

**DUBLIN CITY COUNCIL
FINANCE COMMITTEE
Tuesday, May 9, 2023 – 4:00 p.m.
5555 Perimeter Drive
Council Chamber**

Meeting Minutes

Ms. Alutto called the Finance Committee meeting of May 9, 2023 to order at 4:00 p.m.

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

Staff members present: Mr. Stiffler, Ms. Goliver, Mr. Ranc, Ms. Blake, Ms. Gischel

APPROVAL OF MINUTES

Ms. Alutto moved to approve the minutes of the April 11, 2023 Finance Committee meeting. Mr. Keeler seconded the motion.

The motion passed by the following vote: Mr. Keeler, yes; Ms. Alutto, yes; Ms. Amorose Groomes.

DISCUSSION ITEMS

Hotel/Motel Bed Tax Grant Policy Follow Up

Ms. Goliver provided background on the Hotel/Motel Bed Tax Grant Policy. The Finance Committee began this discussion at the November 1, 2022 meeting where the Committee requested staff create a more formal metric to assess applications. For the past five years, grant requests have exceeded the budgeted amount of \$225,000. At the March 14, 2023 Committee meeting, staff presented a scoring system that would assess sports tournaments and community benefit events/projects separately. The Committee asked staff to re-evaluate the priorities on the rubric to better reflect the intent of the grant. Staff realized that the sports tournament formula presented could come across as the City prioritizing tournaments.

Ms. Goliver shared a brief benchmarking overview. A point system is used among many communities. Priority is almost always given to events that generate overnight stays. Grant match requirements are common. A final report is required by all.

Existing eligibility requirements and scoring priorities are listed. Requirements match what the hotel/motel tax is designed to fund.

Ms. Goliver shared changes based on the Committee's feedback. Staff is proposing a grant match requirement based on the years the event has occurred.

- 0-3 years: 25% grant match
- 4+ years: 50% grant match

The intent is to support events in their first few years and then encourage private investment into events after that. Staff recommends all sports tournaments be required to use Stay-to-Play and provide proof in the final report. The previous rubric provided scores in increments of five. To remove subjectivity, staff is recommending scoring all criteria at three points. There is a definition for each point and criteria are weighted based on the priorities of the grant. Staff proposes including an eligibility requirement

that the organization receiving the grant may not be funded through any other City funds. There are no changes to the limitations previously presented. Staff recommends disallowing conferences because they have limited benefit to the community. The priorities of the previous policy are not going away but are being clarified to better meet Council's goals.

Ms. Goliver shared the proposed rubrics beginning with Option 1, which combines sports tournaments and community benefit events/projects. All criteria would be scored at three points but would be weighted. The economic impact criteria is weighted the highest. The purpose of rating everything out of three is to eliminate subjectivity. Each point has a definition that would qualify an event/project to receive that point. Option 2 considers sports tournaments and community benefit events/projects independently. With this model, a formula is used to determine what the grant award is for a tournament and the rubric is used for community benefit events/projects. Under both options, the applicant will be required to identify which hotels/motels they will be working with. Other questions will flag information that is part of the eligibility requirements and limitations. Information on sources of funding will be requested. A final report for both Option 1 and 2 will be required and would verify that an event/project achieved all criteria they agreed to. Option 3 allocates a portion, or all, of the budgeted grant funds to the Dublin Community Improvement Corporation (CIC), Dublin Arts Council (DAC), and/or Visit Dublin Ohio (VDO) to administer and "re-grant" the funds.

Mr. Stiffler stated that Dublin CIC's purpose is to advance, encourage and promote economic development in Dublin so it is well suited to take up this grant process. It is currently in charge of the commercial façade grant program that was previously administered through Economic Development. A benefit of the CIC administering the program is that it would give Council some control without being directly responsible. It would also be able to structure the board over time to allow for expertise in tourism, sports, tourism, community events, etc.

Ms. Goliver stated that staff is seeking a recommendation from the Finance Committee to the full City Council regarding its preferred methodology for administering Hotel/Motel Tax Grants.

Mr. Keeler stated that the CIC suggestion is interesting. He likes a combination of all of the options. He likes the CIC administering the program but the rubrics are valuable. He can see that there will always be some degree of subjectivity. Having the CIC administer the grants would allow Council to have some control. Staff put a lot of work into the rubric and CIC could use that.

Ms. Amorose Groomes stated that the commercial façade grant program was turned over to CIC for a number of reasons. The City had administered them for a long time and there were some legal challenges with that. We could not legally navigate that course ourselves. That history is important as it reflects how it came to be that the CIC was the administrator of the façade grants. She is not opposed to ultimately turning hotel/motel bed tax grant administration over to CIC, but it is important that we stress test this before we turn it over to CIC. We need to be certain that we have the rubric

right and are accomplishing the goals we set out to do. Once those boxes are checked, she could be supportive of turning it over but not prior to that. We are the decision-making body and will ultimately be held responsible. Until we do the work, we do not know which one is right. In response to staff's question regarding a preference for Option 1 or Option 2, Ms. Amorose Groomes stated that she is in favor of running parallel tracks for the first round or two. Maybe that is a conversation before applicants are brought in. She knows that is a lot of work and thanked Ms. Goliver for the thoughtful, considered work. She does not question the thoughts behind it. She is only concerned with the outcomes. She is not ready for the CIC conversation yet; we still have work to do.

Ms. Alutto stated that it will likely be determined quickly which methodology is the right one. Sports tournaments will have to be evaluated with the new formula because you will not have financial data from this past year. She is fine with turning this over to CIC but perhaps we do have to go through a round with both options through Finance Committee this year before we turn this over. If we can get some solid answers in the fall, she is okay turning this over in 2024.

Ms. Amorose Groomes stated that she is not necessarily okay with 2024. There will likely be revisions to the criteria and possibly questions. Her outlook would be two years.

Ms. Alutto stated that it is a fair question to ask after the process this fall.

Mr. Ranc stated staff can create an application that will allow them to run sports tournaments through both the rubric as well as the formula. He asked if the Committee would like to make their decision on this year's grant applications based on receiving all of this information as part of the grant approval process.

Ms. Alutto stated that the Committee wants all of that information to determine which process will be most equitable.

Ms. Amorose Groomes stated that a summary of what was used in the rubric would be helpful.

Mr. Keeler stated that he cannot disagree with a more measured approach. The question is what the result will need to be in order for the Committee to be comfortable turning this process over to CIC.

Mr. Ranc stated that staff can run parallel processes. They will put applications out this year. They will bring back information to the Committee based on running applications through both Options 1 and Options 2.

Mr. Keeler stated this conversation will influence applications. We will not have actionable data until 2025 because applications in the fall will be for events that may not happen until 2024.

Ms. Goliver stated if there is a sports tournament that comes in this year and occurs in 2024, we may not have that data back prior to the 2024 application process.

Ms. Amorose Groomes stated that is really similar to the commercial façade grant program. That is why she suggested two years. She noted that feedback from CIC is minimal. There is no liaison, no reports, etc. We are going to learn some things. Projects

coming to fruition inform the application process. We want to make sure we give a really good measuring tool to CIC.

Ms. Alutto stated that we can request follow up from CIC and have them report back to us.

2023 Cost Study Review Discussion

Mr. Stiffler stated that ORD 94-13 set out a policy that we have been following since 2013 wherein a comprehensive cost study is conducted every other year and an inflationary update in the intervening years. The policy does say it should be revisited, but staff feels that we are facing a situation where we should have a conversation about it.

Mr. Stiffler presented the following three options for consideration by the Committee:

1. Continue on with current policy and practice – 6.8% inflation adjustment;
2. Develop an alternative standard - 3.5% average wage increase standard; or
3. Do a comprehensive cost study this year.

Prior to 2013, cost studies were done every year. There was a period of remarkable stability from 2013 to 2019, which lead to this policy. The current practice is to use the inflationary rate in odd-numbered years. From 2013 to 2021, the inflationary rate was never more than 2%. Staff has some concerns about a 6.8% inflationary rate applied to services across the board. Historically, staff has felt that a sub-2% was too low. Things that are measured by Consumer Price Index (CPI) do not drive the City's inflation. We buy labor and know exactly how much those costs increase every year. We could proceed with 6.8%, but the concern is then having a much lower increase the following year. We want to avoid zig-zagging in the fees. We also don't want to use too low of a rate causing spikes in other years. It would be great if we could march along at a steady rate. In pursuit of a more steady goal, he is proposing that a better rate of inflationary increase is our rate of inflation on our largest purchase which is salaries. Based on the number of employees in each work unit, staff did a weighted average of the 2023 salary increases, which is about 3.5%. That does not include healthcare. Including healthcare would increase it by half to three-quarters of a percent. We will correct it in the next comprehensive cost study in 2024. This is an improvement over the 1.2 to 1.8 percent that was used previously. The other option would be doing a comprehensive cost study. There is still time to complete that by September of this year (2023). The consultant is available and the contract price is about \$10,000, We have been using these services since about 1994. Staff is looking for a recommendation from the Committee.

Ms. Alutto asked if considering an average wage increase is helpful from a budgeting standpoint. Mr. Stiffler answered affirmatively. Average wages are about 35 to 40% of City expenditures. Healthcare takes it up to about 50%. The other 50% is difficult to place an inflationary measure on. Tax refunds and contractual services are difficult to analyze in the same manner. The cost versus benefit is not there to look at on an individual basis. Most contracts are not a fee for service but are tax-provided services. Ms. Amorose Groomes confirmed asked about the price of the cost study. Mr. Stiffler stated that our cost study is well established at this point. A lot of allocation work is done in-house. The \$10,000 is for the software and expertise of the consultant. If they were to perform all of the work, it would cost in excess of \$40,000 to \$50,000.

Ms. Amorose Groomes asked what is reviewed in a cost study. Mr. Stiffler responded that everything is included in the cost study, for example, administrative fees, event costs, public works costs, fuel surcharge, salt surcharge, planning, engineering, building services; everything we charge a fee for.

Ms. Amorose Groomes confirmed that these are not largely fees to residents. Mr. Stiffler stated that they are mostly fees to corporate users. Ms. Amorose Groomes stated if we don't go to the inflationary rate now, we will have a hard time catching up; things will get harder before they get better.

Ms. Amorose Groomes stated the corporate users are likely to experience more than the 6.8% inflationary rate in the market. These are not fees to residents. She would be supportive of going with the inflationary number now. She does not believe that the City should just absorb more and more as things are getting more expensive. Giving people that work in our easements a more affordable way to do so should not be taxpayers' burden to bear. She does not believe the City should subsidize 3.3% of these entities.

Mr. Keeler stated that the inflation number that has been used is between 1% and 1.8% and is not a fair comparison with what we spend our money on. The largest constituent of spending is labor. The cost study does not seem to have changed City policy. We have been using that lower number no matter what the cost study says. Around the world, people are expecting to be paid for that increase. He thinks it is fair to bring us up to where we should be because in theory, we have decreased every year as labor rates have increased.

Ms. Alutto asked for the percentages for the years where the study has been conducted. Mr. Stiffler stated that there is not one comprehensive number. There are several hundred numbers. This year, planning fees did not change at all and other fees have been struggling to get to their full burdened allocation since 2009. It is difficult to apply a onesize fits all number. One reason this figure has not been burdensome is because we have reconciled it based on the comprehensive analysis. One of the struggles with the cost studies was our previous struggle between budget and actuals. There has been a great variance there sometimes. As we have moved through that process, we can start using budget numbers instead of actuals and can project that forward. That will help us to stay more up to date. There is something to be said for doing a comprehensive study every year. It would be most advantageous to recoup costs quickest.

Ms. Amorose Groomes asked for dollar amount. Mr. Stiffler stated that there are \$4 million in recreation fees alone.

Ms. Alutto asked if this would also impact recreation fees charged to residents. Mr. Stiffler answered in the affirmative, but added that it would not affect annual memberships as they are on a separate track. It would affect every fee in the cost study. These types of questions are the type that would take place during a cost study, not in the inflationary year update.

Ms. Alutto stated that passing these costs along to entities that are not residents is fine. Passing such large increases along to residents for recreation services is causing her concern.

Mr. Stiffler stated that there is no large deficit because of those lower increases. The every other year cost study keeps us up to date. Staff would be happy to identify costs that would move that number up. 3.5% represents salary increases only, healthcare could be added, which would increase the percentage. The concern with the 6.8% is

that we cannot justify that is our true increase in costs. He is concerned that it will make the next comprehensive cost study problematic. He does not want it to determine that we are overcharging. Increasing fees is difficult. It is important to maintain that Dublin is mathematically demonstrating justification for any increase in fees.

Ms. Alutto stated that she is in favor of doing an increase closer to the salary and benefit total. She does not want to be in a position to not increase fees for a number of years.

The goal is to stay up to date with where we need to be.

Mr. Keeler stated the 6.8% is a CPI measure that is not necessarily apples to apples. It is probably closer to where we ended up.

Mr. Keeler asked if there is a measure other than CPI's measure of urban inflation of the Midwest that is a better fit. Mr. Stiffler responded that there is not. An argument could be made that a wage-based number would work but we are not purely wage based.

Ms. Amorose Groomes stated that she would be supportive of the fully burdened number. The City needs to be able to count all of the money we spend.

Mr. Stiffler stated that staff will create, measure and follow up at a Finance Committee meeting. It can be executed this year.

Ms. Alutto stated that we will get to see where we ended up with the cost study next year.

Mr. Stiffler stated that an interesting component of the cost study is the impact of organizational changes on cost structure. Overhead costs are about 40% of fully burdened costs.

Ms. Amorose Groomes stated that we have a lot of open positions. She suggested staff consider those as well. Mr. Stiffler explained that staff starts with actuals but removes costs that are inappropriate and adds in costs that are appropriate but missing information, like salary and benefits for vacant positions. Unique one-time circumstance items can be edited.

There being no further business to come before the Committee, the meeting adjourned at 4:57 p.m.



Chair, Finance Committee



Deputy Clerk of Council