

## MINUTES

### COUNCIL-MANAGER BRIEFING

September 26, 2011

Mayor Ronald A. D'Epifanio called the Council-Manager Briefing to order at 6:02 p.m. at the Fairfield Municipal Building, 5350 Pleasant Avenue. The following Councilmembers were present: Mitch Rhodus, Marty Judd, Tim Abbott, Mike Oler, Terry Senger and Mike Snyder. Staff present: Art Pizzano, Carol Mayhall, Mark Wendling, Tim Bachman, John Clemmons, Dave Crouch, Dave Butsch, Don Bennett, Ben Strickler, Mary Hopton, and Angie Jolivet.

#### **Financial Review**

Finance Director Mary Hopton discussed the effect the changes to the state local government taxes, the estate tax and the local income tax will have on revenues. She explained \$150,000 less will be received this year for the state local government taxes, \$300,000 less will be received next year and \$150,000 less will be received in 2013. She explained the Estate Tax will be eliminated beginning January 1, 2013 and our average is around \$300,000 per year. She explained our largest revenue is local income tax, which accounts for 70% of our General Fund, just less than 17 million comes in from local income tax and the remainder of the local income tax goes to our Street and Capital Improvement Fund. Mrs. Hopton explained payroll tax is down, which is 75% of our revenues; however, none of the employers have dropped drastically. She explained numbers are up due to a large estimated payment received from one company. Mr. Pizzano explained the money has not been spent and is the anomaly payment referred to in the past. Mrs. Hopton stated she expects when the company files next month they will either ask for the money back or they will leave it on as a credit. Mr. Pizzano explained when you see the numbers they look better than they are as far as income tax receipts. Mrs. Hopton explained she has budgeted overall a 1.7% decrease in income tax. Mrs. Hopton discussed the overall trends including fiscal tightening, interest rates and inflation. She briefly explained fiscal tightening affects government sustainability in areas such as the federal debt ceiling, balancing budgets at all levels of government, taxes, economic growth and services. She explained the Federal Reserve's actions to help with the economy include keeping the short-term interest rates near zero and launching "Operation Twist" which lowers long-term interest rates by selling \$400 billion short-term and buying long-term for up to 30 years. She stated the target for inflation is 2% to keep prices stable. Mrs. Hopton stated the unemployment for United States, Ohio and Butler County is 9.1% and Fairfield is at 8.9%. She explained to stabilize unemployment an economic growth factor of 2.5 – 3 % per year is needed, which is unattainable at this point. She read Council's goal which is "To provide services without compromising the fund reserves and jeopardizing the City's Aa1 bond rating". She discussed the role of the reserves in which the minimum of five million dollars is very important and will continue to keep us through the next year and staff is striving to make this budget come as close as they can to meet that goal without interrupting services.

Mrs. Hopton explained the last water and sewer rate study was in 2007, which at that time projected growth. Staff explained historically the water and sewer operational costs remain flat, but water productions levels went down about 2% each year since the economic decline started. Mrs. Hopton commented the sewer irrigation credit passed last year seems to be working. She explained capital projects for infrastructure were also taken into account for the rate study and outstanding debt from both water and sewer. She explained the analysis for the 2012-2016 should be wrapping up soon with different approaches being looked at for water and sewer to try to keep rates as low as possible. Mr. Pizzano clarified low, but also self sustaining. He explained gradually adjusting rates periodically as a result of these rate studies has enabled us to keep this as a true enterprise fund, which means money spent out of the fund is the money collected in the fund. He explained while it does not have a direct impact on the general fund, not doing the adjustments to the water and sewer rate could potentially have an impact if the general fund had to subsidize them. Mrs. Hopton explained in addition to the rate study there will be a proposal for different fee structures for water and sewer customers that tend to not pay their bills and have turnoffs. Mr. Pizzano explained the more aggressive approach with rate payers to get the fees that come in. Mrs. Hopton explained they are trying to put any fees back on those that are incurring them rather than the general population.

Mrs. Hopton discussed things we don't know including the three areas of the global economy, the United States economic outlook, and tools for the toolbox. She briefly discussed the debt crisis in Europe and its impact on exports the volatile financial market in the rest of the world. She commented the U.S. economic outlook was lowered through 2012 by Moody's and the International Monetary Fund. She discussed according to what she has read the odds for a recession if we do not go into a recession the lag time for the economy to stable out will be about 18-24 months before our revenues start to rebound largely due to the fact that we are income tax based versus sales tax. Mrs. Hopton discussed State Issue 2 – Senate Bill 5, which deals with collective bargaining, healthcare and Civil Service Law. She explained some portions of the Civil Service law changes were in Budget Bill, HB 153 and will go into effect on the 29<sup>th</sup> of this month. She discussed the changes to the health care including employees have to pay 15% which the city already does and mandatory health care pooling which could hurt the city. Mr. Pizzano discussed the city's previous involvement in a Metropolitan Cincinnati Consortium for health care which actually disadvantaged the city due to a combination of the prices creeping up and our very positive claim history. Mrs. Hopton discussed the "Common Sense Initiative" from the Governor and Lt. Governor, which is a "review of regulatory system to eliminate excessive and duplicative rules that stand in the way of job creation". She explained we do look for ways to work cooperatively with other local governments or the County. Mrs. Hopton and Mr. Pizzano discussed the central collection of local income tax, which is still pending. Mr. Pizzano explained the Finance Director has been

working through the Finance Officers Association on this item. She explained the Ohio Municipal League is asking for numbers from the tax offices and the local tax groups are as well trying to compile what the impact will be for local entities. She further discussed that there are avenues for revenue collection that can be done cooperatively. Mr. Pizzano stated we have been holding our own relatively well in terms of our business activity which is a source of the majority of our revenue. He explained there will not be growth in people again this year, attrition will continue, and there is another year of the contract with 0% increases and probably cutting back capital. He explained we are doing what we can within reason so we do not have an erosion of services, but the thing that is killing us is money we are losing from other state agencies. He explained staff will be working on a way to creatively and inventively try to make up that lost revenue from the State of Ohio.

**Adjournment**

Council/Manager Briefing adjourned at 6:40 p.m.

Respectfully Submitted,

Angela Jolivette  
Clerk of Council