

MINUTES
JOINT FINANCE AND FINANCE ADVISORY COMMITTEE
FEBRUARY 10, 2022

Vice Mayor/Chairwoman Michelle Weiss called the meeting to order at 7:00 p.m. Council members present were: Councilwoman Barbara Blankfeld; Councilman Christopher Cooney; Councilman Justin Gould; Councilman Brian J. King, and Councilwoman Sheri Sax. Councilman John P. Rach was out of town, but submitted a letter to Council; copy attached hereto. Also present were Mayor Michael Dylan Brennan and Finance Director Dennis Kennedy; Finance Advisory Committee members Deb Sheren and Steve Wertheim, and community members.

Chairwoman Weiss introduced two new excellent appointments to the Finance Advisory Committee. One is present, Deb Sheren; and the other, Lutraila Hobbs, is attending via Zoom. Mrs. Weiss stated that both have extensive finance experience. She thanked them for joining us.

Chairwoman Weiss stated that this meeting is to discuss the draft budget to be forwarded to Council for approval. Mrs. Weiss stated that the Mayor was requested to revise the budget to lower expenses to balance the budget. While revisions were made, the Mayor's budget proposes using all reserves except for the 15% prudent funds of the overall budget mandated to be maintained. Revenues were increased \$1 million and expenses by \$50,000. Mrs. Weiss stated that while Council would love to implement the ideas Mayor Brennan proposed, there should be strategic planning in order to accomplish same in order to be sustainable. The City's revenues are flat at this point. Mrs. Weiss stated that she spoke to different committee members and some of the advisory committee as well and came up with ideas to balance the budget.

Chairwoman Weiss read a letter (attached hereto) submitted by Councilman Rach since he could not be here.

Mayor Brennan asked Finance Director Dennis Kennedy to review the budget proposal changes submitted to the Finance Committee previously. Mr. Kennedy provided the following information: revision estimates of \$2.4 million; expenses of \$22.9 million over all funds with a difference for the year of \$4.5 million.

Mr. Kennedy continued stating that based on discussions with the Mayor adjustments were made. The American Rescue Plan Act funds to be received: \$670,000. The use of these funds was changed to cover the Cedar Road Resurfacing Project based partly on information from the City Engineer that prices have increased substantially since last year when the sewer project was to have been done. We received \$670,00 last year. These funds were to go the sewer manhole addition project but the Mayor requested this be deferred because of the condition of Cedar Road. Mr. Kennedy provided an explanation of how funds received from the federal government are earmarked specifically for certain projects, but the requirements have been changed by the Treasury Department so that the monies can now be used for regular operations projects as needed. In addition to the \$670,000, the second payment to be received in June from the federal government, he noted that the City of South Euclid will give their share of \$300,000; the County reimburses us for their share of \$175,000. In total, there will be \$1.3 million available for the Cedar Road project. This was a major change in the budget. The first budget called for \$4.5 million in the first

Joint Finance and Finance Advisory Committee

proposal; we reduced to \$3.45 million; taking in \$19.7 million, and a proposal to spend \$23.1 million. We started out with an ending fund balance (across all funds). At the end of 2021, we had a balance of \$9.8 million; and, at the end of 2022 should have balance of \$6.4 million.

Mr. Kennedy mentioned the Traymore Road Water Line project which was to have been done last year. Cleveland Water Department submitted \$560,000 and this project should be done this year. If not spent the City could become liable.

Mayor Brennan stated that the City has money that can be spent on taxpayers for services – many projects, including streets to be paved. He noted that the reserve fund is \$2.5 million, not \$5 million. He stated that if everything proposed in the budget that he and Mr. Kennedy put together was spent, there would still be \$6.4 million left across all funds. He discussed the value of money today. The City should not be carrying over funds. He addressed comments about the possibility of raising taxes, noting that there is no need for same; and, there is no need to replenish funds spent this year.

Vice Mayor Weiss stated that there is a difference between revenue and cash. There are many capital projects coming up in a couple years. We cannot dip into investments and savings to cover operating expenses year after year. She mentioned as examples new positions hired with additional costs that are long term; costly engineering expenses, studies to be done, acquisition of property, etc. There aren't additional revenues coming into the City. Strategic planning needs to be done. Investments that the City has need to be planned. She added that we have to have a balanced budget.

Lengthy discussions ensued regarding what affects the budget and the value of money in today's environment, recycle efforts/logistics for the City, infrastructure concerns, and how the City can enhance/improve services. Chairwoman Weiss referenced the upcoming retreat, adding that hopefully visions can be shared.

A suggestion was made by Councilwoman Blankfeld to illuminate the budget with a quick snapshot of exactly what is spent with a forecast of line items being more descriptive, i.e. current or one-time expense or rolling two years; sources and uses of fund. Perhaps an additional page/column. Vice Mayor Weiss knew exactly what was being described and stated that a committee had started a similar process.

Mr. Kennedy explained that the City has five restricted funds:

Fund 200	Street Construction and Maintenance and Repair Fund
Fund 201	Sewer Maintenance Fund
Fund 202	Shade Tree
Fund 203	Street Lighting (Special Assessment)
Fund 401	Capital Fund for capital improvement

Finance Director Kennedy explained how these funds are used, and where the revenue comes from and is distributed for each. He also explained whether or not there would be risks for "holding money". He explained that there is the possibility of being liable. Discussion continued regarding these restricted funds.

Joint Finance and Finance Advisory Committee

Vice Mayor Weiss commented that the Committee(s) have worked tirelessly on the budget to make it sustainable and believe that the process has been fair. She noted that she offered to meet with the Mayor to discuss the budget, but she was not contacted. Mrs. Weiss stated that this Council is prepared to do some deficit spending, adding that it is understood that things do come up and Council can amend the budget during the year. She noted that a retreat is coming up and she hoped that visions can be shared going forward. The strategic planning is so important and must continue as Mr. Gold and others have said. There is a \$3.4 million deficit, a \$1.2 carryover thanks to the market funds from last year. We are down to \$2.2 million.

We do have some expense adjustments as follow:

- Not to hire two service people which amounts to about \$140,000
- Not to hire a City Planner; amounts to about \$53,000
- Not to hire a Senior Coordinator; that is about \$15,000. Mrs. Weiss believes that a senior coordinator can be rolled into an existing staff position.
- It is felt that the Law Department is overstated about \$50,000
- Building and Maintenance throughout all departments also can be lowered \$50,000
- IT is inflated and is in many departments and can be lowered by \$100,000
- The 240,00 bins should be adjusted out of the budget. We will have to see how this looks city-wide and when all the data is together that lowers your deficit to about \$1.1million. Council agreed to deficit spend about \$500,000 so you are down to about \$100,000 deficit. The \$500,000 funds available will not be cut.

Mrs. Weiss believes there may be grant opportunities throughout the year. The police have indicated they will probably get a grant for some of their equipment.

Vice Mayor Weiss asked if there were any comments.

Mr. Wertheim stated these budgets are one-time budgets and have nothing to do with what we will have in 2023. He feels that residents would wonder why if there is a surplus, why can't certain projects be taken care of? Mrs. Weiss stated that it is known that we have very large expenses that are not in the budget for facilities and other needed items.

Vice Mayor Weiss made it clear that Council would like very much like to share the Mayor's vision, but the state of the finances is not robust. She hopes that all can work together smartly, thoughtfully and intentionally.

A motion to send the following recommendations to Council was made and carried.

- **Not to hire two service people which amounts to about \$140,000;**
- **Not to hire a City Planner; amounts to about \$53,000;**
- **Not to hire a Senior Coordinator; that is about \$15,000;**
- **It is felt that the Law Department is overstated about \$50,000;**
- **Building and Maintenance throughout all departments can be lowered \$50,000;**
- **IT is inflated and is in many departments and can be lowered by \$100,000, and**
- **The 240,000 bins should be adjusted out of the budget.**

Motion to adjourn was made and second; the meeting adjourned at 7:15 pm.

Submitted by,

Jeune Drayton
Assistant Clerk of Council

Michele Weiss, Vice Mayor/Chair
Finance Committee