



City of Powell Citizen Financial Review Task Force

MINUTES January 9, 2018

Attendees:

City Council Members: Mayor Jon Bennehooff, Frank Bertone, Tom Counts, and Melissa Riggins.

City Staff Members: Megan Canavan, Steve Lutz, Jessica Marquez and Debra Miller.

Task Force Members: Rich Cline, Tom Jedlinsky, Tom Ewers, Christina Drummond, Robert Gruebel, Lisa Gruebel, Terry Hoppmann, Barb Walters, Craig Sedoris, Jeff Gardiner, Mike Barker, Tom O'Brien, John Cruise, Randall Sampson, and Heather Robinson-Lindsey.

Introduction:

Mr. Cline called the meeting to order at 7:02pm.

Mayor and Council Members offered a welcome and shared why they felt the task force was important for reviewing finances and making decisions for future capital improvements within the City.

Mr. Cline was introduced as the chair of the task force.

Task force members and City staff took time to introduce themselves, highlighting their background and why they are interested in serving on this committee.

Mr. Cline proposed some ground rules for the group which included: 1) The meetings shall last no longer than 2 hours, barring any extraordinary circumstances. 2) All opinions, thoughts and questions are valued and valuable. 3) There is an expectation that everyone will speak up and participate throughout the process. All present were in agreement with these ground rules.

Ms. Miller provided a high level overview of the City's finances and reviewed the Resolution that organized the group, as well as the 2016 Popular Annual Financial Report (PAFR), some budget information and a brief review of income tax, property tax and TIF data. Ms. Miller identified the City's major revenue sources and expenditure categories. Ms. Miller then provided a quick review of the City's December 2017 Financial reports. A brief explanation

followed of funds and fund categories as they relate to government accounting. Ms. Miller also discussed with the task force Auditor Dave Yost's Financial Report card and how different situations in the City have caused certain areas to appear to be "in distress". A short discussion followed regarding the Community Infrastructure Financing Authorities (CIFA's) and their effect on the City's finances and liability.

Purpose of Citizen Financial Review Task Force

Mr. Jedlinsky asked where the City was with regards to debt limitations both overall and voted debt. Ms. Miller and Ms. Marquez could not recall exact numbers, but did note that there is plenty of room available. The debt limitation calculations will be sent out to all members.

Mr. Jedlinsky wanted to know whether there were past ballot issues that had been turned down. Mr. Lutz and Mr. Cline reviewed some of past ballot issues that had not had favorable outcomes with the voters.

Mr. Ewers referenced the sizeable expenditure that the City incurred at the end of 2017 and the plans to replenish the fund balance. Ms. Miller provided a short explanation of the City's contingency accounts: 1) City Manager's internal contingency; 2) City Council contingency; 3) the General Fund Reserve and 4) Fund Balance. Ms. Miller stated that the City follows their fund balance policy and when we are in the Long-term fiscally sound level we are able to invest in ourselves. In this case, the fund balance was used to fund that large expenditure.

Mr. Gardiner questioned whether the unfavorable report from Auditor Yost will affect the City's AAA bond rating. Ms. Miller responded that at this time we are unsure and that we would know more this summer when we have a note mature.

Mr. Ewers emphasized the need to plan for increased insurance costs and legal expenses as a result of the large insurance claim in 2017. Ms. Miller indicated that the legal bills have all been paid and we do not anticipate inflated legal bills as a result going forward; she has also budgeted approximately a 20% increase in insurance premiums for 2018 and 2019.

Mr. Hoppmann pointed out that we are not bringing in enough revenue to provide the services residents want. He stated that the revenue streams that made Powell what it is might not be the revenue streams that help sustain the City in the future; there will be a shortfall somewhere.

Ms. Drummond asked why now and what is the relationship between this committee and the Finance Committee? Mr. Counts stated that Council identified the shortfall was going to happen 15 years ago; the City has been able to operate with little issues due to conservative spending habits, but with no means to pay for capital improvements. He stated that years ago development revenue paid for many of the capital improvements, but now that we are a more mature City, that development revenue is drying up. He provided the example of Murphy Parkway which was supposed to be funded in 2000, but wasn't completed until 2016. Mr. Hoppmann followed up by stating that there is no budget for aging infrastructure.

Mr. Gardiner noted that the 2017 financial reports that were provided showed some deficit spending; he asked about deficit spending in past years. Ms. Miller stated that it has only happened twice in approximately 17 years; she clarified that audited financial statements will show otherwise because of large advances and investing in ourselves with things like the ARRA grant.

Mr. Sedoris wanted to know if this was a revenue or an expense issue.

Ms. Drummond questioned how this group will operate. Mr. Cline mentioned the option to break into subcommittees that would then report back to the whole group periodically.

Mayor Bennehooff polled the group on their knowledge of CIFA's and Tax Increment Financing (TIF's); he determined there was a need for education amongst the group members. Mr. Hoppmann and Mr. Cline agreed that education was necessary and that we need to agree on what the facts are before we can come up with a proposal for a solution. Mr. Cline encouraged members to contact Ms. Miller and Ms. Marquez with questions regarding education.

Ms. Drummond suggested the need for a listserv for communication amongst the group.

Ms. Miller directed members to the City's website for information regarding the task force. She explained that Ms. Marquez and Ms. Miller will be available for the subcommittees.

Mr. Cline suggested establishing three subcommittees: 1) Revenue 2) Expense and 3) Capital needs. Mr. Gardiner suggested we should focus more on revenues because spending has been so conservative that he isn't sure there is a lot to cut. Ms. Drummond followed up that we need to make sure that our budget is in line for the next 10-20 years. Mr. Hoppmann stated that the community will ultimately have to decide how deep the capital needs list really is.

Mr. Cruise suggested coming up with goals of the task force before breaking off into committees.

Mr. Cline said that we need to know what the City's vision is and evaluate the true capital needs that keep that vision in mind. We need to make value judgments.

Ms. Miller stated that a capital needs list was created in approximately 2006, which included estimated costs, but that it has not been updated because of no funding. She provided an example of why it is so hard to estimate a cost project without a true plan; for example a traffic signal is estimated to cost \$200,000 but once you start the project and realize that there needs to be right-of-way acquisition or that the EPA needs to get involved it can suddenly cost \$500,000.

Mr. Gardiner requested that City staff update the list as best as possible and provide a "best guess" estimate of costs. Ms. Miller and Ms. Marquez will work on getting a revised list and better estimates before the next task force meeting.

Mr. Ewers pointed out that the Comprehensive Plan identified these upcoming issues in 2015 and projected some different ways to generate revenue but that it hasn't been implemented. Ms. Miller explained that the City's development department looks at the Comprehensive plan when developers come in. She also pointed out that we had the Keep Powell Moving campaign and now the next step is how to finance some of these ideas.

Mr. Ewers stated that no matter what there will be pain. How much, where and to what degree is unknown, but the City has significant needs that need addressed in the short-term. Mr. Hoppmann agreed and stated that these are not the attractive projects, but they are crucial. He believes that the task force needs to agree on the brutal facts.

Ms. Drummond and Mr. Gardiner had some discussion on whether we have communicated with the Township regarding annexations; and whether development and annexation are within the scope of this committee or whether we are sticking to finances only.

Ms. Drummond wanted to know if June was a hard deadline for this group. Ms. Miller stated that June is the deadline if the group wants to put anything on the November 2018 ballot, but that there could be a two part focus if that is what the group would like.

Mr. Cline said that there are two primary vehicles to improve revenues; income tax and property tax. If the goal is to impact a 3 year problem, then we need an income tax, property tax or some combination. The question is whether this is a short-term need or a long-term need. He stated that we need to consider the practical impacts of our recommendation and that both of these options would require a vote of the residents. He continued, stating that most Ohio municipalities have at least a 1% income tax because that is what allowed by the Ohio Revised Code; however, we cannot increase ours due to a court order from years ago that requires a vote for any increase in the income tax.

Mr. Sedoris asked if it was also the responsibility of the task force to educate residents. Mr. Cline stated yes, he believed that it was.

Mr. Hoppmann pointed out that this is a conservative leaning community and that any mention of a tax increase will be negative; we need to convince people that there needs to be shared pain to accomplish the goal.

Mr. Ewers asked what would happen if we leave Police and Fire alone and cut 4% across the board; what does that look like? Ms. Miller responded that we would have to start cutting employees because we are already operating on such a lean budget and a small number of staff as it is. Some discussion ensued amongst the group regarding past conversations about the Delaware County sheriff and how the response times would be much greater than they are with our local police force.

Mr. Sampson wanted to know how the group is defining short-term versus long-term. Ms. Drummond stated that to her short-term meant 2-3 years. Mr. Gardiner suggested that a short-term recommendation should center around a ballot issue and a long-term recommendation should look at more of the development and annexation aspect. Mr. Sampson said that we really need to focus on the demographics of the community and the target audience in order to be successful. Discussion continued among the group members regarding short-term versus long-term and it was determined that these items would be figured out at later meetings.

Mr. Cline mentioned the ongoing schedule for the group, consensus was reached that for the most part, the 4th Tuesday of each month would work for the majority. Meetings would be held in City Council Chambers at 7:00pm.

Ms. Drummond suggested that interested members should consider reading the budget document before the next meeting to help better understand the City finances.

Mr. Barker asked what the typical incremental ask was for income tax. Mr. Cline stated that this depends on the details and provided a brief explanation of credits and effective rates. Mr. Hoppmann stated that Powell businesses are typically willing to pay more but do not want to absorb the entire increase. Mr. Gardiner wanted to know if an increase could be dedicated to capital improvements. Ms. Miller stated yes, through a ballot issue. Mr. Cline explained that if

we determine a tax increase is warranted that we would have to make a determination of the dedication of those funds.

Mr. Gardiner asked if the removal of the current credit had to be done through a ballot issue or if City Council could remove it through legislation. Ms. Miller responded that she was fairly certain the City Council had this authority.

Mr. Ewers emphasized focusing on the sale-ability of the proposal to residents when determining which direction to go. Mr. Cline followed up stating that we need to be thoughtful and deliberate about increasing revenue. Mr. Hoppmann made it clear that business owners especially, have a line of how high they are willing to go with cost of doing business before they will leave Powell; we need to consider unintended consequences.

Mr. Sampson asked if the ARRA grant that the City received was an anomaly or is it cyclical. Will competitive grants become more common? Ms. Miller explained that the Mid Ohio Regional Planning Commission (MORPC) does most of the road grants and that it is pretty competitive in Central Ohio. She indicated that the City is currently working on a federal grant with MORPC and ODOT to make repairs to Sawmill Parkway, the target date for funding is currently 2022.

Ms. Drummond asked if the City receives other sources of federal dollars. Ms. Miller again stated that MORPC handles most grants in our area and because of the demographics and make-up of the City, we do not qualify for many of the grants that are available.

Mr. Gardiner was interested in knowing if the group as a whole would have to vote on the recommendation that would then be presented to City Council. Mr. Hoppmann and Ms. Lindsey suggested that if the need arises that they could issue a dissenting opinion or a minority report. Mr. Cline stated that he believed the vote should be majority plus one for anything that is recommended to Council.

Mr. Sampson questioned the City staff on whether personal notes from meetings were considered public record. Ms. Canavan briefly discussed public records and emphasized that participation on social media can open you up to public records laws. Ms. Miller followed up stating that personal notes are personal until they are shared with someone else. Mr. Cline suggested asking the City Attorney for some recommendations on public records regarding personal notes.

Mr. Cline also addressed how the committee will handle public comments during their meetings. It was determined that the public is welcome and that the last 5 minutes of the meeting will be reserved for public comment.

Mr. Hoppmann asked what the "homework" was before the next meeting. Mr. Cline stated that City staff was going to be getting the capital improvement list updated with better cost estimates, and that the committee was to send their questions for the next meeting to Ms. Miller and Ms. Marquez. It was determined that Ms. Miller and Ms. Marquez would present a financial orientation, which will include TIF and CIFA education at the next committee meeting.

Ms. Canavan briefly discussed the website portal that had been set up for the task force indicated that she plans to include a glossary of terms, and set up a way for the public to submit questions online through this portal. We will also work on a way to have efficient email communications that meet the public records requirements.

Mr. Cline requested that the group come to the next meeting with ideas for subcommittees and their level of interest for the various topics.

Mr. Sampson requested working definitions of Revenue, Expenditure, and Capital Improvements. Ms. Drummond suggested that the group establish how they want to define these terms and requested information from the Comprehensive Plan.

Mr. Hoppmann asked how many meetings members should be required to attend to be permitted to vote on the final recommendation. Mr. Cline suggested holding this discussion until the next meeting.

Ms. Miller requested that a member of the group step up and volunteer to take meeting minutes at future meetings.

Meeting adjourned approximately 9:30pm.

Next Meeting is scheduled for January 23, 2018 at 7:00pm in City Council Chambers.