



CITY OF TWINSBURG, OHIO

Finance Committee Mtg.

May 22, 2018

6:00 PM

1. CALL TO ORDER

Mr. Scaffide called the meeting to order at 6:00PM.

Roll Call:

Finance Committee Members: Scott Barr, Sam Scaffide, Maureen Stauffer

Other Council Members Present: Greg Bellan, Jo-Ann McFearin (arrived after roll call)

Also Present: Finance Director: Sarah Buccigross

Mayor Yates

Law Director: David Maistros

Fire Chief: Tim Morgan

2. AUDIENCE PARTICIPATION - None

3. APPROVAL OF THE April 24, 2018, 2018 MINUTES - approved as written

4. PRESENTATION OF SEWER INCREASE FIGURES for 2018 – FLAT

- Ms. Buccigross explains that we will be moving forward with a flat fee base increase. Rate increases based on usage were looked into, but would require significant time and billing structure changes.
- Increase will be \$17 per quarter, \$68 annually
- Mr. Campbell explains that the last increase was in 2006. Prior to that, there was an increase in 1998.
- The increase will impact residential and business properties.
- Industrial sites are billed by employee count. Commercial customers are billed by fixture counts. The numbers are not verifiable; they are based on surveys that are sent out to businesses. Mr. Campbell has looked into a consumption based billing for these customers. This would rely on Cleveland Water's system communicating with our sewer billing system. At this point, this process would take a considerable amount of time and would depend heavily on Cleveland Water providing us accurate information & reports.

- Mr. Scaffide asks what we will realize as an increase in revenue after the first year. Ms. Buccigross estimates that number to be approximately \$600,000-\$700,000 for the sewer fund. The rate increase will ensure that the sewer fund does not run too low and risk needing to be supported by the general fund. The general fund has not needed to support the sewer fund in the past.

5. DISCUSS ONGOING SEWER RATE MONITORING & CONVERSION TO USAGE BASED BILLING

- Ms. Buccigross discusses the possibility of having sewer rate monitoring and automatic increases, instead of having larger increases every ten years. She suggests a possible 1% -1 ½% annual or biannual automatic increase.
- A council member asks what information should be communicated to the residents. Mr. Campbell explains that without the increase, the sewer fund will go into the red and would require a general fund transfer.
- Ms. Stauffer explains that she has heard concerns from residents of smaller family households as to why they are paying the same rate as larger households. Ms. Buccigross explains that we would still continue to look at usage based billing going forward. We are about a third of what the rest of the state is. Many surrounding communities are usage based. Mayor Yates explains that even with the flat increase, we are still significantly lower than the lowest usage based communities. Ms. Stauffer would like to make sure this information is communicated to the residents.
- Mr. Campbell explains that consumption based billing is traditionally more fair, but Mayor Yates explains that consumption billing may cause many residents' sewer bills to increase greatly.
- Mr. Maistros asks what the current annual rate is for residents. Mr. Campbell confirms that the current rate is \$182. Mr. Maistros explains that the current EPA survey states that the annual average sewer rate in Ohio in 2016 was \$661.00. Barberton is estimated to have the next lowest sewer rate (\$425) based on state average usage and current available data. Even with the increase, we will be the lowest in Summit County.
- If Finance Committee is in agreement, Mr. Maistros would like to present this legislation to council on first reading at the next council meeting, to be in effect for the last quarter of 2018. There is discussion on whether or not we should add an automatic 1 ½% automatic annual increase to the legislation. Mr. Barr suggests that the rate increase is raised to an annual rate of \$250, effective fourth quarter of 2018. He recommends that the rate stays the same in 2019, and that on 1/1/2020 we begin automatically increasing the rates 1 ½% (This is an increase of \$3.75 annually). This would make the increase a smaller increment, vs. the current \$17 increase after ten plus years. Members recommend holding off on discussions of how to address automatic increases until sometime in 2019.
- Mayor Yates explains that we would want to look into possibly doing a consumption based bill for industrial and commercial locations, and keep residential at a flat rate.
- Mr. Campbell discusses Sewer Capital projects. We are not accumulating much money for sewer capital projects. In 1985, the treatment plant went through an 8-9 million dollar expansion to the

plant. There have been two subsequent expansions since then. These expansions were paid for from tap in fees. We no longer have that revenue source to the level that we used too. Some processes date back to the 1980's. Equipment will need to be updated at some point. He anticipates two large capital projects that the plant will need in the near future. We currently do not have enough money in the sewer fund to cover these potentially expensive projects.

6. 5-YEAR REVENUE PLAN

Ms. Buccigross reviews the five year revenue plan. Two thirds of our general fund budget is attributable to safety (police & fire) and city services. The expenses in the general fund are expenses that cannot be avoided. Reports detailing 2013-2018 are discussed. Our expenses have only gone up 5% over the course of those five years. Expenses are under control; on average they are only going up 1% per year.

A five year revenue vs. expense worksheet is reviewed. Beginning in January 1, 2014 we no longer had the quarter percent. This is the year that expenses began exceeding revenue. Each year from 2014-2018 we began falling into shortages. The 2018 numbers that are shown are estimates based on the current budget, and the shortage will not be as significant as indicated. The revenue should come in higher than budgeted, and the expenses should come in less than what was budgeted, as we never spend 100% of the budget.

The average shortage each year in revenue vs. expenses, over the five year time period, is 4-5 million dollars. Ms. Buccigross explains that while expenses in the general fund are under control, the gap needs to be addressed on the revenue side in order to avoid reducing services and / or staff.

The next page explains some possibilities of bridging the revenue gap on an annual basis in the coming years. The potential options include:

- Quarter Percent Income Tax
- Millage for Police & Fire Pensions
- Trash fee

The next page displays potential results and timing of implementing the various potential revenue increases. If council was comfortable with putting the quarter percent back on, it would need to go the ballots this fall, in order to start seeing revenue from it in 2019.

Ms. Buccigross explains that even with the quarter percent back, we would still need to choose at least one other revenue source option (trash or millage) in order to begin to see the general fund move in a positive direction. Ms. Buccigross strongly recommends to council that we commit to the quarter percent, and at least one other option (millage or trash).

Ms. McFearn discusses that the Township recently had an increase, and their taxes were higher than ours to begin with. Mayor Yates explains that Twinsburg is extremely low in using millage that supports our government services. He explains that millage impacts every property owner. However, income tax is different. Of the 13,500 RITA filers, only 2,700 (20%) live and work in Twinsburg. Twinsburg gives 100% credit on local income taxes. Not all communities offer their residents this credit. Of the Twinsburg residents that work outside of Twinsburg, about 7,500 are paying 2% to another community. They are given 100% credit. If we went to 2 ¼, there would be ¼% coming to Twinsburg. The majority of our income tax comes from people that do not live in Twinsburg. Ms. Buccigross and the Mayor further explain

that other local communities (Aurora, Hudson, and Solon) that have a 2% income tax also have a much higher millage to support local services. Property taxes are significantly more than Twinsburg. Mayor Yates explains that shrinking the budget any further would mean a reduction in personnel. Twinsburg provides residents with many services and amenities (branch and leave pick up, free trash removal, etc.) that are unheard of in other communities.

Mayor Yates explains that no matter what we decide to do as far as increasing revenue, we will still work aggressively at minimizing our operating costs and getting our enterprise funds to break even. He would like to see us get to the point where we can get our reserves stable and keep our general fund at around a ten million dollar balance.

The proposed increase to millage would support police and fire pension. An income tax increase will not have any impact on retirees. Property tax (millage) would.

Ms. McFearin states that people may perceive any general fund shortages or potential tax increases as being a result of the new Clubhouse. Ms. Buccigross explains that if you look back over the past five years, our biggest deficits were in 2015 and 2016, before we broke ground on the Clubhouse. Although the perception will be out there that deficits are because of the clubhouse, this is not the case. Ms. McFearin states that we need to be very clear when explaining this to residents.

If council wants to move forward with bringing back the quarter percent income tax, in order to start receiving funds in 2019, it would need to go on the November 2018 ballot for residents to decide. Legislation would need to be brought to the next council meeting and put on three readings in order to submit to the Board of Elections by the August deadline.

Mr. Scaffide would like to see a presentation from the Mayor on how a request for an income tax increase would be presented to the residents.

Residents expect a certain level of service in Twinsburg. Mayor Yates explains that he does not want to get to a point where we are cutting the budget more, which would impact the number of bodies in the city providing the services that residents expect.

A council member asks if we could get an informational flyer out to residents marketing why we need the increase. Council needs to decide which way they want to go in order to increase revenue and cut the deficit. Revenue needs to increase in the general fund in order to build reserves in the various funds.

7. COMMENTS / QUESTIONS: None

8. MISCELLANEOUS: None

9. NEXT MEETING: June 26, 2018, at 6PM

10. ADJOURNMENT: Mr. Scaffide adjourns the meeting at 7:00PM