

John Hamilton called the Public Hearing regarding the 5311 Rural Transit Grant for the Sandusky Transit System to order at 4:30 p.m.

Thomas Schwan, Transit Administrator, said during FY 2013, the system became a rural system and application made for a grant through the Ohio Department of Transportation. The city is no longer a federal, urban transit system and this hearing is required by ODOT to receive comments and questions from the public for the Rural Transit grant. There will not be any service changes made to the system this year and the grant amount was lowered a little as the system did not use all of the money allotted last year. This year the system will receive federal operating money in the amount of \$500,708; federal capital maintenance funds of \$468,000; the State of Ohio is giving the city \$100,000 toward matching funds. The total grant amount is approximately \$1.5 million on the rural transit side of the system and does not include JARC funding which is for the system's demand response and other operations. Thomas Schwan asked if there were any questions. The services will continue and he will be looking for matching funds so as not to take money from the general fund to subsidize transit services.

Tim Schwanger, 362 Sheffield Way, stated last year the city utilized money from the general fund for the transit and asked how the idea to advertise on the vehicles to raise money is going. Thomas Schwan said this was explored at the beginning of last year and he has prepared a Request for Qualifications which will be given to the city engineer tomorrow. He is hopeful this will go out in the early spring, 2014. Thomas Schwan said there was money taken from the general fund because of a gap in service and he worked with the Federal Transit; \$400,000 of Lorain Transit money was provided (which they did not use) to help fund the gap in July so this money was replaced. This was accepted by the city commissioners. As far as the rest of the match money, they are looking at a lot of different areas to get more money including contracts with other agencies. Thomas Schwan said working with other townships and the county is helpful.

Mike Zuilhof, East Market Street, said he is hearing complaints about people waiting a long time for transit vehicles. Thomas Schwan said they try to model the routes to run one-hour loops, but it is sometimes difficult to predict accidents which may hold them up. This does not affect receipt of grant monies and if the schedules get too far behind, they send a vehicle out to get back on schedule. This year, the system has been running at maximum capacity and will provide approximately 193,000 rides. The system is being used well by citizens of Sandusky and Perkins Township. Mike Zuilhof said he is glad to hear there is more versatility and flexibility in working with issues and asked the status of the shelters. Thomas Schwan said there will be four in the City of Sandusky. Mike Zuilhof asked about these in the downtown area and Thomas Schwan said some of the money was used by RLF funding and they need to place a cookie cutter shelter on each of the sites and the notion of having shelters at each of the transit system stops is still there. Mike Zuilhof said dense transportation and infrastructure also means dense economic activity and everything we do is great and will make the system successful.

At 4:40 p.m., the President declared the public hearing closed.

A special session of the city commission began at 5 p.m. regarding the 2014 budget for the City of Sandusky.

The clerk called **the roll** and the following Commissioners responded: John Hamilton, Diedre Cole, Wesley Poole, Jeff Smith, Julie Farrar and Pervis Brown. Also present: Commissioners-Elect Dick Brady, Dennis Murray and Naomi Twine.

Upon motion of Diedre Cole and second of Wesley Poole, the commission voted to excuse Keith Grohe. The President declared the motion passed.

City staff present: Paul Ricci – Fire Chief, John Orzech – Police Chief, Aaron Klein – Engineer, Rebecca Corrigan – Chief Planner, Deb Leslie – HR Manager, Connie Nicholson – HR Manager, Sally Poggiali – Finance Department, Hank Solowiej – Finance Director, Don Icsman – Law Director, Nicole Ard - City Manager and Kelly Kresser – Commission Clerk.

Nicole Ard provided materials which were submitted to members of the Audit/Finance Committee. Departmental priorities have been identified in one of the worksheets and examples of initiatives and performance measures. This is a framework for things identified as important and Nicole Ard thanked the department heads and staff for keeping track of progress. Nicole Ard provided follow up with current service levels and activities and inventory staffing and resources required to provide services. Information was provided in a graph with estimated expenditures and two supplemental budget packets were distributed. There will be about \$70,000 in new activities as well as adjustments with several budgets and Nicole Ard said the commission should provide direction and guidance regarding these items. There is an updated form for the fire department which is not requesting supplemental activities. Dick Brady said he understands the \$17.2 million in Draft #2 as it contains supplemental items and asked Nicole Ard to quantify these. Nicole Ard said recreation is \$70,000; fleet maintenance: \$18,700; engineering: \$74,900; building: \$54,875 and horticultural services: \$55,000. Hank Solowiej said he made some changes based on the city manager and the Audit/Finance Committee meeting and this dropped to about \$16.9 million. Dennis Murray asked where this leaves the deficit going forward as previously it was about \$1.4 million. Hank Solowiej said after looking at the reallocation of \$500,000 in EMS funds, assuming this does occur, it would be about \$638,000. Dennis Murray said this is a structural deficit and given anticipated revenues going forward and maintaining the same level of expenditures and no big payouts for retirement, and no wage increase which is not a logical assumption, there is about \$1.1 million in structural deficit. Hank Solowiej said the big issue will be in 2015 if the EMS fund transfer occurs.

Julie Farrar asked if there is a number that can be given to each of the department heads to work with and make cuts and Hank Solowiej said this would be up to the city manager. Julie Farrar asked if working together, they (Hank and Nicole) could find this number and Hank Solowiej said addressing the fire department's SAFER grant issue would put the city almost in balance. Nicole Ard said in terms of services, things have been cut to get to this point, and more cuts can be made, but she would like to get some feedback from the commission. The intent is to provide a better understanding of what it takes to provide services and for purposes of providing for discussion. Nicole Ard said the fire department provides prevention activities, the fire boat and the boat tax, HazMat activities and other teams; there has been a reallocation request for two years. Dennis Murray asked what it is the city manager would like the commission to do with this information as he is not sure how it relates to the fundamental issues at hand, what is a sustainable level of expenditures and if we are talking about spending down reserves in 2014, what will be done in 2015 or 2016. Dennis Murray said it seems there are not a lot of options and these are all great resources if the city was fully funded, but the fat has been cut and he does not know where this gets us tonight. Nicole Ard said last year the commission received a version of this that was not as detailed about services in each department and only a listing of what positions could be cut. Based on feedback, there were changes made and in other communities, this is used to be as precise as possible. The impacts for services in 2014, 2015 and 2016 will be realized based upon decisions made. Nicole Ard said previously when she worked in Phoenix, they took five or ten percent of their base regardless and we do not have that luxury here and if the commission does not want to talk about the impacts, she does not want someone to say they did not know. Some communities provide this information and rank services and service levels and they are done through public hearings and this is the process Nicole Ard had asked to have to obtain feedback. Dennis Murray said what he is struggling with is this is a good tool to be used to evaluate a budget that was more in a form the next commission is comfortable with and will be a valuable tool to the departments, but the first issue is to know what our expenditure level would be for next year. The commission does not run the departments, they are supposed to set policy and look to the city manager and the department heads to set specific funding and provide direction with what they are comfortable with leaving the city going forward. Dennis Murray said he does not think we are there yet and the commission does not have consensus on the rough outlines of what the expenditures will be and how they will be funded. The cuts will be the second issue and this is one step too early for the process. Nicole Ard said in looking at some past minutes from the Audit/Finance Committee, she was quoted as having said 21% or 22% for a carryover is ideally where communities are at and where she would like the city to be and setting a policy

about this would be a good idea, but to know what this means in terms of services. Nicole Ard said if there are specific things the commission needs after this to let her know. Wesley Poole said ultimately, the commission is going to end up deciding where to cut people and for him to make this decision, he is interested in knowing how many persons are in each department and how they are being utilized in terms of services and from this information, begin to get a picture of what can be cut out. Overtime may be of issue in some departments and at some point, the commission decided to negotiate a 1½% raise for everyone and to determine whether each employee is being effectively used. Wesley Poole asked if there are the right number of employees in each department. Diedre Cole said she is a little confused and asked if the problem would go away if the city dealt with the SAFER grant issue. Hank Solowiej said this would get us closer for 2014, but 2015 is still a big question mark. Diedre Cole said she believes the commission should set some parameters as to what is off limits for cuts and what is not (reserve police officers, SAFER grant) as a starting point. Wesley Poole said in order to make this decision, the commission cannot assume each department has the adequate number of staff and they are doing their jobs to the best of their abilities. He said the departments should explain the services being done and the employees' utilization. He said the commission cannot just say the number of staff in the fire department is adequate, but when they go on a call, what equipment goes and how many bodies are used. From this, he will have an idea whether staff can be cut at the fire department. Pervis Brown said the city manager is asking the commission what they would like for the future and she can cut where the commission directs her. She is asking for direction and this is what the commission is supposed to do based on what the commission wants Sandusky to look like. Pervis Brown said the commission then answers to the public about what the city has or does not have. Pervis Brown said unfortunately, he will not be here to make this decision. Wesley Poole asked what directions were given last year during the budget process; Pervis Brown said in 2013, revenues were up, expenditures were up and the ending balance was up. Wesley Poole asked what direction was given to the city manager and Pervis Brown said the commission did not give her any direction. Pervis Brown said the outstanding job done by the city manager was done on her own. Julie Farrar said her opinion is she would like to see Nicole and Hank work together and work with the department heads to determine what they can do without as a starting point. She is not an advocate of just cutting things without talking to the persons who are doing the job and know. These are educated, professional persons who can determine what should be done. Nicole Ard said this is not something fun at all and in staff meetings, one looks to the other to help in reducing and making cuts. Wesley Poole said the city is required by law to provide hospitalization to employees and asked to identify these employees, what they do and what the threshold is for reducing these hours below the threshold. Hank Solowiej said the annual cost for health insurance is approximately \$18,000 per employee under a family plan. Wesley Poole said those employees who are being added should be looked at if we otherwise were not providing health care coverage and what it would take to reduce their hours. Nicole Ard said clarification would need to be made by our counsel about this. Pervis Brown said this leaves a sore taste in his mouth and taking away health insurance is not where we want to be as a city. Wesley Poole said he is talking about employees which the city would have to cover starting next year because of changes in the law. Dick Brady said as a city, we will spend \$3.4 million in hospitalization this year and employees are required to cover six percent of these costs. Dick Brady said he understands there are collective bargaining agreements, and this cannot be changed with a magic wand. These issues need to be visited and the percentage needs to be discussed at some point in time. For employees to pay only \$229,000 out of \$3.4 million is a huge difference. Julie Farrar said health insurance premiums continue to go up and this is something that needs to be discussed. She has never been one to talk about opening up contracts when it is not time, but this would help significantly to share the burden with everyone. John Hamilton said being in a small self-insured company, he has a \$20,000 deductible and this is what he can afford and there are other options out there. Dennis Murray said he is concerned about spending down the beginning balance and he asked what retirements are down the road and what the city may pay for large amounts of sick or vacation time next year. Hank Solowiej said he believes for 2014 this is a safe number and one thing the commission did several years ago is create a payroll stabilization fund which is used to help buffer some of these expenses; a resolution will be presented at the next meeting for this fund. Hank Solowiej said the city does not always know these retirement dates and there may be

employees who have service time from another entity which may not show as upcoming. The last time the city looked at liability in the general fund for these payouts, it was around \$400,000 as of last December. Dennis Murray said one other thought suggested is to look at early retirements. He never understood the economics of this, but asked if there may be merit to creating an early retirement fund. The city previously has cut through attrition. Nicole Ard said the police department has suffered the loss of many senior officers in the past couple of years and this is a situation where a significant number of younger officers who are less seasoned are with the department. Nicole Ard said the city has lost a few chief foreman positions and the city may want to sustain this, but the other side of the coin is the operational impact and to make sure the works still gets done. Pervis Brown asked the carryover for this year and Hank Solowiej said right now it is projected at about \$3.9 million starting balance for 2014. Hank Solowiej said last year this was approximately \$3.7 million and the estate tax will be at zero this year (this was an approximate \$600,000 windfall this year).

Pervis Brown said the city wishes to keep a carryover to maintain the bond rating but asked if there is a figure we could drop to and be safe. Hank Solowiej said in the past the commission has said \$3 million, but a lot of times the GFOA standards recommend two months of operating revenues or expenditures which is pretty close to \$3 million. Moody's has always said in our report a reduction in general fund reserves would affect the city's borrowing. The city could establish a policy to set a minimum required balance. Pervis Brown said in 2010, the carryover was 22%; in 2011 it was 23% and in 2012, it was 24%. Hank Solowiej said in 2009, there were significant layoffs which affected the ending balance. Pervis Brown said he is concerned we keep adding money to our ending balance and are now at almost \$4 million; he asked where we stop adding to it.

Dennis Murray said he would like to make a specific proposal or suggestion to take \$150,000 from the EMS fund now and \$350,000 is very sustainable going forward as we have been overfunding the EMS equipment fund by about \$200,000 per year. Dennis Murray said he would then proceed with the layoffs of six firefighters which is another \$530,000; the layoff of one police officer which is about \$70,000; he would take \$200,000 from the reserve which gets the city to \$1 million; the city manager can then make suggestions for the last \$100,000. Dennis Murray said he would like to hear about what cuts are possible and the commission can choose based on what the budget looks like at that point in time. Wesley Poole said as a point to begin discussion, this is fine, but deciding whether to give up six firefighters will depend upon how this impacts the services. This is in the public eye now, but he will not make a decision about this right now. Nicole Ard asked if the commission would like to reconvene at a later date. John Hamilton asked about mothballing the downtown fire station and redistributing the equipment but keeping manpower the same as he has heard this is an inefficient building. John Hamilton said when he was younger and growing up in Huron, they closed school buildings down and combined them and there are other ways around things rather than going after manpower. Jeff Smith said at the last commission meeting they heard from Paul Ricci what it would mean to lay off six firefighters, but the commission has not heard from John Orzech about the impact eliminating one police officer would have. The last two years, Jeff Smith said he has been out with the police 30 or 40 nights and they are at bare bones as it is and wonders what a layoff would mean. John Orzech said he provided a memorandum regarding these ramifications and the loss of a police officer is not his concern specifically. If there was to be a layoff of a police officer, a reserve officer would have to be laid off first. This would mean \$130,000 reduced from the budget, but would also create more operational issues. John Orzech said if he were asked to cut \$70,000 or \$100,000 from his budget, it would be a more appropriate way to go. He has had meetings with the unions to discuss specific issues but to make a recommendation to cut a police officer with the current contract would require him to lay off every reserve officer and would include the court officer, the evidence officer and elimination of two officers riding in cruisers on Thursday, Friday and Saturday nights. This could mean having several officers working on a Friday night with one at the hospital, three downtown and another on a domestic and no other coverage throughout the city. John Orzech said specifically, on December 3, there was a homicide and a fire during the same time a rape was in progress which tied up two officers for an extensive period of time in addition to a suicidal subject all at the same time. John Orzech said he is more comfortable

with the commission directing him to cut a specific amount of money and allowing him to make cuts accordingly. John Orzech said regarding contractual services and supplies, there is no way possible so he will have to come to some type of agreement with the union to take a look at the contract to see if specific things can be cut. John Orzech said he thinks he can get there very simply but laying off an officer will cause a lot more headaches for him and the commission in the long run. At the level the department is at right now, 45 officers is about as low as he feels comfortable going and is what it has been for about one and one half years. The issue with former Officer Todd Smith and his pending lawsuit is one position which would not be filled and would then solve the problem; this is still unresolved and he has already been awarded his job back. Pervis Brown said he would like to emphasize the city is going through a process where the fire and police have found errors that need to be corrected and the chiefs have made them and the city is now in a position where they are respected and to now cut down on any of this would be an injustice to the citizens of Sandusky. The level of service is at a point where everyone is comfortable and we are functioning at a higher level than we were before and are starting to get our respect back with both police and fire. Pervis Brown said to be very careful and to preserve our safety forces especially with drug activity increasing, poverty going down and the level of activity increasing; to turn around and decrease our protection and we do not want to be involved in a situation again where backup is not available to protect our people. Paul Ricci said the estimated general fund balance at the end of 2013 is \$3.9 million; taking out the \$500,000 reallocation in revenues would be \$15,000,800; the estimated 2014 expenditures would be \$16,000,900 or a difference of \$1.1 million. Paul Ricci said this would give us an ending balance of \$2,858,201 and if we had a target with this math problem of perhaps 22%, this is \$3,520,000; the difference between that and the ending balance is \$661,000; he asked how we get to \$661,000. Paul Ricci said one of the things the city can do is knowing what the number and the percentage is, using discussions with the union and staff to take the opportunity to ask how we can make this work. Paul Ricci said his question for the commission is 'how close is close enough' and asked if a zero balance was needed or if \$200,000 is close enough. If this is the target, this is something they can hit and figure out a way to do this mathematically. Paul Ricci said maybe it is something as simple as maybe the EMS fund is overfunded and maybe another look needs to be taken at this, but he has some difficulty in accepting we are going to allocate \$600,000+ from the fire department and the EMS fund to try and resolve a \$1.1 million debt and he does not feel this is fair. Paul Ricci said maybe the solution is to reallocate \$250,000 a year for the next two years and then try to find the \$661,000 that is sitting there as it relates to the service we provide and this is the math of all this and it is doable, but there need to be some options. Paul Ricci said if the number is \$661,000, he asked the department heads to have a chance to get to this number and give Nicole Ard the things she needs to make these recommendations to the commission. Paul Ricci he knows this is a tough road and everyone understands this; he is not trying to be selfish, he is trying to figure this out and is asking for some parameters to work with. Dennis Murray asked for clarification about the \$250,000 reallocation of EMS funds for the next two years and if the \$661,000 referenced would be the proposed amount to spend down the reserves to 22%; Paul Ricci said the \$661,000 would be a combination of more cuts out of the budget through the union sitting down with management and helping with the picture and the commission will be surprised with what it sees when this is all over. If additional cuts are made with contractual services or with supplies, maintenance or training, they will be felt, but it is better to do this than to sacrifice the level and efficiency and service which is currently being provided. Paul Ricci said we may get it down to \$200,000 which is a little more palatable with the already increased carryover. Dennis Murray said what he believes is being proposed would take the carryover from \$3.9 million to whatever 22% of the reserves is and once this is done we will be looking at approximately \$661,000 in cuts. Paul Ricci said if 22% is the number and we have a \$3.5 million carryover at the end of the 2014 cycle, this is where we should be and we are at \$3.9 million now; he believes this means finding \$420,000 and even if this means cutting personnel, this can be done. Julie Farrar said the police and fire department personnel can be innovative and find ways to save money and provide the level of service our citizens are used to having and asked what we are willing to live with if we do not get to this number. In 2004, the ending balance was \$2.7 million; it was \$2.8 million in 2009 and a big black hole did not open up and we lived through this. This looks like a number we have lived with before (\$200,000 - \$250,000 range). Wesley Poole asked the city manager how long it would take to get to this

\$600,000 figure. Nicole Ard said with the holidays and the next Audit/Finance Committee meeting update scheduled for January 24, she would suggest after January 25. Wesley Poole said if the commission is going to consider this, to look at what the city would look like with six less firefighters and one less police officer with the alternative proposal. Dennis Murray said he appreciates the comments made by both the police chief and the fire chief and it is this kind of refinement that is needed and he is speaking in very rough terms as he understood the costs. To suggest cuts with this method, he would see something of a blend; instead of \$200,000 out of EMS funds, this number is actually \$250,000 and this is something he is certainly willing to think about. It is not one hundred percent sustainable but this is what concerns him and this is fair to put on the table. The \$661,000 spend down from the reserve is something which gives him much more pause as this is not sustainable in the long term and the cuts will have to be somewhat greater than that. Dennis Murray said he is not concerned about his convenience or the convenience of anyone on future commissions, he would just assume meet on January 6 which is the first time the commission will be able to meet pursuant to proper notice and take a look at what the proposals are at that point in time. Everyone receives emails and to the extent information is available between now and then to express thoughts although the commission cannot make decisions this way, but the dissemination of information is very helpful. Dick Brady said the commission will need to feel every department head is on board with this; the city manager and the finance director are in a position to craft an alternative to what was on the table tonight. It is painful to look at this and perhaps this is what it took for the commission to take a look at this in a positive fashion and he expects to see this out of every department head so as not to place the burden on the police and fire chief. This cannot be shared equally, but there is room for everybody to play in this game. Jeff Smith said the city has to start working on economic development in the next couple of years and start bringing in more money because we cannot keep cutting each year. In 2009, there was nothing in place to work on this and we are still fighting this and need to focus on it. Diedre Cole said in 2009, Scott Schell was the city's economic development person. Sandusky sits on top of a five legged stool and the legs of the stool are police and fire, streets, parks and recreation and economic development. The interesting thing about the legs holding this stool is if any one of them are kicked out, the stability of the whole is tipped. The six fire fighters have done a great job and they were told when hired the city may not be able to keep them and we are not at that point. This is about economic development and there has to be some sort of balance and Diedre Cole said she thinks this is what we are doing: balancing the departments with the goals and vision. This is a monumental task and she asked that as choices are considered, to consider what it takes to economically develop our community and determine what people are looking for when they come to Sandusky. Diedre Cole said she uses as a benchmark what she looks for when she visits other communities: what their services are like, what their government is like and what they have to offer. Sandusky is a wonderful community which has a lot to offer, but we are going to have to make some real tough choices about police and fire staffing coupled with economic development goals moving forward. We do not know what the future holds for us and the trickle-down effect is critical for us and we do not know what is going to happen and perhaps there is a compromise between three fire fighters versus six. Pervis Brown said he is concerned about cutting six fire fighters which would force the fire chief to close the fire station on Venice Road which is where all of the city's economic development can be created. When putting in a new business, people look at the school system, the fire and police protection and this should be taken into consideration. Julie Farrar asked if the city manager and finance director can work together to find the numbers to equally distribute the burden and meet again on January 6 to see what they come up with.

Upon motion of Wesley Poole and second of Julie Farrar, the commission voted to adjourn the meeting at 6:21 p.m. The President declared the motion passed.

Kelly L. Kresser, CMC
Clerk of the City Commission

John F. Hamilton
President of the City Commission