

**VILLAGE OF CHAGRIN FALLS  
COMMITTEE OF THE WHOLE COUNCIL  
May 31, 2016**

Members Present: Berkobein, Lutz, Maersch, Muscenti, Newell, Rogoff, Schleper  
Also present: Mayor Tomko, Bloom, Himes

The meeting was called to order at 7:00 p.m. by Chairman Karl Maersch.

**CAPITAL NEEDS BUDGET ANALYSIS**

Mayor Tomko and Mr. Himes made a presentation that explained the specifics of the various categories of the Capital Needs Budget Analysis, the Forecast of Revenues and Balances, and a very much needed income tax increase.

Mayor Tomko and Mr. Himes answered many questions from Council.

Mr. Newell said it is not all doom and gloom. As we review the Mayor's Financial Review Committee's report we have a lot to be grateful for. The infrastructure of the water and sewer is in much better shape than a lot of communities, we have a very vibrant downtown that is helping with the revenue side of our budget, and we have a wonderful community. This 35 basis points it is a tax increase but it doesn't really throw us under the bus.

Mr. Maersch said after sitting through and participating in both the budgeting process for 2016, which significantly I think we spent probably five hours going through that on a line item basis, going through the Capital Needs, having the benefit of the Financial Review Committee's analysis and sitting through the presentation tonight, and frankly meeting with the administration for multiple hours to go through this, I am 100% convinced that we really don't have a choice but to put this on the ballot.

Mr. Newell said I agree with those conclusions of yours and I think it would be dire straights if we continue on without funding the Capital Improvement Projects.

Mrs. Lutz said I am going to vote yes.

Mr. Schleper said I will definitely be voting yes. I think that it has been stated tonight once or twice and it was also stated at the town hall meeting, at the end of the day the question comes down to what type of a community do you want to live in. I have a firm belief system that if you want services that you have to pay for them and I firmly believe that you get what you pay for ultimately especially when we were talking at the meeting, income tax rates for a household, the cost of going out to dinner a couple of times yearly. Ultimately when I put it in that type of a perspective it is an open/closed case for me.

Ms. Rogoff said well, I guess I have a slightly different view of why the tax levy failed previously. I would be in favor of supporting an income tax that was dedicated totally to the roads because we talk about roads; this is all we talk about. I think that if this tax levy was dedicated solely to roads and road repair that it would definitely pass because it is a focused thing, it is to the point, and not a lot of other mushy stuff in there like maybe we will do this and maybe we will do that and we need this and that and the fuzzy stuff that people start to worry about well where is this money going. Mr. Maersch said fuzzy stuff like what? Ms. Rogoff said well you are not saying what it is going to be spent on. I think that that is why it failed because it was infrastructure, capital improvements, this, that, and the other thing and not dedicated just to the roads. Mayor Tomko said but these aren't just to the roads Nancy. You can't do a road if you are not going to do the storm sewer. Ms. Rogoff said and that is the problem with the sewer and water department not having enough funds in them. Mayor Tomko said the storm water doesn't get funded out of that fund. You have a situation where you are looking like a typical government, you replace the roads and then you come back the next year and you rip it up to fix the storm water. You can not limit it to just roads. You are limiting it to capital needs, which is the roads, infrastructure maintenance, which again is the roads, and the cemetery perpetual care fund. I think those are clear uses of funds and limited to that and I don't think you can limit it to just the roads.

Mrs. Lutz said I think what he is saying, Nancy, is that we need more than just the roads and you can't say it is all for the roads and then use it for something else too. Ms. Rogoff said and I wouldn't recommend doing that. I would say that it should be all for the roads. Mr. Maersch said but then we just went through this and there is way more needs that just the roads so why would we do that? Ms. Rogoff said but this is the same thing that the voters turned down. Mrs. Lutz said I am not so sure that is why they turned it down. I don't agree with you. Ms. Rogoff said I think that it is and for one thing right now so there is 15% of the income tax going to the roads. Mayor Tomko no, it is going to the Street Fund, not the roads.

Mr. Maersch said so the way this is being proposed, this tax increase would go to the Capital Projects Fund and that is it. There is no fuzziness to that. Ms. Rogoff said it is exactly the same thing that the voters turned down. Mayor Tomko said well let them have another shot at the apple. Ms. Rogoff said well, why not change it up a little bit? Mayor Tomko said because it's not what is needed.

Mr. Maersch said I agree with you. It would be great if we could say we need this 100% for roads but the Capital Needs tells a different story and a high percentage of it is roads. 475 out of the 750 would be roads. Mrs. Lutz said if we only ask for 475 and say it is exactly for roads we still are hanging out to dry on some really important operations. Mr. Maersch said we couldn't do that; we would be running a deficit on every single one. We have cemetery, which Mr. Berkobein raised earlier. From my perspective when we talked about this and I sat with Ben and the Mayor a few weeks ago when we first got this and my proposal was why would we limit ourselves to anything? Why don't we just put it in the General Fund and use our best judgement as to what projects we need and they convinced me that it needed to be narrowly tailored so the voters were confident that it was going to the projects that we have identified and they convinced me to that way of thinking. I

couldn't get any more narrow than that.

Mrs. Lutz said we need a simpler message this time; it was a little complicated last time. Mr. Maersch said I agree and I think the voters have been educated; I think it has been a long education process.

Ms. Rogoff said I think it is the same message and the same thing as last time. Mayor Tomko said it is the same needs as last time Nancy. Ms. Rogoff said I think that we need to refocus and change it a little bit and have a clearer message.

Mr. Muscenti said one, I think we give too much blame or credit to the campaign two years ago. I firmly believe that one of the reasons that people voted no was simply because they don't want a tax increase. I think you have to have a pretty compelling reason to ask for more money and, no offence Robert, it is not a question of a dinner; it really isn't that. I say that because again I lean back on the fact that the median income in this village has gone down and there is 50% of these households that look to their pocketbook first. I've got two issues. One, we are asking for an increase that is going to generate \$750,000 a year maybe because we don't know. Two, we are going to end up borrowing money even with \$750,000 of new funds for Capital Improvements we are going to have to borrow a lot of money. Mr. Bloom said we don't have to. Mayor Tomko said Tom, we don't have to, we did that specifically to try an inter-generational fairness. Mr. Muscenti said what I am saying is that when I look at the \$750,000 my question is if we are going to ask the tax payers for \$750,000 we better make sure that it is enough because I do not want to come back here two years from now or three years from now and say we've got downturn and I look at Dave Bloom and say what in the hell is going on. I don't want to be responsible for that, Mayor. I just want to make sure that if in fact this goes up and we are asking the community to take more money out of their pocketbooks that we are asking for enough. What really, really, really has me, I am trying not to overreact to this but it is water and sewer. I've read too many articles in the New York Times and I just want to make sure that we are properly capitalized, that we have enough money to run the plant to produce water and to provide for. Mayor Tomko said from an operating standpoint we do. It is the Capital Needs in the water that we don't and we will be looking at a backhoe and we will be looking at rate increases to cover the borrowing for the waste water plant in 2019 or 2020 but that is a 30-year life and nobody pays cash for that. The benefits stretch out over 30 years. Tom, you are likely to be dead before that. In terms of the variability, if anybody knew how to predict the economic cycle into the future they wouldn't be sitting here tonight. Based on what we see now that is a true statement. When we began this discussion with you in terms of putting it on a property tax the only way that you could be assured of always getting a \$750,000 with House Bill 920 you would never get any more than that so at some point in the future you would be coming back. And, number two, in the case of the economic downturn you would be putting 100% of the burden on the residents to manage their own personal finances through that. Right now, by putting it on the income tax, we know the income tax is going to vary. It is going to vary up and it is going to vary down. We are taking the responsibility to manage through those down cycles. Mr. Maersch said what we are doing to address Tom's point is we are building the balance back up to where we have one year of the goal, and it is a 5-year goal because it goes into 2021 but if this tax increases passes at the \$750,000 level, Tom, we will get up

to one year of Capital Expenditures as reserve, which is probably a very small percentage of what our balances used to be in the good old days. Mr. Muscenti said but the problem is it rolls out through. Unless you borrow against it that income tax rolls out. It is a ballot issue and a tax increase goes up effective immediately? Mayor Tomko said January 1<sup>st</sup>. Mr. Bloom said we won't get 100% year one. It takes a couple of years to phase in; maybe three years but it is more like two years. Mr. Muscenti said so to sit here and say we are going to have \$750,000 cash available is not accurate. Mrs. Lutz said I share your concern and that is why I asked about not building up reserves before and I felt like they answered the question. Mr. Newell said it is accurate. Mr. Bloom said you will by the end of year two.

Mayor Tomko said clearly we are going to have management issues throughout this period. The sewer fund shows a -\$25,000 and we will mangle around that so the -\$25,000 doesn't occur. But, what you are saying, the income tax will take effect and you will get the full effect of it over a period of time and some people will under pay all 2017 and then when they get around to filing their tax return in April of 2018 they will have a large catch-up payment so I think you better figure on 18 months to collect the full amount. Mr. Muscenti said 18 months to two years.

Mrs. Lutz said there is always going to be that lag no matter how much we ask for, we can't ask for more for the lag.

Mr. Berkobein said my support of this would be heavily based entirely on the wording that is used. I have a number of concerns as said before about where the funds are spent, whether they are cemetery, water expenditures, the list is long in theory the idea is obviously sound. I get it, we all drive here, we all live here, we see what we've got. I am in a fortunate enough position where 50 bucks a year or a 100 bucks a year doesn't impact me so dramatically but there are always the thought process in this town of where is it going to go and where is the money being spent and we know and that is fine it is listed here. That is why this is going to end very much on the words you've chosen.

Mr. Maersch said are you comfortable with the Mayor's suggestion that it would limit it to the five things he said? Mayor Tomko said no, it is Capital Improvement, Infrastructure Maintenance, and Cemetery Perpetual Care. Mr. Berkobein said yes, I am reasonably comfortable with those things. Like I said, I have my drawbacks about how some of these are run not necessarily where this tax increase would go to. The Capital expense I do see the need.

Moved by Mr. Maersch, seconded by Mrs. Lutz that we as a Finance Committee, sitting as a Committee of the Whole, recommend to Council that Council have the law director craft language to change our income tax rate from 1.5% to 1.85% and the ordinance would restrict those funds as we discussed tonight and that is my motion. We will recommend no change in the credit and no change in the limit. We are recommending that Council place a tax increase on the ballot. We are going to keep the credit at 75% and match the limit to the new rate so that that is the limit. Mr. Bloom said one option that communities have in a situation like this right now our rate is 1.5 and the limit is 1.5. That means if you work out of town it is the same; that is what you are paying. If

you raise the rate and you leave the limit at 1.5 that 75% credit that they get is only on the 1.5 the additional rate is 100%. Mr. Maersch said to keep it simple, we are going to raise the limit with the rate so that we don't have that gap.

Maersch: Aye.

Muscenti: Aye.

Newell: Aye.

Rogoff: Aye, depending on the language of the ordinance that the law director drafts.

Schleper: Aye.

Berkobein: Aye.

Lutz: Aye.

The meeting adjourned at 9:03 p.m.

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Karl Maersch, Chairman  
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