and the County Budget Commission then certifies those tax rates and sends them on to the Auditor who sends the tax bills based on those tax rates reviewed and approved by the County Budget Commission.

Inside millage in Independence is currently levied as shown here. Cuyahoga County gets 1.45 mills. The Metroparks gets 0.05 of a mill. The City of Independence levies 2.2 mills, and the Independence schools levies 6.3 mills for a total of 10.

Now the Ohio Revised Code provides for something called a guaranteed minimum share of inside millage. So, this first column of numbers is the actual rate. Under the statute of 5705.31 this guaranteed minimum levy allots 1.45 to Cuyahoga County, 0.05 to the Metroparks, 2.3 to the City of Independence and 6.2 to the Independence schools. So, as we sit here today, the City of Independence is levying 0.1 of a mill less than it's guaranteed minimum levy, and Independence schools is levying 0.1 of a mill more than it's guaranteed minimum share.

The term guaranteed minimum share is a bit of a misnomer and counter intuitive. Back in 1933 they changed what was then a 15 mill floor and reduced to a 10 mill floor. So, in that change from a 15 mill to a 10 mill, each taxing district got a pro rata share of what used to be a 15 mill inside millage. So, this guaranteed minimum levy term (inaudible) the guaranteed share of what used to be a 15 mill tax or unvoted millage.

This brings in the concept of free millage. This is not a statutory term, it's more a term of the industry; but free millage is the difference between the millage actually levied in the given year and 10 mills. A taxing unit may receive inside millage if another taxing unit does not request its

full guaranteed minimum levy. There's a court case that goes along and affirms that. Basically it says that if the taxing districts overlap like the Independence schools and the City of Independence do; there is free millage out there and another jurisdiction could levy that free millage.

So, this brings me to my proposal for the City's tax budget change. So, if the City levies a lesser amount of inside millage, it creates free millage. That millage can then be levied by the schools. So, the 2019 tax rate that the City of Independence has at 2.2 mills and the Independence schools at 6.3. If the City were to reduce its inside millage by some amount; I put 1.6 mills here, but it could be anything. It could be 0.1 of a mill. It could be 1.6, it could be all 2.2; but for sake of example here; if the City reduced its inside millage by 1.6 mills, you would still have 0.6 mills to be levied, and the 1.6 mills not levied by the City could then be levied by the school district.

What 0.1 of a mill of inside millage is worth, it's \$48,000 a year of property tax revenue at 100%. The total taxable property value in Independence for the tax year 2019 was \$484,000,000, and 0.1 of a mill equals .001; so \$48,000 is the revenue that the City collects from every 0.1 mill of the inside millage.

Now the magic of inside millage is that one it's unvoted. You know how difficult it is to pass a school levy of any kind, but inside millage is not voted. So, it's up to the City Council and the School Board to deal with inside millage. The other beauty of inside millage is it's not subject to House Bill 920. Quickly in property taxes, as the value of the property goes up, the tax rate goes down, it protects taxpayers from unvoted tax increases. House Bill 920 does not apply to inside millage. So, as the taxable value grows so does the tax collections from the inside millage.

Now the special advantage when it comes to inside millage because school districts are permitted to use inside millage as the repayment source for a bond. Generally speaking, a school district cannot issue any debt without voter approval. There are very limited exceptions to that, but generally speaking a school district cannot issue any debt without a vote of the people. One exception to that is bonds that are secured to be repaid by inside millage levied for permanent improvements. So, 0.1 of a mill in the hands of the City of Independence is \$48,000 a year of revenue; but that same 0.1 of a mill in the hands of a school district could use it to fund a bond for 30 years is \$1,000,000. To the City of Independence, \$48,000, and \$1,000,000 to our school district; it's a huge multiplier effect. Again, it's unvoted.

So, some have asked me the question, is this a long term solution for the school district; and the answer is yes it is. It is essentially a one year action by the City that will provide a long term solution for our school. The reason for that is something called the 21 mill floor. Every public school district in Ohio is required to levy at least 20 mills of tax on the property within its borders. Because of that 20 mill floor and our school district's already low tax rates, it protects the school district if sometime down the road the City would change its mind about levying inside millage. So, let me walk you through this example. In your first year, the City reduces its inside millage by 1.6 mills. In the next year, so that creates free millage that could be levied in the next year by the school district. In the third year if the City changed its mind and again

wanted to levy the 1.6 mills of inside millage, what will happen? I will show you on this next slide.

So, there are a lot of numbers here, but if there was a simpler way to show this to you I would. This 20 mill floor protects the school. This is the voted tax rate of the various levies in City of Independence, City of Independence schools and other taxing districts. That's what the voters approved in an election, it was a levy for that number of mills. Now over time as property values increased, the tax rate decreases to levy a lesser amount. It's still delivering the same dollars to the taxing district, but the rate goes down so that the people don't get an unvoted tax increase.

Back to the example, so in year 2020 the City reduces its inside millage from 2.2 to 0.6. The next year the school district increases its inside millage from 0.2 to 1.8. Now let's say the year after that the City wants to go back to 2.2 mills that it had before this all happened. What will happen is that the school district will reduce its inside millage for general operating purposes which has been 6.1. That will trigger the 20 mill floor. These two levies cannot come to a less than 20 mill because of the 20 mill floor. So, if this inside millage levy is reduced, this 1976 per operating expense levy will increase to bring this back up to 20 mills. You notice the school district's millage is still \$35.04 in both years; but the total tax rate paid by the homeowner increases from \$59.79 to \$61.39. So, the homeowner pays 1.6 mills more to the City of Independence. The school district is not harmed. It neither collects more nor less from this change by the City; but the homeowners will have been hit with an unvoted tax increase of 1.6 mills. It's the 20 mill floor that makes this a long term solution for the school district.

My thinking on this is informed by lots of things. I put a lot of numbers here. I have done my own analysis to show what would happen if the City gave up 1.6 mills of inside millage and what would be our cash balance to my best guess. I am not going to argue numbers or try to right now, but I wouldn't be proposing this to you if I didn't think the City could handle this without any interruption in our basic services. You probably heard me say this before, but our City for the years 2016 through 2019 has generated positive cash flow, after all our expenses are paid, on average of about \$16,000,000 a year. Even in a pandemic as we go forward, it's going to be less; but it's still a significant amount of positive cash flow generated by the City, \$10,000,000 or more after all of our bills are paid. So, (a) we can afford this, and so this cash flow forecast informed my thinking as does its history. We look at over this 36 year run what the total revenue has been for our City and for our school district. It just illustrates the nature of income taxes versus property taxes. Generally speaking, property taxes will only increase when the voters pass a new levy. Again, it's that 20 mill floor. It's House Bill 920. If the value goes up, the rate goes down to deliver the same total dollars to the school district or whoever collects the property taxes. If you receive an increase this year, the school district, it's because a levy was passed and more money started coming in.

The nature of income taxes, it has good years and it has bad years; but the trend over 36 years is clearly up. As I think about our community of resources, our City has a chance to grow its revenue. The only way for our school district to grow its revenue general speaking is to pass a

levy. That's really hard to do, and I guess I will just conclude with that and ask if you have any questions that I might be able to further enhance your knowledge of this.

Councilperson Kapusta said I have a couple of questions Kenn if I might. So, we talked about if the City doesn't take their inside millage that next year the school district can request it. They are not mandated to take it, they can request it. Is that correct?

Councilperson Synek said that's correct.

Councilperson Kapusta asked am I wrong in remembering that previously in the last few years past when this was discussed, it did not have unanimous approval of the Board of Education?

Councilperson Synek said that was a different issue Ms. Kapusta that I will try to explain. Let me get back to the previous slide.

Councilperson Kapusta said of course I am not seeing it Kenn.

Councilperson Synek said that was a different issue. That had to do with the School Board, when I was on the School Board I advocated for reducing this inside millage levy, the 6.1 mills. Instead of making it 6.1, we would levy some of that for permanent improvements. If the School Board chose to do that, it would trigger an unvoted tax increase of the people. It would provide more revenue for permanent improvements, but because again the same reason the 20 mill floor would kick in. You would have triggered an unvoted tax increase. Ultimately, that was untenable.

Councilperson Kapusta said thank you. That leads to my second question Councilperson, and that is that did I hear you say that if the City chose to in a future year take back that inside millage, then the homeowners would in fact have an unvoted tax increase?

Councilperson Synek said the City would have triggered an unvoted tax increase of the homeowner, all property owners.

Councilperson Kapusta asked so even though we said that we didn't want to ever bring an unvoted tax increase to our residents, that is exactly what could happen if the City found itself in a position that necessitated for whatever unknown reason to request that inside millage, correct?

Councilperson Synek said it could, and my experience Councilperson Kapusta is that cities live on income taxes. Cleveland raised its income tax rate to 2.5% two or three years ago. So, what used to be a going kind of the standard rate for income tax in cities; it used to be 2% across the board. Well it's now up to 2.5% in the City of Cleveland, and I think it's headed even higher. If the City of Independence were to get into this (inaudible) and needed to create revenue, is forced to do that is going to be through the income tax, not through property tax. I am quite certain that while the City could do it, that would be the worst way to go about raising additional revenue.

Councilperson Kapusta said right, and if the City were to potentially increase the City income tax, that would of course be put us at probably not as opportune a position for economic development.

Councilperson Synek said well frankly, it's a great a deal for our residents because that money gets collected from people who don't live here quite frankly.

Councilperson Kapusta said and I understand that, but since our business community pays the largest percent of our taxes overall to the community, if we were to be less attractive to them because of the higher tax increase, and if that translated into less businesses coming, that would ultimately impact our residents as well.

Councilperson Synek said sure, but compared to the advantage right now, and I can't even imagine. It's not in the cards right now to even ponder it, an income tax increase. We are not there, we are a long, long way from that; but it is possible somewhere down the road. Again, the market force is driving that more than a particular need in the City of Independence. We have the benefit of a very large tax base with a very small population to serve; and that advantage is not going to change anytime soon.

Councilperson Kapusta said I think if I understood correctly, our decrease from the State of Ohio to our district, which I know we are one of the highest in the area if not the State; but I think it totaled out to about \$351,000.

Councilperson Synek said yes, \$351,000 is my understanding of the reduction in the State funding to the Independence local schools.

Councilperson Kapusta said because our State funding as part of our total budget is about 3% to the schools, correct? So, in other words, the schools' total budget, the State portion of that is about 3%.

Councilperson Synek said I think it's dropping from 3%.

Councilperson Kapusta said now it will drop, but it was previously. Thank you.

Councilperson Synek said it was 3% before the \$351,000.

Councilperson Kapusta said okay, thank you. I just wanted to make sure I understood. Thank you.

Councilperson Synek said that also changed my thinking on this is that our schools get little or no funding from the State. We are about as private as a public school system that you will find anywhere. The level of Federal and State support for our school district is approaching zero, and we are still a public school district; but it's all coming from local sources. We the people of Independence are the ones who are supporting our schools in total.

Vice Mayor Grendel asked any other questions for Kenn?

The Clerk said there are two questions outstanding from one of the attendees if anyone wants to read those.

Vice Mayor Grendel asked can you read those Debi?

The Clerk said sure, I can read those.

Both of them are from Amanda Jaranowski, and the first one is Mr. Synek, would you support a school bond issue if the City is assuming part of the cost of the project but through a different funding mechanism than inside millage, same outcome but different funding source?

Councilperson Synek said so if there were another way for the City to make grants to the school district, I would certainly be in favor of that; but there is no way for the City of Independence to directly contribute money to Independence local schools. You can't make a charitable gift to the school district or anybody else for that matter. That is not within the City's prevue to just give money away like that. However, this is a planning strategy, reducing the tax that we are not necessarily obligated to levy. There is a consequence to that, but it has a very positive effect for our school district. So, the introduction of inside millage, while the result is an increase of revenue for our school district, it is not a direct gift from the City to the school district because that is not legally permissible. That would be outside the Charter of the City of Independence to give money away to the school district or anybody else.

The Clerk said the second question is from Amanda Jaranowski. You are assuming that the Council will want to renew the inside millage every single year to avoid the 20 mill floor unvoted tax increase. How can you ensure that this would be the case? Should Independence run into serious economic hardship, couldn't the City Council simply justify the non-renewal to residents by claiming this is not their fault and it was a flawed agreement made decades ago which is being rectified?

Councilperson Synek said I would point out that the City collects in total about \$1,000,000 in property tax revenue. The City's overall revenue, not including some special (inaudible), is probably about \$42,000,000 a year. So, we are talking \$1,000,000 of property tax revenue across a total revenue face of about \$42,000,000. So, the property taxes are not the big ticket item for our City. It is but for a line item, to stratify where the revenue comes from; the property taxes is a very small part of the City's budget. I sort of mentioned before, if the City were ever to find itself in a spot to where it needs to raise revenue, raising income taxes that brings in things like hotel taxes is the preferable way to go because that money doesn't get paid by people who live here. There is a strong incentive to either on this Council or any future one to either raise excise taxes like hotel and bed taxes or income taxes long before trying to chase the relatively small dollars to be had for the City from property taxes. That's why I feel quite comfortable saying this is a very reliable revenue source for the schools, and I think for our community we can all rest assured that there's not a powerful incentive for a future Council to want to undue this

because the dollars are just not that compelling. The dollars mean far more for our school district because of their ability to leverage them as I showed \$48,000 from .01 of a mill can be turned into \$1,000,000 of cash to fund permanent improvements. The inside millage is much more valuable to our school district than it is to our City.

Councilperson Kapusta said Kenn one other question when you are saying for inside millage, was I correct in hearing you say, without seeing your screen, that it was with the school district at that point would be getting bonds, is that correct?

Councilperson Synek said so yes the school district could use that revenue source to borrow money. So, if the City has \$48,000 a year coming in, it becomes how much do we borrow using that \$48,000 a year for the next 30 years as a repayment source. When you do the present value on that at current interest rates which is 2.2%, it works out to about \$1,000,000 for .01 of a mill.

Councilperson Kapusta said so they would be able to borrow on money that was not guaranteed, correct since the City did have the right to make a decision on that money every year. That doesn't affect the borrowing?

Councilperson Synek said it is guaranteed. Essentially the school district would be committing itself to always levying that for permanent improvements rather than with a bond.

Councilperson Kapusta said so going back with that unvoted millage, unvoted tax to the residents, okay.

Councilperson Synek said so the school district has inside millage that is levied for general operating and has inside millage that is levied for permanent improvements. If we were to go out and get a bond using inside millage as a levy for permanent improvements, you would have to maintain that levy for permanent improvements throughout the life of the bond. If there would be any reduction in inside millage by the school district in the future, it would come out of the inside millage that is levied for general operating. Clear as mud right? Vern gets it.

Vice Mayor Grendel said well very good. I think we are getting near our 5:30 p.m. time here, and Kenn that was informational. We will need time to digest it and kind of review it and everything.

Councilperson Synek said it is complex. It takes a long time to get your head around it. I appreciate the opportunity just to share this with you. It's taken me four years to figure this out, and you are not going to get it in 20 minutes or however long I have been speaking about it. As I mentioned, the tax budget is an annual process so as long as I breathe air this will be a number one priority on my list because this is a great deal for the people of our community to be able to share our resources, to be able to fund our schools, to make more with less is everything that is good that good Government is about.

Vice Mayor Grendel said very good. Thank you Kenn, I appreciate the time and effort you put into that presentation.

Councilperson Synek said thank you for the opportunity.

Vice Mayor Grendel said you are welcome.

I think Greg are you here with us Mayor?

Mayor Kurtz replied yes.

Vice Mayor Grendel said I think we are at the point now that we probably need to adjourn our Strategic Planning to meet the timelines to get into Executive Session so we have at least until 6:00 p.m.

Mayor Kurtz said Department Heads, thank you very much for your support this evening. Councilperson Synek, thank you for your presentation. At this point, those attendees who are not participants, we are going to go into Executive Session so thank you for taking your time to be here as residents and concerned citizens. We will be convening an Executive Session for pending legal matters; and if there's anything else Vice Mayor.

Law Director O'Brien said we need a motion Mayor and a second to go into Executive Session for pending legal matters.

Moved by Grendel, seconded by Narduzzi, to go into Executive Session to discuss pending legal matters. Voice Vote: 7 yes/0 no; motion carried.

The Executive Session was convened at 5:35 p.m.

Moved by Kapusta, seconded by Synek, to adjourn the Executive Session of May 26, 2020. Voice Vote: 7 yes/0 no; motion carried.

The Executive Session was adjourned at 6:41 p.m.

Moved by Kapusta, seconded by Trakas, to adjourn the Strategic Planning Committee meeting of May 26, 2020. Voice Vote: 7 yes/0 no; motion carried.

The Strategic Planning Committee meeting was then adjourned at 6:42 p.m.

