DUBLIN CITY COUNCIL
FINANCE COMMITTEE
Tuesday, September 13, 2022 – 4:00 p.m.
5555 Perimeter Drive
Council Chamber

Meeting Minutes

Ms. Alutto called the Finance Committee meeting of September 13, 2022 to order at 4:00 p.m.

Committee members present: Ms. Alutto (Chair), Mr. Keeler, Ms. Amorose Groomes

Staff members present: Matthew Stiffler, Meghan Murray, Melody Kennedy, Jaime Hoffman, Alison LeRoy

APPROVAL OF MINUTES

Ms. Alutto moved to approve the minutes of the June 23, 2022 Finance Committee meeting.
Mr. Keeler seconded the motion.
The motion passed by the following vote: Ms. Alutto, yes; Mr. Keeler, yes; Ms. Amorose Groomes.

DISCUSSION ITEMS

Recreation Cost Recovery Policy

Mr. Stiffler gave an overview and background of the Recreation Cost Recovery Policy. This policy was modified as part of Ordinance 65-18 and went into effect in 2019. The City was in compliance with the policy in 2019. In March of 2020, the pandemic hit which greatly impacted recreation revenues. We have not had policy compliance since 2019. Mr. Stiffler outlined the discussion by posing the question of whether the Recreation Cost Recovery Policy should be modified and if so, how. He shared the following options for The Committee:

- Continue to defer compliance with the existing policy;
- Comply with the policy in 2023; or
- Modify the policy.

The policy was originally set to recover 50% of the operating costs. Modifications were made in 2010 to include direct costs of building maintenance. It was again modified in 2018 to include a percentage of cost assigned with certain improvements. In 2018, the modification were to include 100% of the costs for the reconstruction of the North Pool; costs were estimated to be $6 million and the final actual cost was $8.5 million. Debt service on the $6 million is about $400,000 annually. Also included improvements to the Dublin Community Recreation Center (DCRC) as part of the cost recovery. Currently there is some design work on the DCRC with about $3 million in funding that was made available through the American Rescue Plan Act (ARPA). There was a plan to actualize and implement cost recovery in February of 2020 that was not implemented due to the pandemic. The City is at the start of a post-pandemic world and we need to decide on a post-pandemic cost recovery plan or to defer an additional year because there is still a lot of uncertainty. In 2020 and 2021, cost recovery was negative. The early years of debt service are not typically very difficult because there is bond premium to make payments. In 2022 and 2023, the City will start to see the actual impact of the costs assigned to the recreation program. To actualize this policy, the recovery amount would be $675,000 in fixed costs above the 50%. This policy had a chance to work but was a victim of timing. Mr. Stiffler reiterated the options available and what they would mean. Deferring compliance with the policy in 2023 would require no action. Fee increases will be proposed to keep the Recreation Fund in line with the 50% cost recovery for operating expenditures. The fees are not intended to get us closer to compliance than we are today. We can continue to evaluate whether or not to defer on an annual basis. The second option is to comply with the policy. This would be problematic. 2023 cost recovery is estimated to be 51%. We will be above the 50% mark. That is a little misleading because it may not be sustainable due to the existing labor shortage. Service delivery is not at a sustainable level. To comply with the policy, we would need $676,000 in revenue which would be a 20% increase across the board. A negative feedback loop can arise from fee increases where the fees rise but participation drops. That is probably not the correct course of action given the size and likely impacts of those increases. The final option is to modify the policy. There are multiple components of the policy that can be modified. The 50% operating expenditures and 50% building maintenance are costs that can be modified. 100% cost of the North Pool currently includes the debt financing as well as the General Fund transfer. Those both don't have to be included. Any percentage of the cost of the DCRC could be specified. All of the cost percentages are up for discussion or elimination. The goal of the policy modifications in 2018 was to create a more self-sustaining recreation funding model. The pandemic reinforced the importance of a diversity of revenue streams. Future revenues and expenditures for Recreation are more uncertain than is typical. For example, it is very difficult to forecast part-time employee wages. Finance and Recreation staff are working in partnership to ensure fee increases offset the increased costs associated with providing Recreation services to keep up with increased costs. We are trying to match challenges but not create additional cost recovery in this environment. People are still returning to programs. Memberships are still trending up from pandemic lows.

Mr. Stiffler provided staff's recommendation: To continue to defer compliance with the policy and see what one more year might bring; or modify the policy to remove the capital construction costs associated with the DCRC as an alternate funding source has been identified (ARPA funds).

Ms. Alutto opened the floor for questions/comments from the Committee.
Mr. Keeler stated that inflation is year over year change in price. Even if we get zero inflation, it does not take us back to where we were pre-pandemic. These increased costs are the new normal. It is too early to tell how much longer the increase will continue. He can support both of staff's recommended options. He is inclined to defer and wait another year and see where we are 12 months from now. There are too may variables to tell.

Ms. Amorose Groomes stated that history shows that these are cycles. There is going to be an inflationary period. Historically, the cycles are somewhere between 4 and 6 years. She thinks that we should anticipate a new normal. She is inclined to agree with Mr. Keeler and we should wait to see if this is a blip or a cycle. A year's time would get us closer to an answer. She has some concern with trying to make this up using only one side of the equation (revenues). The City is financially healthy now but there is uncertainty in the near future. She looks forward to staff providing August updates. We will have to take a hard look at programs and what things we can try to do to balance this. She would be inclined to defer and spend some time thinking about both sides of the equation. If things don't turn around, hard decisions will have to be made because there is only so much to go around. We have to be prepared to identify what those tough decisions will be. We are funded sufficiently now but that may not always be the case.

Ms. Alutto agreed. She suggested removing the costs for the DCRC refresh because we an alternate funding source for that has been identified. She also agrees that we defer and hold steady for the next year. It is worthwhile to look at how to modify the expenditure side of things as well as diversify revenues. Wages and higher costs are not going to go back down. Trying to make up that gap in revenue alone would be a real challenge. We need to look at doing things differently, more efficiently or possibly automating some things.

Mr. Keeler stated that he is not sure how much could be squeezed out of revenue even if circumstances could go back to 2019. The DCRC is right-sized in terms of price. Costs cannot be pushed much higher than it is. We have to look at the other side of the equation unless we are looking to make significant investments.

Mr. Stiffler stated that staff will write the cost study ordinance recommending removal of the DCRC from the cost recovery. It is an assignment change rather than a policy change. If there is something he would change from the original policy, he would not assign costs to a facility that hasn't been built. We can reassign costs at a later date. We can revisit this policy once those costs are known. Ms. Amorose Groomes thinks the policy is good; she is supportive of the cost assignment edit.

Cost Study

Ms. Murray reviewed the proposed updates that will be in the cost study ordinance which is the comprehensive update to the City of Dublin's fee schedule. In 2021, the City applied an inflationary adjustment of 1% to fees. In 2022, with consultants, staff conducted a comprehensive analysis of the City's fees and service charges. All fees were reviewed based upon current cost recoveries.

Ms. Murray reviewed the notable changes fee changes in the schedule. A complete listing of fees can be found in the fee schedule and Appendix A. Ms. Murray detailed each department's proposed fee increase(s).

Planning

Changes were made to the Final Plat Review raising the surcharge from $3,035 to $3,215;

Engineering

- Street Renaming (Proposed increase from $1,095 to $1,100)
- Private Waste Disposal (Proposed increase from $740 to $775 for residential and from $1,010 to $1,045 for non-residential)
- Flood Plan Inquiry (Proposed increase from $125 to $130)
- Damaged Light Pole Repair (Proposed increase from $95 to $100 per hour plus cost of parts)
- Street/Traffic Sign Service (Proposed increase from $95 to $100 per hour plus materials)

<u>Police</u>
One fee increase is proposed for impound/abandoned vehicle release ($130 - $135). This does not apply to victims of a crime or accidents.

<u>Fleet</u>
- Fuel Surcharge (Proposed increase from $.13 to $.15 on gasoline and diesel fuel)
- Washington Township Fleet Maintenance (Proposed increase from $120/hour to $125/hour for labor)

<u>Street Maintenance</u>
- Spilled Load Cleanup (Proposed increase from $140/hour to $150/hour)
- Damaged Property Repair (Proposed increase from $140/hour to $150/hour)

<u>Cemetery</u>
- Removal of Cemetery Maintenance and Cemetery Lot Sale (Proposed removal of the fees due to plot availability)
- Interment Service (Proposed increase from $510 to $530 for weekdays and from $750 to $780 after hours and weekends)
- Legacy Tree/Bench (Proposed increase from $1,065 to $1,465 for legacy trees and from $2,055 to $2,075 for legacy benches)

<u>Building Standards</u>
Current total cost recovery is 62.5% and the target cost recovery goal is 100% as set by Council. The proposed increase of 30% across rates is to bolster the cost recovery over the next few years. This increase will result in an increase of $50 or less per service. The increase will bring recovery closer to 80%. To reach full cost recovery, a 60% increase would be needed.

<u>Recreation Services</u>
Fee changes are proposed to outdoor pool admission and DCRC rates in 2023. Cost recovery is currently at about 52% of direct costs (meeting policy target). This is due in part to current economic climate and labor market.
Ms. Murray shared a chart displaying all DCRC Pass rates and proposed increases as well as all aquatic rates and proposed increases.

<u>Community Events</u>
Community Events is proposing a phased increase for event permit fees.

- Tier 1 events do not require City services or meeting with permitted events committee. (Proposed increase of $75 annually through 2023)
- Tier 2 events do require some City services and a meeting with permitted event committee. (Proposed increase of $25 annually through 2023)
- Tier 3 require multiple City services, multiple permits, and warrant at least one meeting with the permitted event committee. (Proposed increase $5,000 for 2023 for new events and $2,500 for 2023 for recurring events)

The goal of the phased increase is to allow budgeting and planning. The 2023 fees are not changing. There are a couple of additional outdoor space fees related to the parks policy that will be presented to the Public Services Committee and may be added to this fee schedule and ordinance.

Mr. Keeler observed that this cost study considered the details with individual departments. He asked how staff arrived at the proposed numbers. Ms. Murray explained that every other year staff does an inflationary increase and on off-years, we do the comprehensive cost study with the help of a consultant. Staff (with the departments) analyzes the staff hours that are put into performing services.

Ms. Amorose Groomes referenced engineering fee updates and asked how this would work when there are multiple contractors involved when charging hourly plus parts. Mr. Stiffler stated that we would charge for all materials, expertise and service required to do the repair. When City staff is doing a repair, they would be assessed at that rate to get the 100% cost recovery. A repair like this would likely be an insurance claim. Ms. Amorose Groomes stated that she would imagine with a significant amount of staff and that if this is a fully burdended labor rate cost, $100/hour would not cover that. Mr. Stiffler explained that is why it is a fully burdened rate versus a street worker hourly rate. All costs are covered as part of a fully burdened hourly rate. It captures all employees necessary to send that employee to that site at that time. Ms. Amorose Groomes stated that for engineering items, she would be interested to know what is done in terms of cost recovery for items not listed. Ms. O'Callaghan stated for any work contracted out, the City would have invoices and those would be provided to Mr. Whittington and those would be totaled and would be passed along to the insurance carrier. Ms. Amorose Groomes suggested adding language to cover associated expenses. Mr. Stiffler stated that staff can adjust the language to be more inclusive to include all costs associated with that services and the $100/hour.
Ms. Amorose Groomes asked about the Fleet Division and the fuel surcharge on gasoline and diesel. She assumes the base for those fuels is market rate. Mr. Stiffler answered affirmatively. He added that it is the City's cost plus the administration cost per gallon. Ms. Amorose Groomes asked about annual passes to outdoor swimming pools in comparison to 2019 rates. She asked if the new pool brought those memberships up. Mr. Stiffler stated that memberships were up as result of the brand new facility. Ms. Amorose Groomes stated that would be good information to have with regard to what an investment in the DCRC might do. Mr. Stiffler stated there has been an almost 33% increase in annual pass revenue. Ms. Amorose Groomes asked about the number of passes. Mr. Stiffler stated there has absolutely been a substantial increase in memberships.

Ms. Amorose Groomes referenced external event fees and asked how internal versus external is determined. She specifically asked about the tailgate events at Bridge Park, the concert series, and the farmers market. Ms. LeRoy stated that those events are Tier 2 because we do not close the road. Crawford Hoying does that and they are looking at the City's schedules and mirroring what we do.
Ms. Amorose Groomes confirmed that the asterisked numbers are additional fees. Ms. Murray answered affirmatively and stated that the only change to those additional fees is to the hourly fee per employee to $120 from $115. Ms. Amorose Groomes stated that the charge for cruiser usage is $20/hour. She asked if there is a supplement that we charge for trucks. Mr. Stiffler responded that would be included in fully burdened hourly rate for employee. Often times cruisers are not needed but when they are we want to recapture those costs. These fees are intended to recover administrative fees associated with the application and City planning, not the actual execution. The hourly rates are the the boots on the ground costs for the event.

Mr. Stiffler highlighted that there are fairly substantial fee increases for building standards. This is an area where the City has struggled to recover 100% since the 2009 recession. We could amend the cost recovery or parts of the policy but if we are going to try to comply with the policy, we need to take this step forward. Ms. Alutto stated that staff did a nice job spreading this out where it make sense. None of the adjustments seem like big enough jumps to be a massive burden.
Mr. Keeler stated interested in staff's opinion on whether it is better to increase every year for a couple of years or do a larger increase one time. He can see benefits to both. Mr. Stiffler stated that one of the difficulties with setting building standards fees is we have to decide our expenditures first and then projects and revenue come forward. Cost recovery improved greatly when Bridge Park was being built. Part of the problem is fee recovery requires an estimate of development in the next year.
Ms. Alutto stated that it is difficult to determine when large developments are going to happen but it is important for individual homeowners to keep those increases at a reasonable rate.

Ms. Amorose Groomes stated that it seems like planning time encumbrances have gone up more than the building standards part. She asked about the thinking behind 6% increase in planning fees and a 30% increase in building fees. Mr. Stiffler stated that they are providing different services to difference constituencies. Building standards is providing a private service. There has also been some re-organization. Transportation and Mobility removed a planner from the process and lowered that fee. The City does not try to recover costs associated with long range planning services. Ms. Amorose Groomes stated that a vast majority of that is contracted out. She asked if there is a body out there that could do a comparison study for these divisions around the region. She feels a 6% increase for planning fees is low. We cannot fall behind inflationary rates on this because we do not want huge bumps. She is hesitant to keep up with anything less than the inflationary rate. Mr. Keeler stated that he can think of a number of projects that have been 2 or 3 years in planning that haven't gotten to building yet. The applicant plays a role in that when changes are made. Ms. Amorose Groomes stated that we have to find the sweet spot. We do not want to discourage development.

Mr. Stiffler stated that comparisons are difficult for a number of reasons. The reason we engage in this cost study is to make sure we are subsidizing public dollars for private gain when we intend to and not when we don't intend to. The cost recovery for development is 50% because we want to encourage development. Development is a private good that is also a public good. The reorganization moves costs and that takes time for those costs. An employee was moved to a new department. Ms. Amorose Groomes stated that she would like to see us keep up with inflation. She would rather pause increases later than make a big jump later down the road.
Ms. Amorose Groomes stated that she thinks this is worth the work but encouraged staff to have a plan A or B to choose from when this comes to Council.

In response to Ms. Amorose Groomes' earlier question regarding pool passes, Mr. Stiffler shared that in 2022, there were 6,258 pool passes and in 2019, there were 5,231 pool passes sold.

Investment Policy
Mr. Stiffler introduced the investment policy and stated that this will be third time the committee has reviewed it (September 2021, June 2022, and now). The policy reflects changes from that June meeting. Language was added striking the advisory committee and rounding out the idea of the Finance Committee and the Finance Director. Language remains that the Finance Director shall meet at least once annually with Finance Committee to have accountability. That section changed most at the second meeting. Language reflecting backing down some more aggressive investments was included. A clean copy and red-lined copy was provided to the Committee in this meeting's packet. The intention is to bring forward an ordinance amending the policy and have the policy be effective in January. Staff will then seek a request for proposals on an investment advisory consulting services in 2023; give the advisors a year to work under the new policy; have a meeting in 2024 to review the policy.
Mr. Stiffler continued by stating that there has been a lot of discussion on benchmarking. Jim McCourt created a graph for the City of Dublin showing the City's investment portfolio performance. As far as performance goes, over the 23 year period, we have outperformed treasuries and Star Ohio. Over that time period the difference is a substantial sum over an unmanaged portfolio.

Mr. Keeler stated that chart is very helpful and is exactly what was requested. This demonstrates the Meeder is proving their mettle. Being a municipality does not prohibit us from considering other investment options. This report indicates that they try to keep 20-25% of the portfolio liquid at all times. That leaves 75% somewhere else. The policy and Meeder have so many options they can invest in but none of those choices are longer term choices. This report indicates that Meeder works with the City to identify cash flows so they can identify how short or long they should be within the available options. If there are dollars in this portfolio that will not be touched for longer periods of time, we should be thinking creatively about other choices. We could move up to as much as 25%. Other cities do it. We are getting a really good deal from Meeder. Their cost is second to none and they are proving their mettle within the realm they are playing but we need to be looking at other options that are more long term.

Mr. Stiffler stated that he fully agrees mathematically; however, we are somewhat limited in that the Ohio Revised Code (ORC) only permits that 5-year window. As a home rule city, we can deviate somewhat from ORC. The farther we deviate from ORC, the more risk we expose the Finance Director to should something not go perfectly. The Fiduciary standard of care is so high that if we went outside of ORC, it places the Finance Director at personal liability. He would suggest Dublin lobby the statehouse to change the law. If we could move ORC, then we could move our policy and reduce that problematic liability. We have moved farther than ORC in this policy but not quite this far. Mr. Keeler stated that he is recommending regulated investment companies which other municipalities do use. The first step is getting Council behind it and the next step is really documenting the process we go through with what was chosen. There may be a third party consultant that makes the recommendation. It would not eliminate the fiduciary responsibility entirely but it could be mitigated by engaging a third party expert. Potential earnings could offset the cost of that third party and the services that consultant is providing are not just limited to that investment but managing Meeder and Manning & Napier.

Ms. Alutto asked for comments on the amended text. Mr. Keeler stated that he does not. Ms. Alutto stated maybe part of the RFP could cover how to best move forward with looking at longer term investments.

Ms. Amorose Groomes stated that she agrees with Mr. Keeler's line of thinking. She does not want to put the Finance Director at personal risk. Ms. Alutto suggested staff research what mitigation of risk with long-term investments could look like as well as do some legislative research.

Mr. Stiffler stated that he as seen other states that allow a 10-year window. That is worth pursuing. Dublin does have a percentage that has an untouchable lifespan. That money can be invested for a very long time.

Ms. Alutto stated that this is a good space for Dublin to be leading. Mr. Keeler stated that there is insurance that can cover that risk. We have an inverted yield curve. It means that a 30-year bond has a lower yield than a 2-year bond.

The Committee offered consensus on bringing the ordinance forward reflecting the changes proposed.

There being no further business to come before the Committee, the meeting adjourned at 5:18 p.m.

Chair, Finance Committee

Jayme Maxwell

Deputy Clerk of Council