NORTH RIDGEVILLE MUNICIPAL COUNCIL
MINUTES OF
SPECIAL MEETING JULY 29, 2003

CALL TO ORDER 10:00 A.M.
President of Council David Gillock: I'd like to call this Special Meeting of the North Ridgeville City Council to order. Would the Clerk please read the notice.

READING OF NOTICE
Clerical Aide Sandy Hall read the notice of the Special Council meeting in full as on file in the office of the Clerk of Council as it relates to T 92-2003, a resolution declaring it necessary to levy an additional tax for the purpose of providing for the payment of salaries of permanent police personnel and providing and maintaining equipment used directly in the operation of the Police Department.

ROLL CALL
Present were Council Members Allen Swindig, Josanne Pagel, Bernadine Butkowski, Denny Johnson and President of Council David Gillock.
Absent was Council Member Nancy Buescher, Bob Olesen and Bernadine Butkowski.
Also, present were Mayor Deanna Hill, Safety-Service Director Jim Johnson, Engineer Larry Griffith, Auditor Chris Costin and Clerk of Council Chuck Norris was represented by Clerical Aide Sandy Hall.
Absent were Law Director Eric Zagrans and Clerk of Council Chuck Norris.

SPECIAL MEETING
T 92-2003 A RESOLUTION DECLARING IT NECESSARY TO LEVY AN ADDITIONAL TAX FOR THE PURPOSE OF PROVIDING FOR THE PAYMENT OF SALARIES OF PERMANENT POLICE PERSONNEL AND PROVIDING AND MAINTAINING EQUIPMENT USED DIRECTLY IN THE OPERATION OF THE POLICE DEPARTMENT.
Second Reading
President Gillock: Is there any discussion in regards to the resolution?
Mayor Hill: Move to dispense with third.
President Gillock: We don't have enough people to, it takes five votes. We don't have enough to dispense.
Council Member Pagel: Mr. Chairman, because we do not have the number of members needed to do any other action, I motion to adjourn.
Mayor Hill: However, Mr. President, you asked if there was any other information.
President Gillock: Yes, if there is anyone who wishes to speak, we can do that now.

Mayor Hill: Yes, I do. Reviewing some of the financial information that has been made available from the Auditor's office, and especially from the last three CAFR's. I would ask the Auditor to explain that in the 2000, on the GAAP, basis, which is cash on hand, we were in a deficit, according to GAAP of 910,434. The combined statements of revenues, expenditures, and changes in fund balances put us in a positive of 1,072,818. In the year 2001, the cash basis was a cash deficit of 376,658, and the combined statement of revenues, expenditures and changes reveal a positive of 1,227,185. In 2002, the cash on hand showed a deficit of 1.7 million, rounded off, bu but the combined statement shows a positive of 483,394 for revenues over expenditures. I wondered if the Auditor could clarify the difference for us. My understanding is, with the GAAP, the cash on hand doesn't include accounts receivable. While I realize that it's very difficult to predict what you end up with, I think we probably can kind of go back and see the thread here and how it has moved. I wonder if the Auditor could explain so that we all understand.
President Gillock: Auditor Costin, would you like to respond.
Auditor Costin: I'd be glad to. I somewhat hesitated to give you the GAAP information because there would be some confusion between GAAP and cash. I'll try my best to explain the differences. The number that the Mayor was reading out of the GAAP Financial Statement was the fund equity that is the difference between all the assets and all the liabilities in the general fund. Now, when you look at GAAP, we're talking about something that is called Government Accrual Accounting. In other words, our GAAP will show in there receivables, it will show in there payables. It's something not exactly full accrual accounting as would be in your normal business enterprise. There are some uniquenesses that you have with government GAAP. Think of it in terms as we show our receivables, we show our current payables. We don't show our long term debt in GAAP. That's one of the unusual differences. When you're talking about GAAP financial statements, you're talking about a whole different basis of reporting. For purposes of somebody that understands GAAP, the GAAP more meaningful. You can look at GAAP and see that we do have receivables coming in and we also have other payables going out. The difficulty in reading the financial statements is that in addition to the general fund or special revenue or any of the funds, we have to go to account groups and we have to look at those long term liabilities. Long term liability for GAAP is something that occurs not after 12 months but, after our 30 day recording period for the City of North Ridgeville. I don't know how you would simplify this because I know it's hard to understand, but if there's a payable that we owe after January 31, it isn't in our general fund payables, it's in our long term debt so it doesn't set in the general fund. I will tell you that, for purposes of looking at trends, I did give you a 10 year comparison governmental GAAP all funds. What you saw, what I was trying to show you, is a trend of our expenses going up and our revenues, while they have gone up, have now stagnated and are going up at a lesser rate than our expenditures are going up. That was the sole intention in wanting to give you GAAP. I do want to emphasize now that, with that explanation of those trends, we operate this government, as all governments do, on a day to day basis, like cash and that's just the way it is. The other trends that I tried to show you had to do with our collections in the general fund over the 10 years and our expenditures. You may remember, and I'd be glad to address those again, we spent a considerable amount of time on not only the trends, the increasing expenditures at a faster rate than the revenues.

I don't want to say the revenues are declining because we're fortunate are revenues aren't declining. They just aren't increasing at the rate our expenditures are increasing. That's the problem that we have here. Let there be no confusion. If we're going to take these numbers, we need to understand them and I've tried to present the best information I could in terms of 10 years trends. There will be those who try to dissect these and those that take things out of context and those that try to read between the lines, but the facts are the facts. These are 10 years of information. They are taken from our audited financial statements which include cash basis in here as well. The numbers speak for themselves. What they tell us is that we have a situation where our expenditures continue to increase and our revenues aren't increasing at the same pace. Therein, something has to be addressed. When we went into the budget for 2003, we had a problem in 2003. We addressed it and I believe what we indicated was that we could do some things. We could do some things like change the split and continue to use up the balance of our capital projects and general fund. But we were also aware that when we get to 2004, those funds are depleted. Now that's where we are at. Now we do have the 500,000 dollars in the income tax fund that is available, and that's the last operating fund we can erode. The simple fact is, when we get into 2005, we have no seed money now. Now how do we address these problems? There were some good ideas. We can continue to try to cut expenses. There were some things that over the years we could have done differently. Perhaps we could have cut in some areas or not done projects and had monies available for operations. Twenty, twenty hindsight says that there's probably several things that we could have reconsidered, but the fact of the matter is, the numbers are the numbers. The history is the history. We can't change that. All we can do is do something about the future right now. Again, I will emphasize, I've given you factual information. Perhaps there are some expenses that we could try to curtail. That's your decision. But please don't let it be said that these numbers aren't accurate and don't let it be read that way. If there's any questions, I certainly would be glad to try to explain what these differences are. Be aware, there's a significant difference between GAAP and cash. The problem we're facing in 2004 is general fund cash. I hope that would clarify, as best as I can, because these financial statements are not easy to grasp.

President Gillock: Thank you. Mayor Hill?

Mayor Hill: It does, in essence. I just wanted the numbers out there of the difference, the general fund revenues by source and expenditures and the, basically, final totals which are the combined statement of revenues, expenditures and changes in fund balances which left us with, essentially, carry-overs. I did also want to remind the Council Members who were able to be here today, that the street levy that was passed in 1989 and then was renewed at that level was a two mill. Right now it brings in less than one mill because of the State law that says you will not collect any more than you have when the levy was put on the ballot. The Police Levy, some time in the seventies, was two mills. It brings in approximately one-quarter of a mill now, equivalent to what it would be if it were levied now. It's obvious, I think to all of us, that there could be some cuts in expenditures. I think it should be obvious, by the comparison of the general fund revenues and the combined statements, that it doesn't look to me, from the past, that we will be looking at a 1.6 million dollar deficit. However, I think we all agree there could be some cutbacks, whether it's shutting off the lights when the meeting is over or whatever. Every Department is prepared to do

their part. However, I will remind Council, again, that every year, every Department has ended the year in the black. I will also remind Council that a consistent theme of some of the people who are not here today has been, let the people have a voice. The people are heard the loudest and the best at the ballot box. To not give them a choice is just like with the Center Ridge widening that everyone said when they were running for office, we're going to do something about it. Then, when we asked that it be put on the ballot to fund that Center Ridge widening, Council refused to put it on the ballot. They have essentially the same scenario here today. Thank you.
Safety-Service Director Johnson: Just to put a little bit on what Chris was saying, revenue is not increasing. This is very true and this is what we're here about today is increasing revenues. We don't want to decrease service to our residents. I'm sure that a resident who is getting the money he made in 1989 could not run his household in 2003 or 2004. Every Department we have out there is working on revenues to run the operation of their Department at seventies and 1989 revenues. As Mr. Costin pointed out, the Fire Department has replacement levies that go up every year and there hasn't been a problem in source to pay for operations of the Fire Department. It's the Departments who are trying to live in the seventies and eighties that are really hurting today. I think our residents would take that into consideration and understand that if we, as a whole, would unite and get this out to them, that they could not live on the wages that they made in 1989 and run their households as they do today and the same as with the City. Thank you.
President Gillock: I'd just like to make a comment. I can't speak to the particular resolution in regards to a Police Levy. I would like to say, though, I think we're looking at cutting expenditures as well as looking at increasing revenues, but we're not talking the other Departments. We're only talking, in this particular case, the Police Department. The main thing I want to talk about, however, is the Mayor mentioned the Center Ridge levy last year and says it's the same scenario. I don't believe they are the same at all. This particular resolution came to us with supporting documentation from the Auditor and we had a Finance Committee and we were able to discuss it and make an informed judgement and this is, I think, what the Council people are trying to do. Make an informed decision. Last year's ordinance in regards to Center Ridge Road came to us at the last minute with no documentation. The ordinance was not clear. It only referred to Center Ridge Road and other intersections and was an entirely different situation than this. It was not the same scenario. I think that this one, the Council people do have documentation, they've had time to look at it, and they are able to make an informed decision. Mayor Hill?
Mayor Hill: Center Ridge Road widening did not come suddenly to Council and was not, not clear. Our bond counsel from Squires, Sanders and Dempsey has written our resolutions for levy issues, ballot issues for what, maybe 14 years. He felt it was very clear and it in fact came from him. We tried to explain that and he tried to explain that. However, if it's still not understood, so be it. And, you remarked that Council has had time to review this. Well, that's an interesting concept because this resolution was submitted to Council to support the Police Levy from Council Member Butkowski, who made it very clear yesterday, I felt, that she was not lending her support and unfortunately could not be here today. Each person on the Committee during the Finance meeting, which was a week ago, made statements to the effect that they understood the need for the levy and they basically supported it. Then one week later, we're calling Special meetings to try to get it on

the ballot to meet the time lines, and it appears we can't do that.
President Gillock: Thank you. Mr. Swindig?
Council Member Swindig: Yes, moving onto another thing. Our Department Heads are doing a very good job of watching their budgets and staying well below what we cut them. I think they should be applauded for that. As for this Police Levy, let the people decide. Thank you.
Council Member Johnson: I don't see a lot of comparison between the corporate environment and a government environment, but there is one thing the same. They are both subject to fluctuations in an economy. When the economy takes a down turn, good decisions that were made during good times, should be reviewed. They may not hold their worth during poorer times. That's where we find ourselves now. I think it's time, just like it is in corporations, to look at the decisions that were made in the past, review them, and consider as many cuts as we can without causing pain to our employees, without causing pain to our residents, and try to get past this problem with cuts. If that doesn't go, since we can't run a deficit, then we'll have to go to the people and ask for an increase. At that point, I think we will have done our job and I think the people will understand it is important, if we come to that. Going to the people now I think is an effort in futility. I don't see the support out there at all. I 've gotten no one that tells me they would even lean towards supporting it, as far as the public goes. We need to do our job first. We need to show them we've done the cuts that we need to do and then go to the people and ask for their support. Thank you.
President Gillock: Thank you. Mrs. Pagel?
Council Member Pagel: I just have a question, possibly for the Mayor, to clarify a word, if she was using carry-over interchanging with surplus. Are those the same or is there a difference between carry-over and surplus?
Mayor Hill: What we have that I was talking about is that on the GAAP basis, the general fund and the combined statement of revenues, expenditures and changes in fund balances. So, you're comparing the general fund figures, 2000, 2001, 2002, with the combined statement of revenues, expenditures, basically, the ending year balance.
Council Member Pagel: Mr. Chairman, my question was, are you using the term carry-over as a surplus, the surplus that was a carry-over, what the balance was carried over to the next year? I would call that a surplus.
Mayor Hill: I would too.
Council Member Pagel: Okay, thank you.
President Gillock: Our problem is in the general fund, not the total balance. Mr. Johnson?
Safety-Service Director Johnson: The carry-over this year, with the four percent cut, we are carrying over, I believe, 584,000.00. That is taking 2002 budget and deducting four percent from it to operate in 2003. I think Mr. Costin can probably tell you, if we don't increase revenues, and he did say there would be no carry-over next year to go into 2005. Without a levy passed this year, we won't see that money, if you pass it this year, until 2005. If you wait until next spring, you won't see it until mid-2005. If you wait until a year from now, you'll see it in 2006. Mr. Costin says the cash balances aren't going to be there for carry-overs and there will be a lot of cuts if you don't consider a levy this year.
President Gillock: I don't think Mr. Costin said that at all. The combined cash balance of all the

funds does have a balance which goes from one year to the next. The general fund is the one that has the deficit. If we could run on a negative balance, which we cannot do, or a deficit, and went into next year with a 1.6 million dollar deficit, we'd still have a cash balance at the end of the year in all the combined funds. It might be 3.5 instead of five million or 3.4 instead of five million. The combined are all accounts. We can't go to the other accounts and spend that on the general fund. The general fund is where we have the short fall that we have to address. Trying to compare those two is apples and oranges.

Safety-Service Director Johnson: I'm talking strictly general fund. In the budget we're showing a carry-over of income tax of 584,000 from the general fund. That's the dollar figure I'm using. I'm not doing our total account because if we would take our enterprise funds and put in there, we would have tremendous balances. I'm not including those. I'm strictly talking general fund. If we don't do something to increase revenues for the general fund that 584,000 dollars will be used up and there won't be any at the end of next year to carry-over into 2005. That's exactly what he said.

President Gillock: That's exactly true, or reduce expenditures, one or the other.

Safety-Service Director Johnson: Yes, reduce expenditures four percent lower in 2002 that we already have this year to get the 584,000, and we did a split to get that. What are we going to do in the future to do that if we don't increase revenues? Increasing revenues is the only answer.

President Gillock: We cut expenditures, one or the other. You always have two options. Either cut expenditures or increase revenues. The problem is, even if you wanted to increase revenues and you put it on the ballot, if it doesn't pass, then what are you going to do. We still have to address the problem. Mr. Costin, did you want to add something?

Auditor Costin: I think we're getting off point a little bit, and again, for purposes of discussion, I think we have to just not belabor GAAP right now. I'd like to go back and reiterate a couple of things, if you don't mind, it's your choice, that we talked about at the Finance meeting. Maybe I can clarify a couple of items.

President Gillock: Sure.

Auditor Costin: Before I do that, I'd also like to point out that I'll be the first to acknowledge that we have to be sensitive to certain needs of our people. There are people in this community that are on fixed incomes and it's unfortunate that they have to bear part of the tax burden of these services that they receive as well. I believe it was the last two years that we had the potential for water increases and Council saw fit to waive those water increases for those two years because we had the ability in our water funds to do without the increases.

President Gillock: At your recommendation.

Auditor Costin: At our recommendation. Nonetheless, I think that shows a sensitivity to the people of our community. When we put the budget together and came up with a 1.6 general fund deficit, this was a starting point. What we did is what we did every year. What we do is, based on the ordinances in effect, based on any new changes that we're aware of, i.e., increases in Worker's Comp and so forth, we put together a document for you. We did in the year 2003, our current year, change our income tax split and for purposes of this budget, we went back to the old split because the ordinance said one year only. That's not to say that we can't change it again. So there are some things we can do internally. I was looking for my list from the Finance Meeting, and I apologize. I

worked backward. I indicated to you, based on what we have in effect today, that takes effect in 2004, based on our best estimates, we would be looking at a 1.6 million dollar deficit. We can change the split again. We can do some things. We can change our income tax, eliminate the 10 percent. When I considered the things that I thought we had under our control, I think I said I can get us down to maybe a 400,000 dollar to a 600,000 dollar deficit. I think by doing things similar to what we did last year and perhaps that may have included that revision of income tax, I don't recall, I told you I thought I could get you down to about 400,000 dollar deficit. I don't believe I can do better than that. Now the question becomes, and by the way, that would mean eliminating virtually all our capital expenditures, except those we're required to pay such as debt service out of the capital projects funds. I think, indicated to you at the Finance meeting that this year we could put 570,000 dollars in as a result of our capital projects split. We're not going to be able to do that much next year because we will have eroded the opening capital projects balance. There are some things that could be done. The 1.6 million dollars was a starting point. The question now becomes what happens when we get down to the last 400,000 or 500,000 dollars that we can't do anything with. That becomes the issues. With that statement, what I indicated, let's look at our general fund. When we look at our general fund, by far the largest expenditures on our general fund happen to be the Police Department. I attempted to demonstrate the difference between Police and Fire in terms of the effect on the general fund. The fire essentially has two levies. They have a two mill paramedic levy and a two mill fire levy, both of which have been passed and re-approved time after time by our general public. The Police has a, I don't recall if it's a one or a two mill levy right now, but if it's a two mill levy, it's effective about a quarter of a percent, a quarter of a mill. The reason we came to the Police Department is because we could raise fees, we could cut these other expenses, but the simple fact is, the vast majority of our expenditures on the general fund are the Police Department. That's why we're looking at a Police levy. If we were to put them on a comparable basis with Fire today, if we wanted to be comparable, and I believe our Police Department, in terms of manpower, is a couple of people higher than the Fire in terms of staffing. If that were the case, what we should be doing is going to the people for a four mill levy. You don't need a four mill levy. That was why, at the Finance meeting, I suggested that one alternative would be the two mill levy to relieve the general fund and allow the Police Department to know the expenditures they have to operate on. Now, the question is, will that pass or will that not? I don't know. If we would make a concerted effort to educate the general public, I think we talked about Finance. If we didn't make a concerted effort to educate them and let them know our needs, I don't think we're going to pass anything. I agree totally, however, as a tax paying citizen, if we're wrong and we can't make these cuts, next year, and I live in the community as well, if we had to cut our safety forces to the danger level, I as a citizen would have wanted to know about it and would have wanted to make a decision as to whether or not, perhaps, I would have voted on that levy. Again, I will say, perhaps there are some areas that we can cut, and we should look at those. If the taxpayers come back to us and say, we're not giving you any money, okay, the majority has spoken. Then we have to do what we have to do.
President Gillock: That's been my question all along and you said you can find cuts to get us down to 400,000 and you couldn't go any further. If you put a tax levy on and it doesn't pass, then what

are we going to do. That's been the question all along.
Auditor Costin: Then we have to do what we have to do.
President Gillock: Which is what?
Auditor Costin: Cut services, cut manpower.
Council Member Pagel: Mr. Chairman, I really don't want to get into a fear issue here. Your statement as a resident of the City, thinking that we're going to cut Police Safety Forces is a fear factor. That is not what we said. No one here has said that we would cut Police or we would cut Fire. We're looking at areas in the City, in the City Administration, City Departments, whatever, that we can look at and just be better with. Be completely better with. Number one thing is overtime which we have looked at and we've helped with that, but we need to be better. So I do not want this to be a fear factor and rumor to go out that Council is going to start cutting Police and Fire, because that is not our intent.
Council Member Johnson: Mr. Chairman, I agree with Mrs. Pagel. The specifics of the cuts will be decided in Committee with the proper information in front of us. We're not at the point where we can discuss specific cuts and every member I've talked to is against cutting personnel, against making serious cuts that are going to harm services to residents.
Mayor Hill: Mr. President, a couple of comments that I'd like to respond to, Mr. Dennis Johnson said consider cuts without pain to employees and residents. Any time you consider cutting paychecks, that's pain to employees. Anytime you consider work and protection of residents, service to residents, that affects not only the residents, but it also affects the employees. I will tell you that every Department in this City, and it was to my great surprise when I took office nearly eight years ago, because you always hear gossip otherwise, the heart and souls that they have thrown into running their departments effectively, efficiently and trying to provide the very best service they can to residents. It's almost like some people appear to think that the City and the residents are separate. We have to remember they are not. They are the same. Therefore, it should be their decision, but they can't make a decision if it's not at the ballot box. It should be their decision what they want to do with their City government. Talking to a few friends or colleagues who say, well I couldn't support a levy at this time, is not the same as letting people speak at the ballot box. Another Council Member had expressed that they don't want to instill fear. Well, it's not just fear of loss of protection by Fire and Police, however, if you do Departmental cuts, the Police Chief and I have already discussed some cuts that could come out of that Department. We are already below the County and I think the Federal levels that dictate number of Police Officers per population. We're already there and if we're going to make cuts, unfortunately, you can't pick and choose which Department. Secondly, I would like to remind Council that they set the budget and they can appropriate. They cannot determine the specifics of the Administration and how the City will be administered. Lastly, Chris Costin has indicated he thinks he could get it down to 400,000. We've talked about the facts that out of Mr. Krueger's Service Department, there are several that would qualify some of the work to the turn of possibly 125,000 a year that could be taken out of surface drainage, paid for out of surface drainage which relieves some of the burden for the Service Department because the funds are there. They are special funds. I will remind Council that I sent you a letter that beginning this September, to the tune of over 34,000 dollars a year, will

be an increase in gas tax. That helps with our Service Garage. Then it doubles. Then it goes to six cents a year. So that's increasing. And we just continue to look for other things that we can do and funds that may be coming in. Thank you.
President Gillock: I think we're really rehashing things that we've said many, many times. If we've got something new or additional to add, I want to hear it, but we need to wrap this up pretty soon. Mr. Costin?
Auditor Costin: If I might just respond to one thing. I didn't mean this to be a fear factor and maybe the way I explained it was insufficient. If we do have to make labor cuts or any other expenditure cuts, again, the reason I gave you the general fund departments was to indicate where the dollar burden is in the general fund. Because if we find, as a last resort, we have to cut personnel, the water fund people are paid out of the water fund, the street department are paid out of other funds, there are administrators that are paid out of here. If you look at your list, Council, Council Clerk, Mayor, Treasurer, Auditor, Law Director, Computer Services, by far the largest expenditures are the Police fund. That's why I emphasize that. I didn't mean it to be taken any other way except to make you understand that this is the general fund that we're talking about. I don't know that you'd have a choice when you look at the general fund as to Safety Services. Again, I would be available at any time, individually or otherwise, to answer these questions and give you more information. The only thing I caution is, let us not get confused, we can get State gas monies. We can get additional other revenues in here from other sources. If it doesn't impact the general fund, we're just confusing the issue. That's what we need to make sure that we have an understanding when we make our final decision. Thank you.
President Gillock: Thank you. Anyone else? May we have a motion to adjourn?

ADJOURNMENT

motion by Pagel to adjourn

President Gillock: Meeting adjourned.

Meeting adjourned at 10:42 A.M.

MOTION Butkowski 2ND Johnson DATE September 2, 2003

YES 7 NO 0 ABSTAIN 0

PRESIDENT OF COUNCIL CLERK OF COUNCIL