Chairman Tom Litzler called the special work session of the Planning and Development Services Management Board to order at 11:39 AM in the Commission Chambers of the PDS Building in Fort Mitchell. Attendance of members was as follows.

<table>
<thead>
<tr>
<th>Term</th>
<th>Present</th>
<th>Absent</th>
</tr>
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<tbody>
<tr>
<td>Chairman Tom Litzler</td>
<td>May 2016 through April 2020</td>
<td>X</td>
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<td>Vice Chairman Paul Meier</td>
<td>May 2016 through April 2020</td>
<td>X</td>
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<tr>
<td>Sherry Carran</td>
<td>May 2017 through April 2019</td>
<td>X</td>
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<tr>
<td>Jessica Fette</td>
<td>May 2018 through April 2020</td>
<td>X</td>
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<tr>
<td>Matt Mattone</td>
<td>May 2016 through April 2020</td>
<td>X</td>
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<tr>
<td>Beth Sewell</td>
<td>May 2017 through April 2019</td>
<td>X</td>
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<tr>
<td>Bernie Wessels</td>
<td>May 2017 through April 2019</td>
<td>X</td>
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Also present were: Councilman Tyson Hermes, Board Member-Elect; Trisha Brush, GISP, Director of GIS Administration; Jan Crabb, PHR, Finance/HR Administrator; Nicole Cullum, CB, Accountant; Scott Hiles, CPC, Director of Infrastructure Engineering; Emi Randall, AICP, RLA, Director of Planning and Zoning; Brian Sims, CBO, Chief Building Official; Dennis Andrew Gordon, FAICP, Executive Director; and Lori Remley, Executive Assistant.

Chairman Litzler asked Ms. Remley to call the roll. Following the roll call, he asked that the record reflect that a quorum was present.

Chairman Litzler asked if there were any comments from the public and noted that there were none.

**ONGOING BUSINESS**

Chairman Litzler opened the presentation and discussion of the first draft of the FY20 budget. Mr. Gordon acknowledged the deputies, Ms. Crabb, and, especially Ms. Cullum for the work they have done on the budget.

Mr. Gordon provided members with two graphs representing PDS’ finance history over the past decade. He noted that the first graph shows the trajectory of the two line items that we have no control over – health care coverage and pension payments. He stated that the second graph illustrates the tax revenue over which we do have control. Mr. Gordon stated that the
costs for health care and pensions have exploded while PDS has made judicious decisions regarding its tax rate – herein lies the problem PDS faces.

Mr. Gordon briefly outlined the issues the Board faces at this time last year –

- provide staff with an increase that would keep them from falling any further behind their peers in the metro area;
- fund a nine percent increase in health insurance coverage;
- fund the first annual assessment from CERS;
- move forward with a new cost-sharing strategy for OSS; and
- looked forward to the day when our office space would consume much less of the budget.

Mr. Gordon reminded members that he had recommended a budget based on a compensating rate plus four percent. However, Frankfort’s assessment numbers showed that a compensating rate plus two percent would provide what was needed for the bottom line. Without justification to take more than what was needed, that is what he had recommended and what the Board had approved.

Mr. Gordon stated that they are now facing an even more challenging budget situation and outlined what has guided him through the process to this point –

1. The Council’s discussion last year before its’ approval of the FY19 (based on comp + 4)
   a. two unrelated comments by Commissioner Nienaber advocating for additional revenue streams to support GIS and challenging staff to project revenues and expenditures beyond the coming fiscal year
   b. overwhelming support voiced by members that we need to be vigilant in meeting the needs of our staff because we don’t want to lose them.
2. Chairman Litzler’s charge earlier this year to let the Board know what we need to do our jobs effectively and to prioritize those needs as necessary.
3. Ms. Carran’s recent challenge questioning my thought process in recommending a comp plus two percent last year rather than the comp plus four rate I had recommended in earlier budget deliberations.

Mr. Gordon stated that there were five goals that started the draft budget being presented today –

1. Get staff salaries and wages on par with metro-area, public sector agencies.
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4. Maintain current staffing level at a minimum and provide additional staff support to GIS if possible.
5. Make the hard decisions to fund not just the immediate CERS needs but future needs as well.
Mr. Gordon then outlined several factors that influence the decisions he, the leadership team, Ms. Cullum reached –

1. The pain associated with PDS’ pension assessments will grow exponentially along with the annual payments. The contribution rate in FY18 was 19.18 and is increase by 12 percent annually until we reach a contribution rate of 28.05 percent in approximately FY22. These increases will amount to $70,000-$90,000 per year for FY20, FY21, and FY22 – in addition to what we provided in this year’s budget.

2. We have a good handle on the gross savings we will accrue by moving to the new County Administration Building, but we won’t know the precise savings until we have figures on things like the building’s new VOIP communications systems, insurance on our contents, etc.

3. PDS can capture several new revenue streams but the resulting income will not make up for all the CERS assessments.

4. PDS has a long history of being transparent and frugal with tax dollars as the second graph shows. Within the past decade, the Management Board and staff have:
   a. Cut the tax rate from 36 cents per $100 assessed value to $29.6 per $100 assessed value;
   b. Cut staffing from 45 (which was down from 52 in FY07) to 36 in FY13. Current staffing is at 45 with a workload matching what we had when we had 52 staff.
   c. Reserve funds are fully funded except for the Operations Reserve which was recently increased to 20 percent of PDS’ annual general fund.
   d. Reserve funds are more tightly managed and tied directly to a specified goal, have an intended lifetime, set annual contributions, and permitted use for every dollar.
   e. Set retirement dates for a couple of reserve funds once we have relocated to the new building, expenses have come to an end for D2030 and the Z21 project.

5. The cost sharing formulas for OSS did not produce the revenue-neutral results as hoped for and further review is needed.

6. Transition to a paperless office in FY20 should show a decrease in supplies and copier maintenance costs but these savings will be difficult to project.

7. It is difficult to project the TIF contributions for the five TIF districts until they begin to grow and expand those tax bases.

8. New development will contribute additional revenue, but we won’t know what that number is until the figures are received from Frankfort.

9. The PDS Council’s Lien Taskforce is working on a comprehensive protocol for handling the growing list of liens and additional revenue to fund the joint code enforcement program and staff.

10. There are several specific lines in the first draft that are an estimated amount or zero due to the lack of information currently available.

With these factors as a backdrop, Mr. Gordon advised members that

1. numerous spending cuts have been made totaling $73,159
2. several new non-tax revenue streams have been established providing $38,000 in new funds
3. the first revenue will be received from KCPC since FY13 – a minimum of $5,000
4. assumes an increase in 1.9 percent in all user fees based on last year’s CPI for Kentucky
5. provides for an across the board four percent increase for PDS’ FY19 Pay Plan, increasing all salaries and wages by two percent to fill the gap between PDS’ compensation and the metro public sector market, 1.9 percent to cover last year’s CPI and one-tenth of one percent for the psychological lift a four percent increase will provide to a staff that needs one
6. covers the job reclassifications recommended by Ms. Crabb a couple of meetings ago based on her research and analysis of the Cincinnati metro market
7. maintains FY19 staffing levels and provides resources to fund year-round inter support for the GIS department
8. deposits approximately $28,000 in the Operations reserve fund to cover our annual contribution under Resolution 843-2018
9. deposits approximately $125,000 in the Operations reserve fund, which is enough to fund the additional $80,000 CERS assessment in FY21 and contribute $55,000 toward the additional CERS assessment in FY22 which should be the final
10. sets the stage for meeting our expected obligations for FY21 and for most of our expected obligations for FY22, including CERS
11. accomplishes these objectives through the noted cuts, revenue enhancements, and a one-time compensating rate plus four percent increase over the three-year period.

Mr. Gordon stated that this course was chosen to build a bridge between the two graphs, to meet the five goals for FY20, to set PDS up to meet the pension fund challenge for FY21 and to prepare PDS for FY22 when the new growth experienced in FY19-21 provides enough additional revenue to carry PDS forward in a much better situation than it is in today.

Ms. Cullum provided members with a copy of the FY19 Discretionary Expenses and stated that the numbers in red were the line items cut to realize the $73,159 cuts reference by Mr. Gordon. Discussion followed.

Ms. Cullum then reviewed the draft budget and outlined the new revenues and expense savings –

- Electronic Payment Fees
- New Development Geographic Support
- GIS Projects
- GIS Intra-Agency Support
- Kenton County Planning Commission
- Office Space

There was discussion regarding the electronic payment fees. Chairman Litzler suggested charging more in line with the actual costs. Mr. Gordon explained the process and said that it would be easier to charge one fee rather than staff having to calculate the fee on each transaction. Mayor Fette agreed with charging one fee across the board.
Ms. Cullum reviewed the revenues and expenses for each of the four programs – Community Planning Services, General Governmental Services, GIS Mapping/Analysis Services, and One Stop Shop Program Services.

Ms. Cullum noted that the reserve accounts on page six still needed to be updated - $29,700 from the Building Maintenance reserve and $25,000 from the GIS reserve.

Ms. Cullum asked if there were any questions. Councilman Wessels asked how the revenue numbers for FY21 and FY22 had been calculated. Ms. Cullum stated that two percent had been added for growth. Mr. Gordon reminded members that staff is proposing a one-time comp plus four percent. Ms. Cullum indicated that these numbers were her best guess for FY21 and FY22.

Councilman Wessels stated that staff does a wonderful job and that if they worked for his company, he would want to keep them but that the two percent is an issue for him and asked if people would leave over two percent. Mr. Gordon reminded members that if PDS were to lose somebody there is a cost and there would be down time plus the time it would take to get a new person up to speed. He stated that Ms. Crabb does a salary survey to make sure PDS salaries and wages are on par, not the highest. Mr. Gordon pointed out that staff hasn’t received an increase higher than the cost of living for the last ten years.

Mr. Gordon told members that he wasn’t being smart or silly when he listed the top three goals to get staff salaries and wages on par with metro-area, public sector agencies. He stated that PDS needs to compensate its staff if they want to keep them. Ms. Carran stated that she believes staff needs to be brought up to current salaries/wages. She reminded members that the Council had approved a comp plus four percent rate for FY19 and was in favor of the salary increases to keep the quality staff. She stated that the Board had decided to take comp plus two percent so the carry over wouldn’t be too high but didn’t consider that the salary increases weren’t calculated in so the carry over wouldn’t have been as high as they had thought. She recommended taking the four percent this year so maybe they won’t have to take it next year.

Commissioner Sewell stated that putting money into reserves and increasing the tax rate causes her heartburn. Mayor Meier noted that the money being put into the operations fund was to help pay the pension fund increases and help offset the problem in FY21 and FY22. Commissioner Sewell stated that she understands the need to keep salaries competitive but questioned whether the two percent increase could be split – giving one percent this year and one percent next year.

Chairman Litzler stated that he understands Councilman Wessels comments but noted that labor costs never come down and stated that all they had to do is look at the last five or six years. He said that money is not always the top issue – appreciation is key. He reminded members of the direction Council gave them last year. He stated that it is time and that they need to get salaries up to remain competitive.
Councilman Wessels stated that he understands but that the little things, like the drone, worry him. Chairman Litzler stated that if he was willing to spend the money in the private sector, he should be willing to spend it here. Councilman Wessels agreed.

Mayor Meier asked if it would be better to put less in reserve for CERS and take a smaller percentage increase. Mayor Fette stated that the first option should be to pull from reserves and not increase the rate. Ms. Carran reminded members that the reserve funds are for things that come up during the year that are not budgeted for. Mayor Meier added that they can’t rely on reserves because they will ultimately run out. Mayor Fette stated that she understood and wasn’t suggested draining reserves but asked if this [CERS] wasn’t what it was set up for. Chairman Litzler stated that initially the fund was set up for the ever-increasing health care costs. Mr. Gordon added that the reserve fund was establish for one-time assessments not ongoing costs. A lengthy discussion following regarding Resolution 843-2018 and the purposed uses. Mayor Fette stated that it the reserve fund isn’t going to be used to help pay the CERS increases, then it should be removed from the description. Commissioner Sewell stated that people will question increasing the rate when PDS has healthy reserve funds. Mr. Gordon stated that he understands members’ concerns and that staff is hopeful that things will level out after the FY21 and FY22 CERS increases.

Councilman Wessels suggested allocating the funds to this year instead of banking it for FY21 and FY22. Mayor Meier suggested putting half in reserve, taking comp plus two percent this year and a comp plus two percent next year. Ms. Cullum reminded members that this wouldn’t have the compounding effect. Commissioner Sewell stated that if they took the comp plus four this year then they wouldn’t have to take anything next year.

With no further comments on this issue, Mayor Fette asked if the 1.9% increase to OSS fees was for all services. Mr. Gordon indicated that it was for all but that individual fees could be increased provided the bottom line didn’t increase more than 1.9%. He indicated that the Council committee would need to look fees next year along with the percentage being paid by government bodies. Mayor Fette asked if there was enough time for this to happen to help with this budget. Mr. Gordon stated that it couldn’t be done. Mayor Fette asked how much additional revenue would be realized. Mayor Meier stated that is would be approximately $15,000 according to the FY19 and FY20 budget numbers on page 5.

Ms. Carran asked about special projects and the amount jurisdictions are required to pay. Mr. Gordon confirmed that jurisdictions are required to contribute 25%. Discussion followed.

Councilman Wessels stated that they need to look at the whole package because everyone is increasing taxes.

Commissioner Sewell stated that it would be helpful to see the compounding numbers.

Chairman Litzler said that he would like to see the numbers for comp plus one percent, comp plus two percent, comp plus three percent, and comp plus four percent.
Ms. Cullum stated that comp plus four percent would be approximately $145,000. Ms. Carran asked what the rate would look like for property owners. Mr. Gordon stated that the current rate is 2.96 cents per $100 and that it would change 3.01 cents per $100 if they took the four percent.

Discussion returned to CERS and whether to put money funds in reserve. Members asked what the CERS increases were for FY19, FY20, FY21, and FY22.

Ms. Cullum outlined the numbers as follows –

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
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<tbody>
<tr>
<td>FY19</td>
<td>$68,904</td>
</tr>
<tr>
<td>FY20</td>
<td>$79,268</td>
</tr>
<tr>
<td>FY21</td>
<td>$92,182</td>
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<tr>
<td>FY22</td>
<td>$52,420</td>
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With no further comments, Chairman Litzler asked if one more meeting [April 18th] would be enough or if staff thought another meeting should be scheduled. Mr. Gordon stated that it was up to members and their comfort level with the budget.

Councilman Wessels stated that he would like to see the numbers for comp plus one percent, comp plus two percent, comp plus three percent, and comp plus four percent with no contribution to reserves and a partial contribution to reserves.

Commissioner Sewell said that she would like to see the numbers for spreading the salary increase out.

There was a brief discussion about reviewing the reserve funds. Mr. Gordon stated that Resolution 483-2018 was adopted last year and will need to be reviewed after the move to the new building.

There was additional discussion regarding upcoming meetings – PDS Management Board 3:30 PM on April 18th and PDS Council 5:45 PM on April 25th.

NEW BUSINESS

Chairman Litzler asked for review of a recommendation from the executive director and legal counsel to approve modifications to the Covington TIF agreement; the modifications do not impact in any way the financial contributions PDS committed to make. Mr. Gordon stated that both he and Mr. Edmondson have reviewed the proposed amendments to the TIF district and that neither found that the changes would impact PDS’ financial commitment. He stated that the changes are to who can benefit from the TIF – i.e. infrastructure.

Mr. Gordon recommended approval of the modifications to the Covington TIF agreement. Members discussed the five TIF districts and noted that Covington is the only TIF that PDS does
not have a seat on the board. Mayor Meier suggested making this request as part of PDS’ approval of the modifications.

Following additional discussion, Mayor Meier made a motion to approve the proposed amendments to the Covington TIF agreement provided the amendments include a seat for PDS on the board; Commissioner Sewell seconded the motion. A voice vote found unanimous approval.

With no other business before the Board, Commissioner Sewell made a motion to adjourn the meeting and Ms. Carran seconded it. With all in favor, the meeting adjourned at 1:51 PM.

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Tom Litzler, Chairman

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Dennis Andrew Gordon, FAICP
Executive Director/Secretary