BUDGET AND FINANCE COMMITTEE
Meeting Summary
January 13, 2020

Attendance:	**Brian Mueller, Chair**
	Tom Henning, City Council
	Scott Gehring, City Council
	Tom Moeller, City Manager
	Kristie Lowndes, Acting Treasurer

The meeting was called to order at 6:30 PM.

Mr. Mueller noted that the committee will be meeting in the Community Room as it affords more room for the number of attendees than the conference room.

1. **2019/2020 Budget Update.** Mr. Moeller presented an updated 2020 Budget and Five Year Forecast to the committee. He noted that 2019 Actuals for Revenue/Expenditures had been updated effective January 10, 2020. It does not represent the final figures as there are still open expenditures that will be charged in 2019. He noted that Property Tax Revenue figures were the same as reported in December. He also noted that the Earnings Tax Revenue is effectively complete and represents almost a 7% increase over 2018 collections. Ms. Lowndes noted that the accounts will remain open until the end of February 2020 and the final audit is completed in May/June. The Comprehensive Annual Financial Report, once the audit is completed, is submitted to the State of Ohio by June 30, 2020.

2. **2020 Capital Plan Policy.** Mr. Mueller introduced the topic. He noted that the Budget and Finance Committee recommended to City Council in 2019 the adoption of a Capital Plan Policy to more clearly identify the City's efforts in meeting its obligations to maintain infrastructure and replace capital equipment. He asked the committee to review the revised Capital Plan Policy for 2020. He stated he has reviewed the State of Ohio Auditor's report on the City of Madeira's "financial health" relative to capital maintenance. The report noted that the City moved from 1 "bad" indicator in 2017 to 4 "bad" indicators in 2018. The indicators identify the City's financial ability to meet standard infrastructure maintenance costs. The intent of the Capital Plan Policy is to reverse this trend and address the capital maintenance needs in the future. A copy of the draft Capital Plan Policy is attached. After review, the committee agreed to recommend to City Council the adoption of the 2020 Capital Plan Policy to City Council at the January 27th Council Meeting. Mr. Moeller will prepare the resolution which amends the 2019 document. Mr. Mueller also noted that the committee has been provided a revised copy of the Five Year Capital Improvement Schedule. The only revision was to include the McDonald Commons Shelter Replacement and the McDonald Commons Path resurfacing in the 2023-2027 schedule. A copy of the new schedule is attached.

3. **2020 Budget Amendments.** Mr. Mueller stated he asked Mr. Moeller to prepare an amendment to the SR-21 Street Repair Fund to indicate an escalating transfer amount from the General Fund to SR-21. The current budget indicates an annual transfer of $520,000 each year. He stated that the proposed amount will meet the potential need for funds for both the annual Street Repair Program (residential streets) and as the City receives funds for major road projects through the State Capital Improvement Project (SCIP) program. Mr. Moeller noted it is not possible to predict when the SCIP funding is received. On average, to meet the 50% funding match for the remaining major road projects, we will average $500,000 over every four year period. Mr. Moeller presented two schedules showing a 3% and a 5% increase in the transfer starting in FY2021. The schedule also notes the impact of the increased transfer on the General Fund Reserve Balance for each year. After discussion, the committee agreed to consult with the City Engineer to determine if there is a standard indicator for the cost escalation of street repairs and paving that can be used in this model/analysis. Mr. Moeller will contact the City Engineer and report back to the committee at the January 27th meeting. Mr. Mueller also noted that there will need to be included in the Capital Budget for 2020 the replacement of the Municipal Building Lift/Elevator. Mr. Moeller stated that the cost will be $30,000.

4. **Revenue Discussion.** Mr. Mueller stated that as a result of the additional transfers from the General Fund to the SR- 21 Street Repair Fund and Capital Improvement Fund, there is a structural deficit in the General Fund over the next five year period. He noted that the Joint Fire District will be seeking additional funding for full-time personnel which is not reflected in the current five year forecast. The deficit for each year averages approximately $500,000 including the additional fire district expenses. If not addressed, the deficit will deplete the General Fund Reserve to near a zero balance in five years. He noted that the revenue generated by charging residents for Waste Collection would offset this deficit. He also noted that a .3% reduction in the current earnings tax credit would generate approximately the same amount. He stated that he is not personally advocating one approach over the other yet. Points of discussion:

   Waste Collection Fee:
   - Is a "regressive usage fee" as it affects everyone with the same cost regardless of their household earnings.
   - It creates an additional administrative burden as it is now not collected by the Finance Office.
   - It also impacts local businesses as those businesses which use the residential scale collection service would also pay.

   The Earnings Tax Credit Reduction:
   - Is a "progressive tax" as it impacts residents who work and pay to another jurisdiction and is based on a percentage of earnings.
   - It does not create an additional administrative burden as there is already a collection system established in the Finance Office.
   - It does not impact local businesses.

Mr. Gehring noted he does not like either option as he supported Issue 16 which increased the earnings tax rate from 1% to 1.25% with the additional revenue being totally dedicated to capital expenditures/maintenance. Mr. Mueller noted that this is “history repeating itself” as the City responded to a potential reduction in state revenues by reducing the earnings tax credit to .6% from a full credit in 2006. As revenues stabilized, the credit was increased to .7% in 2007 and then to .9% in 2008 where it remains today. The state then again reduced City funding in 2013 for the General Fund by eliminating the Estate Tax and reducing the Local Government Fund. He noted our operating budget is very lean based on per capita spending as compared to other comparable communities. The additional revenue, however it is derived, is necessary to meet the demand for maintaining the infrastructure and to improve existing facilities.

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Brian Mueller, Chair