

FINANCE COMMITTEE MEETING
JULY 6, 2010

Finance Committee Chair Mr. Knuchel opened the Finance Committee Meeting at 6:05 p.m. In attendance from the Committee were Mr. Knuchel, Ms. DePledge and Mr. D'Ambrosio. Also in attendance from Council were Mr. Lajeunesse, Mr. Hoefle and Council President Mr. Morley. Ms. Vaughn was absent and excused.

In attendance from the Administration were Mayor Andrzejewski, Finance Director Slocum, CBO Stigalt and City Engineer Gwydir. Law Director Klammer was late in arriving.

ODOT: S.R. 283 SLIDE FAILURE PROJECT: CA/I PROPOSAL RECOMMENDATION:
DLZ OHIO, INC.: NOT TO EXCEED \$30,000

Mr. Gwydir: Three firms were considered for the construction administration and inspection services of the slide failure. They were GGJ, Inc., QCI-CE, Inc. and DLZ Ohio, Inc. DLZ was recommended as the strongest proposal. Mr. Slocum and I met with a representative from DLZ this afternoon and confirmed with them that they could perform as specified in our scope and at the fee scale as specified. Presently they are preparing a fee in accordance with ODOT regulations and will be submitting that to Mr. Slocum for review. Subsequent to his review we will ask ODOT prepare a contract for DLZ on behalf of the City for execution.

Mr. Knuchel: Were there any issues about the information they provided during the bid process? Did you receive all the information you requested?

Mr. Gwydir: Both QCI and DLZ provided all the information requested. GGJ's was lacking somewhat. They did not propose a test lab and in other items they did not show themselves to be conversant with LPA work and materials management. While no doubt I am sure they are fine gentlemen there are specifics to the program that ODOT will be looking for. Eastlake needed someone experienced in that venue.

Mr. Knuchel: Mr. Slocum?

Mr. Slocum: I am in favor of moving this forward.

There were no further questions.

The Committee agreed to move this item forward to the next regular Council meeting.

CONTRACT: EAST 347TH ST. & EAST 348TH ST. PAVEMENT REPLACEMENT: TRI MOR CORPORATION: \$977,507.50

Mr. Gwydir: Tri Mor submitted two bids. They submitted a base bid which is the \$977,507.50 and they also proposed a base bid with alternate of \$958,307.50. The difference is \$19,200. The base bid with alternate is a change in the material of the road base from limestone to recycled concrete. We do bid recycle concrete to try to get a cheaper price. If they are relatively close we prefer the virgin limestone material which is the base bid. It is your decision on whether you choose to use the recycled concrete. It is not uncommon to be used and when we use it we ask for a credit. In this case there is a built-in \$20,000 credit, similar to South Lakeshore. It was so close I suggest we go with the limestone.

Mr. Slocum: \$10,000 of the \$20,000 is our cost.

Mr. Gwydir: It is 60%-40% from the roadways fund.

Mr. Morley: Mr. Gwydir, is there a life expectancy difference on the recycled?

Mr. Gwydir: The recycled material is recycled, crushed concrete. They crush it to the same gradation as they would the natural stone. It has a tendency to be – as we refer to it – a little bit dirty. It is not as good of material but quite frankly I have used it in the base of a lot of roads.

Mr. Morley: Then your reason for taking the virgin material is?

Mr. Gwydir: I think it is better to have virgin – new – material in a road and not recycled. Recycled is dirty and have pieces of brick in it. It definitely comes with pieces of wire – whether they say it is clean or not. If they had said \$40,000 I would be here taking a different tack. I think for the small difference you would be better with the virgin.

There were no further questions.

The Committee agreed to move this matter forward to the next regular Council meeting.

Mr. Gwydir was excused from the meeting at this time.

Law Director Klammer joined the meeting at this time.

ACCEPTANCE: 2011 TAX BUDGET

Mr. Slocum: The purpose of the Tax Budget is to collect the maximum that we have on our levies. This has been prepared consistent with previous years. Do not read into anything as it relates to the 2011 budget because there is absolutely minimum support to any changes to the 2010 numbers. This will fulfill our statutory requirements and get us the money. Don't rely on the budget numbers here.

Mr. Knuchel: As we have discussed could you shed a little light on the reason behind doing the Tax Budget if the numbers mean nothing?

Mr. Slocum: There are Counties in the State that don't do it. I cannot support why it is done. The only possible reason I could think – the only schedule that is important in this whole thing is our debt schedule for the County – it insures there are sufficient funds going into our bond retirement fund to satisfy our debt. That is about the only schedule here that I think is. Other than that it is an exercise that just takes time to complete. In fact, regardless of how it is filled out the County goes to the re-cap schedule – they don't pay attention to what we use – they put in what they need. So, why do they make us do it?

Mr. Knuchel: Have we have been checking into that – to see if it is a good idea we do this Tax Budget if it is that meaningless?

Mr. Slocum: This is a County requirement. They had the ability to demand it through the County Budget Commission. We don't have the option of saying we don't want to do it.

Mr. Knuchel: Do we have the option of talking to our County Commissioners to find out why they do requirement?

Mr. Slocum: You talk to the Budget Commission. I really don't know why it is perpetrated on the municipalities.

Mr. Klammer: It could be solely for the levies.

Mr. Slocum: To ensure we collect the monies from the levies.

Mr. Klammer: Look where it got us with that other thing.

Mr. Slocum: You can look at the Fatur thing – that wasn't needed and we still were getting the money.

There were no further questions.

The Committee agreed to move this matter forward to the next regular Council meeting.

RE-APPROPRIATIONS

Mr. Knuchel: This next item will definitely be more complex and time consuming – the re-appropriations. I have had several conversations over the past week with Mr. Slocum – reviewing some of these numbers and some of the things we need to look at doing for our next budget in tying up numbers for projects. He has assured me in looking at some of these issues that we will be looking at numbers we can understand a lot more easily. I am in favor of that and I thank Mr. Slocum for his cooperation. It is good we have been able to do some back and forth just to be able to look at and identify problems and situations and make sure they don't happen again. As many of you might know – in looking at this – I was not happy about the outcomes. In looking back at some of the minutes and some of the questions we asked – the questions were appropriate and the answers we received were not the answers we are getting this evening. Mr. Slocum, do you have anything you would like to pass out?

Mr. Slocum: I have a handout – some of the numbers have been updated. I need you to understand we have a very, very serious issue when it comes to our sewer fund. It is woefully underfunded. We are into a deficit situation this year and there were a couple of items that were not included in the budget that was passed in March. One of the things I first wanted to point out to you was this top schedule which I think is a cornerstone of any budget review you do. You need to start – especially if you are dealing with large numbers of encumbrances. We encumbered a lot of monies at the end of last year - \$770,000 or so in that General fund – that were not to be included in the fund balance because they were encumbered monies - because it is all legal. However, what you have to do when you are looking at a budget is start with that unencumbered fund balance. We need to look at each fund as a separate stand-alone entity because legally they are. The unencumbered balance plus the budgeted revenues less the budgeted expenditures gives us our budgeted year end fund balance. Based on the budget that was passed in March the Fund #202 Street Construction Maintenance and Repair Fund

(SCM&R) is going to be overdrawn by a total of \$50,000. I will be honest with you – I had a very short conversation today with Mr. Semik and we will have to close that because I don't know exactly where that number is going to come out of. But, it has to come out of the fund. Lower the appropriation on that fund. I just have not identified it. I apologize I have not got that done right now. The other fund which is more serious is the "Sewer Rehab Fund." If we had done what the budget called for we would have over drafted that fund by \$505,000. Mr. Knuchel and I were looking at last year's budget and the same condition existed in last year's budget. You started both years with a \$20,000 balance. You have some revenues – and, the revenue numbers are actually overstated by \$125,000. The expenses – when you look at it that is where stuff will get paid – except that there is no cash to pay it. The revenues really aren't there. You need to be able to look at each fund – see a beginning balance plus the revenues. You have to get comfortable with the revenue numbers and expense numbers and that is where we think we will end up. If you overdraw the fund you have to close that gap. Either increase revenues or decrease expenses. At the end of this I will show you a second form with the changes I am proposing we make. I need you to know as I am looking at this – I have prepared this budget anticipating that we will pass this month a sewer rate increase from \$1.89 per 100 cubic feet to \$2.89 per 100 cubic feet. You have to do it – you don't have a choice. I will show you the rates from other Cities. The highest we found today was Willoughby Hills – they charge \$4.22 instead of \$1.89 per 100 cubic feet.

Mr. Morley: When I sat down with you last week I thought it was at \$377,000 – now you are saying it is \$505,000.

Mr. Slocum: I don't remember \$377,000.

Mr. Morley: Remember when you gave me the City comparisons. That is the number I remember.

Mr. Slocum: The \$377,000 has to do with the shortage we actually have in the Sewer Fund. It was not in the Sewer Rehab Fund. Any time I give you a schedule you will see this. You will see the affects of the passage of the budget and what we anticipate that fund. We will not be in a position where we will be budgeting an overdraft in a fund.

Mr. D'Ambrosio: You said you were going to provide us with what other Cities are paying for the 100 cubic feet.

Mr. Slocum: We will get to that. The next page has all the changes I have made within the budget and I am prepared to discuss each and every one or whatever ones you choose to look at. The first section are the changes in the Revenue Budget – some of the changes deal with the need to make advances from the General Fund to other funds – i.e. the pool fund and the sanitary sewer.

Mr. Knuchel: When you make those advances – does that mean the money is coming back in to repay those?

Mr. Slocum: Regarding the pool fund – what I am envisioning is when the money comes in from the State – and I am in the process of submitting for that – that money will go into the pool

fund and we will repay the advance from the General Fund. That will be a wash this year and should not create any issues.

Mr. Knuchel: That is also with the OPWC grants for the pump station?

Mr. Slocum: The OPWC grants and what they pay – the way that works is the bills get submitted to the OPWC – they make the payment directly to the contractor and when we get advised they made that payment then we book that as a non-budget related revenue and expenditure. That is something I would like to change in the future – come up with a little bit stricter definition of the fund because you do need to see that and it is actually part of the funds. We need to have that information because these projects become part of the fixed assets of the City.

Mr. Knuchel: So, that is just a journal entry and what we would want to do is to know what the total picture of a project is – to incorporate that money into the budget so we can see on an in and out basis where that money was coming from and where it was going to – so, we could tie out the projects to the grants. Is that correct?

Mr. Slocum: Yes. They no longer used it when they were building the stadium but our software does have a project accounting feature to it. Someone said to turn that off when they were building the stadium. It may have been better if they had kept it on.

Mr. Knuchel: Let's just go through this one by one and ask and answer any questions as we go.

Mr. Slocum: In the General Fund we are projecting an increase in the Inheritance Tax – Account #101.000.4219 - we had \$60,000 budgeted and we currently have actually received \$64,000 this year and I think it is relatively safe to say we will collect another \$25,000 over what we have. So we increased that line item by \$30,000. In the General Fund we have the Recreation Capital Improvement Fund – repaying \$99,165 which if you look down on the expenditures coming out of the General Fund – Account #101.240.5645 – is an expenditure of the advance to that. So, it is a wash.

Mr. Knuchel: That was for the remainder of the State Grant that we got for the pool?

Mr. Slocum: Right. But, we have bills to pay and it will give us the ability to pay the bill.

Mr. Klammer: Can you explain that again?

Mr. Slocum: We are going to make an advance from the General Fund to Fund 438 – pay the bills – when the money comes in from the State...

Mr. Klammer: Is that the \$76,000?

Mr. Slocum: \$99,000 – the \$76,000 is a transfer – we will get into it – you are down a couple of lines. We are talking about receipts and with the payment of an advance and the repayment of an advance you will have two receipt items for the same amount and two expenditure items. The money will first be an expenditure from the General Fund for the \$99,000 and then it is receipted into Fund 438 and then it would be an expenditure out of Fund 438 and receipted into the

General Fund – so, it is really four different entries but it does close the loop. That is the \$99,165.

The \$125,000 from the Sewer Rehab – the reduction in the budget. The best I can tell this is money that was put into the budget that the OPWC is going to pay. As that is not paid by us and reimbursed I chose to just take this out of the budget. If we included everything the OPWC would pay relative to the sewer project it would be closer to a half million. Then we would have to pick up the other half million in expenses.

Under Recreation Capital Improvement we are increasing the transfers by \$36,522 from the \$76,000. Here is an issue we had – we had \$76,000 in Fund 438 as transfers coming in but if you look below on the expenditures – Transfer to Capital Improvement – you had \$56,000 being transferred from the General Fund. This is a budget issue that shouldn't exist. Your transfer lines have to balance when you approve a budget. At the end of any budget presentation we will show all transfers – the money going out and it has to equal. I need you to see that part but in addition there is \$36,522 in the Recreation Capital fund that need to be paid that were not budgeted. Those items include such things as engineering - \$11,124. You had structural things – specifically replacing windows at the pool and the stalls – \$6,000. The paint – over \$5,500. Concrete rand \$2,201. There was almost \$2,000 in landscaping. If you wish I can provide you a copy of this.

Mr. Knuchel: Please make a copy of that information for all of us? The Recreational Capital Improvement fund has been a bone of contention with me for a while and what is funded out of it and what is not funded out of it. It was my understanding when we started this fund that we were going to use it exclusively at this point in time to pay off the pool expenses. Obviously, that is not how this fund was used. Mr. Morley, Mr. Elshaw and I brought this up last year in December or January when looking at some of the expenses that were taken out of this account. Therefore, we have a shortfall in this account and someone touted that we were so much under budget for the pool and this would be a good thing. But, when you start adding up these other expenses that we did not anticipate coming out of this fund – such as engineering, new stalls, paint, extra concrete work – I won't go into the other things I really found objectionable that did not deal at all with the pool but with other recreational items. I am rather disappointed. Mr. Slocum and I spoke about that and what I asked him to do was pretty much what we are going to be doing next year on most of the other accounts – to have some idea of where this money is going and what it is used for. I was very disappointed in how this account was used.

Mr. D'Ambrosio: I would think the \$11,000 would have come out of engineering instead of this fund.

Mr. Slocum: Engineering out of what fund?

Mr. Knuchel: Engineering expenses.

Mr. Slocum: It has to come out of somewhere. The money was not budgeted there for it. I am trying to keep the pool related expenses now in this fund so we have a historical record.

Mr. D'Ambrosio: Good, we need that.

Mr. Slocum: We are not allowing anything else with the exception of four life guard stations that do not have umbrellas and they are boiling. They put in for the umbrellas and I signed the purchase orders and I am trusting we will get that covered.

Mr. Knuchel: Let me put this forward. We have Recreation Department funds available to do some of these things. I was wondering why those funds were not used and it was going into the Capital Improvements Fund? I have a problem with the word Capital Improvements – they are done to last more than five years. I don't want to get called out at some time that we were taking monies out and it is not an appropriate use of that fund.

Mr. Morley: That is a good point. They are umbrellas – wouldn't they come out of the Recreation Fund?

Mr. Slocum: I am not sure where I am pulling it out of right now – it is just a pool thing that I will get paid one way or the other because they are our employees and we have to protect them.

Mr. Knuchel: No one is disputing that.

Mr. Slocum: I did not think so.

Mr. Klammer: How much is in the Recreation Fund?

Mr. Knuchel: That is why we have to re-appropriate.

Mr. Morley: I know Mr. Knuchel met with Mr. Slocum a lot longer than I have but Mr. Slocum has a different way than our previous Finance Director – we are starting to find out now that there are things we were told that are not quite factual right now. It has me a little edgy and I know it has others edgy. We want this to work. We want this budget we passed to be correct. There are some major issues in here. And, we are not even to the Sewer Fund yet. Mr. D'Ambrosio asked our Clerk to pull the minutes – especially on the sewer study – we thought we had the money and we don't.

Mr. Knuchel: With the SSES fund – I went through the minutes – in February we were told he had encumbered \$30,000 to cover part of the SSES study and that bills may have become due before the end of December. That is the only thing we had.

Mayor Andrzejewski: Thank you very much. I have to come to the defense a little bit. I think it is safe to say – Mr. Lajeunesse, I don't like your expression – you have been smiling throughout the whole thing about the pool. I know you are ready to jump on us about the pool so let me talk. Mr. Slocum has a different way of doing things. I don't necessarily agree with everything Mr. Slocum has said – and we have had conversations that will stay with us. A couple of points – I don't agree with the engineering. The engineering should have been put in the bid for the pool. Other than that the stalls - the other stuff in there is an appropriate use of the Recreation. Mr. Knuchel, you may be right but I remember us saying the Inheritance Tax would be used for recreation. I know we bought picnic tables from that fund that were perfectly appropriate. That was supposed to be used for recreation items for the people of Eastlake. Stalls for the swimming pool are for the people of Eastlake. The cement work – we all knew our guys were going to do some of the work to save some money – where else would you take that from – cement work is

absolutely capital improvements. The thing about the \$250,000 study – I have been trying to run this through my mind the whole time – we never agreed where we were going to get that money from. We all knew we had to do it – we all accepted the fact that we had to do it. But, it is no one's fault but we never said that money has to come out of the Sewer Fund or the General Fund. In memory if someone would have said it comes out of the Sewer Fund we all would have know there would not be money in there. I think that was something we were going to address at a later time and I believe we did have some discussions about raising the rates in the Sewer Fund to cover some of this stuff. So, to say Mr. Condrón did not include the \$250,000.

Mr. Morley: I did not say that – I am not pointing figures – you are too defensive.

Mayor Andrzejewski: I am because I think Mr. Condrón did a good job.

Mr. Morley: I am not saying he didn't.

Mayor Andrzejewski: There may be differences in the way Mr. Slocum looks at things and the way Mr. Condrón looked at things. And, I looked at a few things to and said – how did that get past me? But, that study is a big one and we never did say where we would get the money from for the study. All we all knew and agreed upon was that we had no choice but to approve it and let Willoughby contract for the study.

Mr. Knuchel: Let me go over a few points you said so we can all be on the same page. Number #1 – Recreational Capital Improvements Fund – I will say this again and I will say it until I am blue in the face – I have said it at every meeting in which I brought up the Recreational Capital Improvement Fund – that it was set up so at the end of the year if we did not need money for the General Fund we would transfer a portion or all of that money to the Recreational Capital Improvement Fund for recreational purposes for the people of Eastlake, #2 – when we budgeted for this Recreational Capital Improvement Fund it was only for the pool and the expenses that we knew we had – a contract for Five Hundred and some Thousand Dollars. We did not anticipate paying all the other expenses out of that account. Again, the questions seem to have gone by the wayside. When you look at inappropriate uses of that fund – we are looking at Christmas lights – buying Christmas lights when you are in this kind of situation.

Mayor Andrzejewski: I don't know – you will have to ask Mr. Semik. Unfortunately, I cannot keep track of every item that is out of there. I was addressing what I thought were appropriate uses for the pool.

Mr. Knuchel: I think we will agree that they are appropriate for the pool – except for the engineering. But, what I am saying is in our budgeting process we never went through and named those things. I don't think you would have made the purchases out of that fund had you known what our financial situation was. We brought this up prior to December – about it being \$45,000 out of kilter and we could not find out where that money was. And we see it slowly showing up in things that were taken out that were not things we had anticipated when we were looking at budgets. That is all I am saying on that particular fund.

Mr. Slocum: I just want to clear up one thing and make sure we are all on the same page. I just heard someone talk about a Recreation Fund. We don't have a Recreation Fund.

Mr. Knuchel: The Recreation Department.

Mr. Slocum: We have a Recreation Department which is part of the General Fund and we have this Recreational Capital Improvement Fund which is a stand-alone fund. Someone asked me why did we not pay for this out of the Recreation Department. There is no money in the Recreation Department budget for engineering expense – there is no money for these other items.

Mr. Knuchel: That would not be under Recreation – we also have Miscellaneous Government Expenses where we spent \$15,000 in pool things that we took out of it. There are places it could have been taken out of.

Mayor Andrzejewski: We get requests from Directors to purchase things – where do you take it from? I think - I told Mr. Slocum next budget I better see in there monies put aside for these unanticipated things that you know are going to come up. So that we have an appropriate fund when they need wood to repair picnic tables, grills for the parks, chairs for the pool. I am sorry but there will be some responsibility taken here by the Department Head who puts together his budget and whether or not he allows money in there for those types of expenses.

Mr. Lajeunesse: Mr. Slocum, I appreciate your in-depth review of the finances. I asked him if he could go back into the minutes about the pool. I have asked many questions. I asked for a complete breakdown – otherwise we would probably not be having this discussion - at least most of it. I asked for a complete and detailed expense report for 2010 – for this summer – all the way down to supplying the office with a computer and paper or pens – whatever they needed. And, if you look in the minutes you will understand my response and why I am agitated and aggravated at this situation right now.

Mr. Slocum: A lot of this happened before I got here. I am not here to cast stones one place of another. In the future if it is under me than I have things to answer for. I am trying to figure out where we need to move today. What happened with the other – it don't matter. We need to manage this whole operation. Mr. Lajeunesse, I appreciate your comments. Since I have been here I have tried to be responsive in getting you answers to various things and I intend to work forward with that. I will provide all the transactions this whole year since we closed the books so you can actually see what has transpired. I am interested in moving forward.

Mr. Knuchel: I think there is some importance in looking back to see how things went and what we weren't aware of – just so we can stop it from happening again and I think with some of the things you have suggested Mr. Slocum that will go a long way in solving a lot of our issues. Because, as I said before – we see one million dollars in an account and we are saying it looks like it is funded – and we ask the question “Is this funded?” and the answer is “Yes” –so, we don't go to the enth degree here in trying to tie out things for which we have no information. I think with what we are going to do in the future it will alleviate some of the problems.

Mr. Morley: I agree, Mayor. I spoke with Mr. Semik because I see some of the issues with the skate park and some of the other recreational areas. I agree – he should say I am going to need this much money to fix whatever needs to be fixed – some of the issues at Jakse with the rocking horses or any other park. I agree we should have something like that. I told Mr. Semik that he just has to say what he needs and we will say what we have and what we can do – so, we will all know what we have to use revenue-wise.

Mayor Andrzejewski: Number #1 - here is how the conversation goes – Mr. Semik will come to me and say we need something. I say - what fund are you going to take that out of? He says – I don't know. I say – check with Mr. Slocum because you have to know what fund you are taking it out of. If I have had that conversation once I have had it a dozen times. Number #2 – I think we all need to keep in mind that we had been prepared with the engineer's estimate to spend \$530,000 on the pool. Even with these things added in – the \$11,000 added to \$506,000 it still came below \$530,000. The original estimate when he went out for bid was that we expected to spend \$530,000. I think we did a good job. Yes, there are some things that were not anticipated but in all big projects you will get things that are not anticipated. What I will watch personally from now on is any engineering costs be included in the bid so that we know what the engineering costs will be on that bid so it does not come as a surprise.

Mr. Slocum: The Senior Citizen's Trust – this is a revenue item and goes down to the expenditures Fund #211 Taft Senior Center Donations. What you will see is we budgeted \$72,000 worth of expenditures to come out of this fund. However, there when we really analyzed this fund there was only \$12,000 of funds available which were not bequeathal funds. I have talked with Mr. Simpson and I believe they will pick up \$30,000 worth of our expenditures from their bequeathal. But, we still need to move back to the General Fund the \$30,000 – you will see that in two different line items in the General Fund - #101.555.5100 – we are picking up \$27,500 in wages and #5101 Cash-In for a total of about \$30,000 in expenses that we are moving back into the General Fund. Up to 2006 you had a lot of expenditures being paid out of the General Fund. A good job was done in 2007 and 2008 in raising other type funds through grants and donations – that funded a lot of the operations of the Senior Center. Those monies stopped at the end of 2008. There was enough money left over in 2009 to carry us. The budget that was prepared this year assumed they could use the bequeathal money which was not the City's agreement with the Seniors. So, I had to back that out and in moving that it is increasing our General Fund expenditures by about \$30,000. I am also talking to them about picking up another \$30,000 next year and another \$30,000 the year after.

Mr. Klammer: What is the \$71,000?

Mr. Slocum: The \$72,000 was what we budgeted out of out of the 211 Fund. We had \$12,000 of cleared funds in that so I had a \$60,000 issue to deal with. I am moving \$30,000 of that \$60,000 back to the General Fund and I am meeting with their Board next week to get their okay for them to pick up the other \$30,000. If they say no I will come back to you with another \$30,000 we have to pick back up and that becomes another use of the General Fund. As you will see at the end there is not a lot of leeway in the General Fund. They have been very, very cooperative with me.

Most of these items are little items – we were having problems with the phones – phone repairs. Some things are running more and we just need to get additional monies budgeted. I am looking strictly in the General Fund section. If there are any questions on things under \$10,000 I will be more than happy to give you my best answer on that.

Mr. D'Ambrosio: The 211 Fund – I am sure the Seniors realize if they give \$30,000 this year, and next, and the next, etc. - pretty much all their bequeathal money is gone. Then what happens?

Mr. Slocum: It will come to whatever money we have. I do not see next year being any better than this year. We will be struggling to put together a budget for next year with everything I am seeing right now.

Mr. D'Ambrosio: I appreciate the way you talked to Mr. Simpson – he was very happy to talk to you. We are approaching it the right way. It is what it is. I don't know if they are aware it will continue on for a couple of years.

Mr. Slocum: I told them at least two years and I dropped a strong hint that I would not be surprised to see it for three. I told him the City's intent is that we want to keep the Senior Center open if we can. Push came to shove a couple of years ago and you located outside funds. They may be faced with that again. It would be a shame to see them use the bequeathal money to buy the latest and greatest audio visual and then come to the parking lot and look through the window because the place is closed.

Mr. D'Ambrosio: I understand.

Mr. Slocum: One of the big problems we had in running the Senior Center is everyone looks to the County levy money. But, that money cannot be used for any salaries which we have about \$60,000 in salaries. It can only be used for \$20,000 in utilities. Which is not the most tightly monitored because I know we have gone over that in the past. But, everything else is supposed to be for supplies – we bought the bus a couple of years ago. I have the roof this year. The money to heat the place will have to come out of the General Fund. Sometime in the future, even if we burn through all the bequeathal money, at some point it will come back out of the General Fund. And the decision between the Council and the Mayor will be what is it that you want to operate. If money keeps getting tight in my mind everything will be on the table.

Mr. Knuchel: Solid Waste Collection Postage – we budgeted nothing for it – it had a \$7,000 expense. I know there were quite a few places where there were zeros on our postage and we talked about that and here it comes up again that we need \$7,000 for postage. At one time we had lumped all the postage together in one place – how are we handling that?

Mayor Andrzejewski: I had the same recollection as Mr. Knuchel. I looked at this too - I would not have missed a zero. I showed Mr. Slocum how Mr. Condrón and I did it. I took this and read it as if I was a Councilman – would I question this? If I had seen a zero when the year before we spent \$6,500 I would have asked why zero was in the budget when we spent \$6,500 last year. The only thing I can think of is we lumped all the postage into another account somewhere. But, he is the only one who can answer that. It makes no sense for a logical guy like Mr. Condrón to put a zero in there unless he accounted for it somewhere else.

Mr. Slocum: In Miscellaneous Government Expenses – the only other place we have in the General Fund for postage – we budgeted \$22,500 this year. Last year we paid \$22,762. With the rate increase and another one on the way.

Mayor Andrzejewski: There was no rate increase last year – there is one on the way.

Mr. Slocum: The last year we spent \$8,805 out of this. The reason this has not come up earlier is apparently there was a credit built up at the post office. When we went to mail we did not have to take it out of pocket for the first quarter billing. I had to authorize a \$2,000 bill until we can get the other bills in the mail this week. If it is in the budget I don't see it.

Mr. Knuchel: Those are the things – again...

Mayor Andrzejewski: One of us would have picked that up – that is why there has to be an explanation.

Mr. Knuchel: Absolutely, has anyone talked to Mr. Condron to ask him some of these issues?

Mr. Slocum: I left a voice mail with him on the Quentin Road facility. He came back that there are four or five different funds but the underlying issue with that was that it was not budgeted and he knew it was not budgeted.

Mr. Knuchel: This is where we get into the questions.

Mayor Andrzejewski: He has one-time items and I know – I went over them with Mr. Condron – and we went over them with Council. There were three projects that would be one-time items and would be taken out of the surplus – actually 4 – East 347th and East 348th Street, Mondamin/Edison and Quentin Road. Those we all said were one-time only and we were getting money from the State so it was agreed we would take that out of the budget. So, the \$133,000 deficit that we were projecting was for the General Fund without those projects.

Mr. Knuchel: No – on the contrary – wow.

Mayor Andrzejewski: No, those projects were separate items. I have the papers to show you. You all got them. It shows one-time items.

Mr. Knuchel: I was the one who made that sheet out. It was four one-time items and that was to include the \$777,000 we had in encumbrances. I beg to differ with you on that.

Mayor Andrzejewski: Where did we get the money for East 347th Street and East 348th Street?

Mr. Knuchel: Those were supposed to be budgeted for.

Mayor Andrzejewski: Where did we get it from?

Mr. Knuchel: OPWC.

Mayor Andrzejewski: Where is our share coming from?

Mr. Knuchel: We took it out of the Road Fund.

Mayor Andrzejewski: Those were listed as one-time projects.

Mr. Knuchel: They were incorporated into the budget. And you are telling us that they weren't.

Mayor Andrzejewski: No, they were in the budget but they are listed as one-time special projects. Not to be included for the future.

Mr. Morley: That is how we did the 2009 budget – I am sure that is exactly what we did.

Mayor Andrzejewski: The only way we are going to get some answers – unless all of our memories are very accurate – is to ask Mr. Condrón some of these questions.

Mr. Knuchel: Then before the next Finance Committee meeting could you have him present?

Mayor Andrzejewski: No, I will ask Mr. Slocum to call Mr. Condrón again and try to get the answers from him. What was the sigh for Mr. Lajeunesse, could you expand a little for us please?

Mr. Lajeunesse: You are the Administrator for the City. All I see is passing the buck.

Mayor Andrzejewski: Mr. Slocum can ask the specific questions for the specific line items that I would not know and he can get the straight answers from Mr. Condrón that I would be a third-party middle man to.

Mr. Lajeunesse: Maybe we should have a conference call with Mr. Condrón to find out the answers to some of these questions?

Mayor Andrzejewski: Or maybe we should assume that Mr. Condrón did it correctly and we are all jumping to conclusions that are not there.

Mr. Lajeunesse: Anyway you want to find out.

Mayor Andrzejewski: I looked at the budget – Council looked at the budget. If these items were missed I missed them and so did Council.

Mr. Morley: We are not here to blame anyone.

Mayor Andrzejewski: It sounds like it.

Mr. Morley: It does not sound like it. It is the same thing all over. You just don't like Mr. Lajeunesse and you jump at things also.

Mayor Andrzejewski: But he...

Mr. Knuchel: To be honest, I assumed that everything except for the SSES study was funded.

Mayor Andrzejewski: And it probably is.

Mr. Knuchel: So, we are in agreement on that. What we are in disagreement with is where was the money budgeted from. Again, I will go back to – if I see \$1 million in the Road Account and you tell me this is funded and this is funded I will agree with you.

Mayor Andrzejewski: And we would have all asked those questions and got satisfactory answers otherwise we would have not proceeded with the budget.

Mr. Morley: That is what I said in your office yesterday.

Mr. Knuchel: I think what we have to look at here - and I think Mr. D'Ambrosio and I have looked at the meeting minutes – the WPCC meeting minutes, the Finance Committee meeting minutes – we looked at all these minutes and the questions were asked. That is where we are having our difficulties.

Mr. Slocum: Fund 212 Storm Water Management – that is the \$6.00 fee. We are looking to use the \$110,000. We originally had budgeted \$35,000 for other contracts – I have no problem with this. But, I am intending to use the \$100,000 from the Storm Water Management to pay for a portion of the Sewer Study.

Mr. Knuchel: So, you are taking the money out of the other contracts and putting it in Engineering?

Mr. Slocum: Right, for the study.

Mr. D'Ambrosio: We talked about this, Mr. Klammer. I am glad you are here on this one – I want to double check because I know this is for storm water management – to me storm water and sanitary water sewers are separate. Can we use the storm water money for the sanitary sewers?

Mr. Klammer: Where does the money come from?

Mr. D'Ambrosio: It is a \$6.00 fee that the City picks up. We charge \$6.00 once a year – it is on the garbage bill once a year. I want to make sure we can spend that money on the SSES study. To me it is two separate things.

Mr. Klammer: I remember talking about this. I am not overly concerned because it is not levy money but on the secondary part I remember if there is a component for storm water infiltration.

Mr. D'Ambrosio: I agree with that but I just want to make sure we are not making a stretch here because when people ask me about that \$6.00 fee I am very specific in saying it is for storm water projects, for engineering and storm water projects.

Mr. Klammer: I am comfortable.

Mr. D'Ambrosio: Don't go with comfortable – I have to be more than comfortable.

Mr. Klammer: Is this a storm water infiltration issue into the sanitary?

Mr. D'Ambrosio: It is. I agree with that.

Mr. Klammer: We are not using a disproportionate amount of this fund to fund the sanitary sewer projects.

Mr. D'Ambrosio: This is an infiltration project. That is what we are trying to find out.

Mr. Klammer: When we do a road project sometimes we use storm water monies for that. As long as we are proportioning in appropriately I am okay with it. It is not tax any money so it is not related to a huge problem.

Mayor Andrzejewski: I am not in favor of using the storm water \$6.00 fee for the study – Mr. Slocum and I will talk about this tomorrow. We have to address the study – where we are going to get the money from – which we put off. And, this may be one of the funds Mr. Condrón knew there was money in that is going to be used for Quentin Road. Before we give that money away to a study you may need it for Quentin Road which is a proper use for that money because it is for storm water management. The \$257,000 fee we did not address where we would get the money from – we have to address it – which we will later. This was a choice we made a few years ago – either to go with the County program which would have cost our residents \$10.00 and we would have no control – the County would allocate the money – or we could do it ourselves for \$6.00. We chose to do it ourselves and have that money available for storm water projects – not studies – projects.

Mr. Slocum: If the whole thing is that you think we should be paying for Quentin Road out of this fund – that is easy to do. It is really not a big deal to me because I will move it with other contracts and shift around how much is being paid out of the sanitary sewer fund. We are anticipating the sanitary sewer will cost us in the neighborhood of \$210,000 this year – for the study this year – not next year. We have a component that will be paid next year. I can shift and put paying this \$110,000 towards the Quentin Road Project if we feel that is a better use of this fund. That will free up \$110,000 in the sanitary sewer fund which will be used to pay for the study. I will shift it out of contracts here and into engineering there. I can make that change simply and it may be a better use of the money to do it that way.

Mr. Knuchel: It is within the fund so you can transfer that money within the fund without any difficulty?

Mr. Slocum: As we are preparing new legislation you are giving me authorization to spend. I can only spend up to \$35,000. In either case whether I pay for the study out of this or if I pay for Quentin Road this fund balance will be next to nothing at the end of the year. I will make that change if everyone is fine with that.

Fund 301 – the General Bond Retirement and the Callable Bond Retirement – originally we were going to pay from the General Fund – we were going to transfer moneys out of the General Fund into the Bond Retirement Fund. We were originally going to transfer \$510,000 from the General Fund to the Bond Retirement Fund. We have needs to protect as much of the General Fund as we can. So, my way of addressing this is I was going to decrease that to free up \$115,000 and instead pay for the principal on the bonds out of the Callable Bond Retirement Fund and use up the majority of those monies.

Mayor Andrzejewski: That is where the \$75,000 comes from?

Mr. Slocum: You had \$75,000 in there. I wanted to get that so I could match the \$115,000. I am reducing the General Funds obligation to the Bond Retirement Fund by \$115,000 and instead I am going to pay for \$115,000 of the Bond Retirement out of the Callable Bond Retirement Fund. All the monies in that Callable Bond Retirement Fund right now have been General Fund transfers. So, they weren't restricted funds and this would be an appropriate use of that Fund. We would still make all the debt payments but we are not going to pay as much of it out of the General Fund. If we did not do this the transfer from the General Fund to the Sanitary Sewer Fund would be another \$115,000 higher. So, instead of \$390,000 it would be \$505,000. We are picking up a little bit here and there to pay for these two projects that have not been budgeted. Although Mr. Knuchel and I did find there was almost \$44,000 in an encumbrance in the General Fund for one of the projects from the time I published this last week – I was able to reduce the transfer needed out of the General Fund by that \$44,000.

Mr. Klammer: You are saying you are going to move the \$390,000 from the General Fund into the Sanitary Sewer to pay on the SSES Study.

Mr. Slocum: SSES and Quentin Road. From fund 301 – I am reducing the amount of money and transferring into 301 from the General Fund to pay down the debt by \$115,000. Instead I am taking \$115,000 from the Callable Bond Fund.

Mr. Klammer: So of the \$725,000 we show currently budgeted how much of that will have to come from the General Fund this year?

Mr. Slocum: You needed the full \$510,000 to begin with. But, now I am going to take it down to \$395,000 because we are going to use the \$115,000 from the other.

Mayor Andrzejewski: \$510,000 is what it cost us after we get all the revenues from the stadium operations – the rent and other events. Out of our General Fund we pay \$510,000 to make the payments on the stadium debt.

Mr. Klammer: So, whatever the difference was you were going to have to supplement out of the General Fund to get to the \$725,000?

Mr. Slocum: Right. The \$725,000 is just the principle portion of our debt service. There is another \$800,000 in interest that we pay.

Fund 402 – Road Levy - I need the appropriations increased. There are sufficient funds coming in to begin with and this would be enough to cover East 347th and East 348th Street, Edison and Mondamin.

Mr. Knuchel: What you are saying is we budgeted \$45,000 and we need \$142,000 more?

Mr. Slocum: Right.

Mr. Knuchel: Weren't the engineering expenses figured into the job? I am having a hard time rectifying how we missed \$100,000.

Mayor Andrzejewski: The engineering for the road projects is absolutely part of the job.

Mr. Knuchel: But we had budgeted \$45,000 and we needed \$142,000 more. \$142,000 is a lot of engineering.

Mr. Slocum: In defense here – you did not have the bids come in when this budget was prepared. You would know you had sufficient monies in this fund to pay for the anticipated costs. He would have had to come back to get a re-appropriation to pay for it.

Mr. Knuchel: So, I guess what I am looking for in the future is maybe what we need to do is look at our open projects and what is coming up and be a little bit closer. This is not even in the ballpark. If we have anticipated costs maybe at the end of the year we can meet with Mr. Gwydir to get a ballpark of what the projects will run so we can at least have a budget that looks like it is a little bit more accurate. That is a \$142,000 difference – that bothers me and we don't have any money out of the General Fund to pay for it.

Mr. Slocum: I agree with you as it relates to projects that there should be a more definitive type schedule as to what the anticipated project costs are – what they are and where we intend to pay for them.

Mr. D'Ambrosio: That \$142,000 is coming out of the General Fund?

Mr. Slocum: No. It is coming out of the Road Levy Fund. There are sufficient monies in the Road Levy Fund.

Mayor Andrzejewski: The project engineering costs are part of the price.

Mr. Knuchel: But, we did not integrate that into the budget – correct?

Mayor Andrzejewski: I don't know. I wanted to determine if the engineer costs were included in the entire project cost – and it is. For East 347th Street the engineer costs are estimated at about \$96,000. We would pay 60% of that.

Mr. Slocum: I think the schedule, Mayor Andrzejewski, is a good starting place when we look at the budgeting process. Here is what we anticipate – and here is what I am going to budget for.

Mr. Klammer: For this one – when you budgeted for the extra \$100,000 do you take into account at this stage what you are doing – the fact of the grant monies?

Mr. Slocum: I do not even count the money from the OPWC. I just worry about the money I am responsible for.

Mr. Klammer: It makes it difficult to budget for.

Mr. Slocum: Yes. Go to the last thing – Fund 606 Senior Citizens Trust – one is a phone thing. The second one is having enough money to do the roof and if we approve it on Tuesday we will have the money between here and the other \$25,000 from the bequeathal money to pay for it.

Mr. Lajeunesse: Can you explain the telephone?

Mr. Slocum: We are on a change over to PaeTec which is causing issues.

Mr. Lajeunesse: This was to be cheaper.

Mr. Slocum: Right. A lot of the change order has not occurred as timely. We still do not have all our phones on PaeTec yet. So, we are not experiencing any of that savings but the budget was based on that a savings. If they are not there I need to have the money to pay for the bills. And they are legitimate bills.

The entries in the various sewer funds – the Sewer Rehab fund I am looking to take the \$90,000 in the engineering to pay for the study plus the money that is actually in the Engineering and Sanitary Sewers – about \$10,000 will be used for engineering but if I move the other \$100,000 from the other I will lower the \$317,000 in construction contracts by the \$110,000. Am I losing everyone?

All: Yes.

Mr. Slocum: Fund #212 – I am going to move that \$100,000 and instead of it going into engineering I am going to increase the Other Contracts so that total is \$110,000 and I will use that \$110,000 for the Quentin Road. Now I was going to pay Quentin Road strictly out of the Sanitary Sewer but I will end up lowering the \$417,000 by \$110,000 because I am paying it on top and then I am going to increase the engineering by \$110,000. Because I am no longer paying it on top. It will not affect the net effect to the fund but it will affect what line item I am taking it out of.

Mr. Lajeunesse: The Community Center – Other Contracts – the current budget was \$15,000 – there is an addition of \$5,000 to make it \$20,000?

Mr. Slocum: Yes.

Mr. Lajeunesse: What happened there?

Mayor Andrzejewski: If you remember several months ago we came to Council and Council approved – and I agreed with it – a reduction in rent for bingo because they showed us their expenses – their attendance was drastically down. Even with that reduction in rent there is enough money to cover the expenses in the Community Center and to keep it open.

Mr. Slocum: Last year in the Community Center for Other Contracts we spent \$18,814. The budget was lowered to \$15,000. We have already spent \$12,000 this year. We believe the additional \$5,000 will be needed to keep this thing safe. If you look at actual last year to this year it is a \$1,200 increase.

Mr. Lajeunesse: I appreciate your explanation – thank you.

Mr. D'Ambrosio: The \$110,000 that will go towards Quentin Road – that is a sanitary project. So, again you are going to use the storm water money for a sanitary project.

Mayor Andrzejewski: Part of the problem in that area – and we identified and talked about it – is there is a large amount of storm water going into the Quentin Road pump station. So, as part of that project we addressed storm water infiltration to cut it down. To get the particulars you will have to talk to Mr. Gwydir. But part of that project was to cut the amount of water going into the pump station.

Mr. D'Ambrosio: So we did reduce the water going into it.

Mayor Andrzejewski: By doing work on piping and other items.

Mr. D'Ambrosio: I just wanted to make sure we are good.

Mayor Andrzejewski: Storm water infiltration was a big part of our problem at Quentin Road.

Mr. D'Ambrosio: I remember all that – so we actually did some storm water projects to reduce the flow going into there.

Mr. Slocum: I am going to want to talk to Mr. Klammer. We have a Recreation Land Acquisition Trust fund – can I use any of that money for the pool?

Mr. Knuchel: No. You actually answered it in a legal opinion.

Mr. Klammer: There were two sources of revenue in that.

Mr. Knuchel: And we took them out.

Mr. Klammer: As of right now you are asking me too much to answer – one is industrial and business – one did not have a purpose defined. I have to look at it.

Mr. Slocum: If Mr. Klammer can find by the end of the week that I can use some of this money towards the pool construction – which then means I do not have to use General Fund money – am I okay in doing it?

Mr. Knuchel: That is an impact fee that is collected by the Building Department. I believe what we finally came down with was that we could not use that for anything except for land acquisition for recreational purposes. It was not for anything else but that.

Mr. Klammer: I will have to look at it.

Mr. Knuchel: We split them up – we took at transfer out of that because it used to be \$500,000+ and we took a portion and put it where it is supposed to go.

Mr. Slocum: If he finds that we can – do you mind if I do that to free up the money in the General Fund? There is \$194,000 in there.

Mr. Knuchel: We split that out because it was near \$500,000.

Mr. Slocum: If Mr. Klammer gives me the green does anyone have any objections?

Mr. Knuchel: At first blush I would.

Mayor Andrzejewski: If you go back to those impact fees – we don't get many anymore because we don't do much development if any. Those were designed to provide recreational parks for the people of Eastlake. I don't know whether Mr. Klammer will say good or bad but in a little bit of a stretch you could say the pool is part of Jakse Park. That \$194,000 will sit there forever. Can you think of any reason where we would spend it?

Mr. Knuchel: Absolutely.

Mayor Andrzejewski: Where?

Mr. Knuchel: For part expansion, green space expansion – absolutely.

Mayor Andrzejewski: Where?

Mr. Knuchel: If property came available next to Surfside Park we could do that – if we had a parcel of land next to a park that we would be interested in purchasing that would be it.

Mayor Andrzejewski: Surfside Pool, Community Center – one time we talked about using that for that long piece of land that is right next to the tennis courts at the Community Center. That would be a proper use of those funds.

Mayor Andrzejewski: I am not arguing.

Mr. Knuchel: Neither am I.

Mayor Andrzejewski: I want to buy it – I wish the City could have some land to buy for recreation purposes. And, I am glad we have the money there.

Mr. Knuchel: And if lake front property would become available – which we have none of – that would be another appropriate use. But, let Mr. Klammer look and give an opinion. This is just my feelings about the situation. And we have looked at this impact fee several times.

Mr. Slocum: If he gives me the green light I will prepare legislation that would show us using that instead of the General Fund money. I will have two copies of legislation – you can decide in Council-as-a-Whole which one you want to do. If that is okay.

Mayor Andrzejewski: We may also be successful in selling these two houses and come up with \$20,000.

Mr. Knuchel: That would alleviate some problems. The issue I have with the Impact Fee is it goes up so slowly that if we burn through it and come up with a potential land acquisition we are not going to have the money there – or we will have to pull it out of the General Fund – which we don't have.

Mayor Andrzejewski: Could we have used that to buy the homes from the PAL?

Mr. Knuchel: If we were going to use it for recreational purposes. That was one of the other questions that went to Mr. Klammer because I am sure you suggested that. Mr. Morley, do you remember that?

Mr. Morley: Like if we were going to buy and knock down the building on Lakeshore Blvd. that people wanted – the historical thing – we could have made a park there.

Mr. Knuchel: We talked several times about using the money in this fund.

Mr. Slocum: Okay – the next page – if we made all these entries here this is what our budget is going to look like with the revised numbers. What we are projecting – if we make all these – we will end the year in the General Fund with \$7,000 – provided we make all the other revenue numbers – and if we spend to the max and we know that won't happen. The only area I would have a problem - #423 Sewer Rehab - which has a half million dollar issue - is now gone. That is resolved. I do not have the Street Construction Maintenance Repair – I will hopefully be able to get with Mr. Semik and tell you which line items I will look at reducing and include that in this legislation. We really should not be passing a budget that we know is going to overdraw the funds. We will have to go back to the County to get an amended certificate of resources because of the advances I will be using. They will still count as revenues.

Mr. Lajeunesse: Mr. Slocum, could you please repeat - you caught me off guard – is that right - \$7,000?

Mr. Slocum: 2010 budget as of July, 2010.

Mr. Lajeunesse: \$7,000.

Mr. Slocum: Right.

Mr. Knuchel: Does this include if we were to decide to raise the amount of our sewer rates?

Mr. Slocum: This budget as it relates to the sewers anticipates that we raise our sewer rates this month from \$1.89 to \$2.89. And, if we don't I have to go back to the drawing board.

Mr. Klammer: Where is that reflected? It is actually reflected in the collections of Fund 501.

Mr. Knuchel: Are we finished with this sheet Mr. Slocum?

Mr. Slocum: Yes, I just wanted to show the changes.

Mr. Knuchel: The impact on the General Fund.

Mr. Klammer: Where am I seeing the change of the increased rates on Fund 501?

Mr. Slocum: Previously, we had \$1,904,000 in budgeted revenues. We will increase that to \$2,212,000.

Mr. Klammer: So the \$300,000 difference is the little bit you anticipate changing the \$190,000?

Mr. Slocum: Plus, I am putting money in there from the General Fund too.

Mr. Klammer: It would seem you would have a lot more money.

Mr. Slocum: The problem I have is when you actually look at what we anticipate...

Mr. Knuchel: Before we go too much further – Mr. D’Ambrosio just reminded me – for the SSES study Mr. Condron had mentioned there may be the possibility of a loan to cover part of that. Would that be something we should look at?

Mr. Slocum: Actually I did talk with Mr. Gwydir today – we will be approaching Willoughby. From what I understand Willoughby did get a loan for their share. They paid origination costs of \$20,000 which I think is kind of exorbitant. We are trying to see if we want to piggy-back with them – what they would charge – would they try to make us take a portion of that? The feeling Mr. Gwydir had is he does not think Willoughby will be interested. But, we are going to approach them.

Mr. Knuchel: If not are we going to look for options on our own?

Mayor Andrzejewski: Where?

Mr. Knuchel: I am asking the question. I am not a Finance Director.

Mr. Slocum: I can look – specifically I can probably approach a couple of banks to look at a short term – especially if we have a rate increase that will generate the monies to cover it. I think there are other options available.

Mr. Knuchel: I am looking at a \$7,000 carryover for next year. That is rather scary for me. I don’t know how anyone else is on that.

Mr. Klammer: Is it going to be that \$510,000 number?

Mr. Slocum: Our share is up to \$275,000. I don’t think it will exceed \$210,000 this year.

Mr. Klammer: You are confident in that now – there is enough information?

Mr. Slocum: Yes, I have enough information – it could come in less. There is supposed to be a cap on the costs.

Mr. Klammer: The other issue is if we have to do a lot of things after the study.

Mr. Slocum: That is a whole other can of worms.

Mr. Knuchel: You said for this year on the SSES study – what did you mean by that?

Mr. Slocum: \$210,000 this year - \$65,000 next year – budgeted.

Mr. D'Ambrosio: I was going to ask if that is an option – to see what kind of loans – so we can spread this over a period of time instead of taking a big hit?

Mr. Slocum: The only thing I can do – I am talking about this fund – what can I do to free up money in that General Fund – not so we can spend it but so I can build something of a cushion.

Mr. D'Ambrosio: Exactly.

Mr. Slocum: That is why I want to look at this other fund. If we can come up with the legal justification to use it I would want to use it. It would be my strong recommendation because a \$7,000 is nothing.

Mr. D'Ambrosio: I would just like to see so we don't take such a big hit in one year. If there is a way we can spread it out over a period of time.

Mr. Slocum: I am in agreement – so, I am going to be looking at that. We need to know what we are going to do with the sanitary sewer rates. This will be my recommendation for a similar type format like this when we get into budgeting for the funds - where you have previously looked at revenues separate from expenditures – when it comes to the General Fund that is acceptable. When you get into the other funds which are actually stand alone entities I like putting the revenues on top of the expenses and showing you what happens with the fund balance. Right now with what we are currently budgeted and at our current collection rate we are going to finish the year in the Sewer Fund – this is without paying for the Quentin Road project and without paying for the Study – we will end the year with about a \$363,000 deficit. If you look on top we budgeted \$1,904,000 this year in revenues in Fund 501. If you look at last year's revenues in Fund 501 we actually only collected \$1,654,000. That represents by itself a \$250,000 increase in the fund balance. Based on the first half collection rates we have we are now projecting that we will actually collect this year \$1,526,000. That is a \$375,000 deficit. We are anticipating collecting \$1,526,000 and we budgeted \$1,904,000 – that is a \$375,000 reduction. When you look from year to year it is actually projecting only a \$100,000 decrease from last year to this year in overall receipts – however, the budget this year included a quarter million increase. I have talked with Lake County Water and they say County-wide water usage is down and what we are seeing primarily due to a decrease in usage and secondary is the problems they are having due to foreclosures and sheriffs sales. This is the backdrop of the scenario. The problem is we needed that \$1,904,000 to pay for the bills that we have and we do not have the money. If you go back a couple of pages to the current sewer rates charged by Municipality – I have an update to this sheet which I will distribute tomorrow – you can see Eastlake is currently charging \$1.89 – Willoughby \$2.45 – Willowick \$3.315 – Euclid \$3.317 – Mentor - \$3.490 – Willoughby Hills is at \$4.22 and I believe Wickliffe is at \$2.49.

Mr. Morley: And Willoughby is talking about upping theirs?

Mr. Slocum: Willoughby indicated they will be upping theirs by at least 20 cents this year.

We will bill out for about 710,000 units which we calculate the increased revenues – if we raise ours from \$1.89 to the \$2.89 – on an annual basis will generate \$710,000 more. The amount we anticipate collecting this year is \$296,000. If we start collecting this money next year – the

\$710,000 –you will still have the \$375,000 to deal with – you will have some money to start dealing with the General Fund advance that we made. You will still be running tight.

Mr. D’Ambrosio: Is there a way to come up with an average increase per household?

Mr. Slocum: I just got this – this afternoon. They are telling me that the average person uses 900 cubic feet a quarter. And, I have not been able to verify because that seems light to me. Assuming if you forget the 9 units and think of it as 10 it will increase it \$10 from \$1.89 to \$2.89. If we don’t do this I do not know how we will balance this fund. I don’t know how we pay for the sewer bills we have.

Mr. Knuchel: Are you going to be proposing this for our Council meeting on Tuesday so it can be referred into Committee for discussion?

Mr. Morley: Explain what you want to do now.

Mr. Slocum: I would like this to be adopted this month sometime. This is critical.

Mr. Lajeunesse: This should go at least three readings. This is a pretty significant impact to our residents.

Mr. Morley: If we do think about doing this we will have to have special meetings. I would not schedule them all in a row so we can give people time if they want to come. I agree we should do three readings. Mr. Slocum asked me and I wanted to wait to see what everyone thought about here – to put it on Council-as-a-Whole Committee and talk about it and then set up some meetings if we are in agreement with this. I look at it as – and I asked the Mayor and Mr. Slocum – why have we been so low compared to everyone else over these years and have never done anything in the past about it? I talked to the Mayor a little about it today – if we are going to do an increase we may want to do what Willoughby is doing because we share the plant. It would be 40 cents less. I want to do what you think we should do but if Willoughby is at \$2.65...

Mayor Andrzejewski: You have to add their \$6.75 in there too.

Mr. Morley: If Mr. Slocum does a sheet – it will have to go three readings. I would not do this as an emergency before we go on break – that is not going to happen. I would rather have special meetings if we are going to do this. But, I did not bring it up because I knew it was going to be at this meeting and I did not want to make a decision for anyone – it is what we think as a whole that we should do. I am okay with special meetings. I agree with Mr. Slocum – there is really no where we can go. We will have to look at it.

Mayor Andrzejewski: We have to explain to the residents the truth of the situation. That is the cost of the waste water treatment plant is shared 50%-50% by the City of Eastlake and City of Willoughby. Willoughby charges whatever the charge is – and, we are woefully below that. Yet we have to pick up half the cost of that plant. I agree this should have been looked at years ago but obviously we all did not address it. So, I think if you are honest with the people and say this is to process your sewage and we are responsible for 50% of the cost of the plant – this is what Willoughby pays – this is what we pay and we are so far below that. Yes, you are going to get some opposition but I would hope people would understand this is what it costs to run that plant.

There is nothing else we can do – we are stuck. Unless someone on this Council has a way of coming up with sewer fund money to meet that study which was given to us out of the blue and to also have some money in the future. Because I also agree that study is not just a study – it will come up and say you must do this –you must do that – and, where are we going to come up with the money. This is an appropriate use – it is fair to the residents to pay what Willoughby is paying because we share half the cost of the plant and my hope is they would understand that. You will have opposition but we have no other choice. Again, unless someone at this table can come up with a way to bring money into this City for the sewer plant – I will listen to it.

Mr. Knuchel: I think that is an Administrative function.

Mr. Morley: Also, at the annual meeting they are looking for money for other improvements. I agree also with some of the things the Mayor talked to me about today – that we will try to get a better hold on the expenses – like putting someone from our City to go into the plant and make sure the costs could be lower. I know Mr. Gorka does a great job but maybe we need someone in there.

Mayor Andrzejewski: We need to have one of our people. I am going to as Assistant Service Director Ramski to do it – to be our representative to get a better handle of what is going into the plant. I am not faulting Willoughby but we basically let them run the plant and we accept whatever costs they give us. I think we should go in there and let them know we are around and we want to know what the cost is for this – what the cost is for that. Sort of similar to what we did with the Court. We started asking questions – why are we always getting hit with these \$40,000-\$50,000 bills at the end of the year. I think we have to ask Willoughby to show us what it costs to run this plant and where the increases are coming from and why we have to come up with all this money. I think the only way to do that is to put one of our representatives in contact with their representative.

Mr. Knuchel: In all fairness to Willoughby they do provide us with a monthly report of their scheduled expenses. They do provide us with a yearly meeting that most people on Council have been to at least once and most many times to explain what new projects they have in mind and what the original costs are. To my knowledge no one from the Administration has ever been to one of those meetings.

Mayor Andrzejewski: That is why I am suggesting we now put someone on – Mr. Ramski is probably our most experienced sewer guy.

Mr. Knuchel: Mr. Thomeselli from Willoughby – their Service Director attends the meetings all the time. It would not hurt.

Mayor Andrzejewski: I am not saying anything negative on Willoughby. We just let them run the plant and we accept whatever they say. Maybe it is time we say – do we really need to do that improvement now? You may have the money to do it but we don't have it. That is something I am just throwing out. It probably doesn't happen but I would feel better having one of more knowledgeable guys there in the meetings to answer or ask some of those questions.

Mr. Klammer: How many residents do they have?

Mayor Andrzejewski: They have about 23,000 – about 3,000 more than us. If you look at their General Fund they get about \$6 million more in their General Fund than we do. So, it is easy for them to say we can do this million dollar project and give half the cost to Eastlake. They have the money to do it – we don't. Maybe we ask if a project can be held off until we save the money for it or do you really have to replace that now or can it go another couple of years?

Mr. Klammer: How far are they on the SSES study?

Mr. Morley: They put all the meters in.

Mr. Knuchel: I think Mr. Gwydir said something at the last meeting about them taking them out – but I could be mistaken.

Mayor Andrzejewski: I am not saying anything negative about Willoughby. I just think it is appropriate that since we are paying for half the cost we get a little input.

Mr. Slocum: If you go less than the \$2.89 – if you go with \$2.69 you will create a \$60,000 deficit in the General Fund because you will need that money.

Mr. Morley: I am fine with whatever number you put.

Mr. Slocum: I know people like matching Willoughby but the fact is if we match Willoughby this \$716,000 will then be a negative \$53,000.

Ms. DePledge: How will going up to \$2.89 affect the average household? Is it about \$40 per year?

Mr. Slocum: Based on what they told us. I got the spreadsheet today.

Ms. DePledge: We will get calls – people will be upset. I got the average of what everyone is paying - \$3.02 – that is the average for Eastlake, Willoughby, Wickliffe, Mentor, Euclid, Willoughby Hills. We are still below the average. If we are going to be making people angry why aren't we putting ourselves in a place where we will have a little money? In a good position? So if we are going to be average - \$3.02 is average.

Mr. Klammer: Remember, you are still playing catch-up.

Ms. DePledge: Yes – and we have not raised it in a long time.

Mayor Andrzejewski: And it is something we have to do – everyone uses that plant.

Ms. DePledge: We have to do it – and if we are going to make people angry let's at least put ourselves in a position where we are still not behind.

Mayor Andrzejewski: And then a year later say we have to do more.

Ms. DePledge: Right, because they are not going to want to hear it anyway.

Mr. Slocum: I think a year later – when the study comes in – that we may be talking about a sewer levy.

Ms. DePledge: This gives us a little more breathing room. I am looking at this and wondering what we will be doing in 2011.

Mr. Knuchel: If we do the \$2.49 instead of the \$2.89 and have to go back again next year – that will not be cool either.

Mr. Morley: What you need to do in the next day is give the number we need to have. Tomorrow is already Wednesday. If we want to bump it to \$3.02 or whatever we need to bump it to we need to do that so we don't have to come back six months to a year from now. I agree if we are going to take a beat down – take it now.

Mr. Lajeunesse: Ms. DePledge has a good point. Let's learn from history. We did that with the reciprocity of .25% - if we had kept it on and not included a sunshine clause and left it alone we would have been in a lot better shape. I would go with the \$3.02 as the average and take the hit from the residents and just suck it up.

Ms. DePledge: We still hear about the garbage fee.

Mr. Lajeunesse: If we had left the .25% reciprocity on the last four or five years I do not think we would be talking about this – at least it would have helped.

Mr. Knuchel: But we could not do it without a vote of the people.

Mr. Lajeunesse: But here is something we can do.

Mr. D'Ambrosio: I think Ms. DePledge is making a great point. If we are going to the \$2.89 and it raises it \$40 per year per household \$3.02 is...

Mr. Slocum: Another 20% - \$44.

Ms. DePledge: \$3.02 – I took out ours of \$1.89, I took out Euclid because it is Cuyahoga County – with Willoughby, Mentor, Willowick, Willoughby Hills and Wickliffe – it was \$3.02 but when I took those communities it is \$3.192.

Mr. Morley: So it is \$3.20.

Mr. Hoefle: Are any of the other cities looking at doing any other increases?

Mr. Slocum: Willoughby Hills raise theirs this year. I now Euclid has built in \$2 per year raises.

Mr. Klammer: When did we do the last rate increase?

Mr. Slocum: 1967.

Mr. Knuchel: Didn't we do something recently?

Mr. Morley: That was for something else. Storm water - \$6.

Mr. Slocum: 2007.

Mr. Knuchel: I think he is right – 2007.

Mr. Slocum: Mentor gets theirs from the County – they don't control theirs – I know Willowick and Wickliffe are tied into the Euclid system. They did not indicate they were looking at it. The only one I know for sure is Willoughby.

Mr. Morley: Willoughby charges an extra \$3.25 for Administration costs.

Mr. Knuchel: What would we like Mr. Slocum to do – prepare something at \$3.20?

Mr. Slocum: I proposed the \$2.89 because of what I needed to get this to balance this year. I fully support the \$3.20 because you need to build up the surplus in this. We are not spending it on things that are not sewer related.

Ms. DePledge: And we have some sewer problems coming down the pike.

Mr. D'Ambrosio: If we raise it to \$3.20 Mr. Slocum we think that will be somewhere between \$43 and \$45 per year per household?

Mr. Slocum: Something like that. I want to verify back with the County on their number.

Mr. D'Ambrosio: I know we base our City on 7,000 homes but this also goes to apartment buildings, businesses.

Mr. Slocum: And this goes to Timberlake and Lakeline. There is a 10% increase.

Mayor Andrzejewski: It is higher for industrial users and multi-residences.

Mr. Slocum: No, it isn't.

Mr. Klammer: It looks like this was amended in 2006.

Mr. Morley: That is when we amended it for the refuse stuff.

Mayor Andrzejewski: I don't think we changed the rates – we would have all remembered that.

Mr. Knuchel: I thought I did remember it.

Mr. Hoefle: How often do other communities do increases? A couple years – two or three years – if we are going to do something should we say this is what it will be this year and this is what it will be – if we are going to get hit hard now maybe we can let them know in 2011 there will be a 1% or 2% increase on top of that.

Mr. Slocum: I do not want to say that we are looking to raise anything in the future. I think we have to make a commitment to review the rates on a more frequent basis with the responsibilities of the fund. I think if we take it to \$3.20 you will be creating that you will not be looking at any rate increases for a couple of years. If this study comes out that we have millions of dollars worth of projects needed – the study was required for licensing so we can operate the plant – if we did not do it they were not going to let us operate the plant. They put a pistol to your head and said do you want to spend the money?

Mayor Andrzejewski: How did we get from \$3.02 to \$3.20?

Ms. DePledge: Because I backed out Eastlake's \$1.89 – it was the lowest and I took it out of the average – but I took \$2.45 from Willoughby, \$3.31 from Willowick, \$3.49 from Mentor, \$4.22 from Willoughby Hills, \$2.39 from Wickliffe and divided the total by 5 = \$3.192.

Mr. Klammer: Those are all based on the same gallons?

Mr. Slocum: Yes – it is based on 100 cubic feet. The problem is a lot of times these minimums do not make sense to put in.

Mr. Knuchel: Mayor, do you have anything else you wish to say?

Mayor Andrzejewski: No.

Mr. Slocum: Do you want me to go with the \$3.20?

Ms. DePledge: Are you okay with it Mayor?

Mayor Andrzejewski: We need to do something and we need to be somewhere around where Willoughby is because that is what people are going to compare us to. We need the money and I think what I have heard I strongly agree with. That is every year or two look at it and address it and ask if this is enough or do we have to make a 10 cent per cubic foot adjustment – or a 5 cent – or something small like that. Whatever Council decides I will go along with – you will get my full support – I am not going to speak against it.

Mr. Morley: Mayor, we are not looking at going retroactive. I can understand what you are saying but Willoughby as at \$2.65 for the last 5-7 years and we at \$1.89. We just need to get to the number we need to be at.

Mayor Andrzejewski: Yes, I agree.

Mr. Morley: If that is the number we need to be at let's sit down and discuss it – have our special meetings and go from there.

Mayor Andrzejewski: There you go.

Mr. Knuchel: I think what we are trying to do here is not having to go back to the residents every year for additional monies and – you know darn well with the SSES study that we are going to get slammed with a million things we have to do. I would rather be a little bit ahead – a little bit

of a cushion so we can start addressing some of the issues without having to go back to the residents.

Mayor Andrzejewski: Several years ago they did a major improvement on the electronics and cost us a lot of money – it depleted what we had saved up.

Mr. Slocum: We have a rate increase and it generates “x” amount of dollars. You still have the power of the purse over the “x” amount of dollars. I still have to get your approval of how we spend it or it just stays in the fund. Like the Road Fund has been used in the past.

Ms. DePledge: Just because we are raising the rates does not mean we are going to abdicate our responsibilities or our fiduciary duties to the people.

Mr. Morley: We are going to take the rate we know is the best for the residents.

Ms. DePledge: It is a little proactive. We can still review the rates – if we find the fund has become excessive – which is not going to happen – we can always reduce it if we need to. At this point we know we not only have the water treatment plant but that we have other sewer issues in the City too. We have to do something and I think the residents will appreciate that. At least some of them will.

Mr. D’Ambrosio: Mr. Slocum, you are going to call the County and get that number – how much it is – what the average household is? Worst case scenario – even if it is \$48 per year per household comes to \$4 per month.

Ms. DePledge: Administratively, how will that be assessed to the residents?

Mr. Slocum: When you get your water and sewer bill.

Mr. D’Ambrosio: Mr. Slocum, you did a great job. This had to take quite a while to do. And, Mayor- you, too. Mr. Slocum – thank you. Mr. Klammer – great questions. Ms. DePledge – good idea.

There were no further questions.

The Committee agreed to move the appropriations forward to the next regular Council meeting.

RECOGNITION OF THE PUBLIC

There was no one else who wished to speak.

The meeting was adjourned at approximately 8:15 p.m.

dac

Approved Date_____