



December 15, 2016

Dear Chamber Members,

On December 6, Fostoria City Council passed a Financial Emergency Recovery Plan developed by the City administration in cooperation with the State Auditor's office. In addition, Council voted to phase in the elimination of reciprocity. Beginning January 2017, the elimination of reciprocity will begin at 50% and in 2018 reciprocity will be eliminated completely. At 50% elimination of reciprocity the City will collect approximately \$250,000 annually and in 2018, with the complete elimination of reciprocity the city is projected to collect \$500,000 annually.

As the collective voice for the business community, we at the Chamber, have been closely watching this process. We have reviewed the plan and have talked with the administration, council members and business leaders in the community about its potential impact on existing business and future growth.

We feel it is our responsibility to provide you with details about the Recovery Plan and our concerns in regard to its impact on the business community and future economic development.

While we understand tough decisions must be made, as the city was placed in Fiscal Emergency by the Auditor of the State of Ohio on May 26, 2016, we have three major concerns:

1. The Recovery Plan does not require the city to make any major cuts in its current expenses. Instead the five year forecast in the plan shows the city increasing its overall expenditures. In addition to the Recovery Plan, City Council has passed its 2017 appropriations which call for spending \$1.7 million more than in 2016.

-The Recovery Plan cites cuts in expenses in the following areas:

Outsourcing of Dispatch with the estimated savings of \$200,000-\$250,000 annually.

Closing of the City Pool which will save the city an estimated \$50,000 annually.

-The Recovery plan cites increases in the following areas:

10% increase in health care costs from 2017-2021

3% increases in salaries in 2017 and in 2020, and a 1.5% increase in 2018, 2019 and 2021.

Hiring of an additional 3 firemen at a cost of \$160,000-\$165,000 annually along with the hiring of 2 additional police officers to help mitigate overtime costs

2% - 5% increase in contractual services each year beginning in 2017.

2. The plan places the overwhelming burden of balancing the budget on the taxpayers by placing two separate levies on the ballot in May to support Safety Forces.
 - The first ballot issue will be an operating levy for 6 mils for safety forces with collection beginning in 2018. This will bring in approximately \$891,776 annually.
 - The second ballot issue will be an income tax levy placed on the ballot for an additional .25 percent for safety force operations with collection also beginning in 2018. This quarter percent raise in income tax will bring in approximately another \$870,000 per year.
 - Both levies must be approved by the voters for the plan to move forward in its current state to get the City out of Financial Emergency by 2021.
3. The Plan calls for drastic increases in the current sewer rates and a likely increase in water rates. This section of the plan will greatly affect the business community and the future economic growth of Fostoria. This is an element of the plan that has not been discussed publicly at a council meeting, but information about these rate changes are in the Recovery Plan's five year forecast.
 - Sewer rates are projected to increase by 15% each year beginning in 2018. This will equate to a projected 60% increase in sewer rates by 2021.
 - According to the State Auditor's assessment, water rates will need to be increased as well because the current water fund is operating at a deficit each year. According to Belinda Miller, State Auditor's office at the November 21 council meeting, the Water fund must be addressed in order to bring the City out of Fiscal Emergency.

The next step in the City's financial recovery process is for the Recovery Plan to be officially reviewed by the Financial Planning and Supervision Commission on January 4. This commission consists of two representatives from the State of Ohio, the Mayor, a representative from City Council and three appointed community members. The Commission can either accept or reject the plan. If the plan is rejected, the Commission will have 30 days to submit a new plan. We encourage you, as the business leaders in our community, to become informed, ask questions, lift your voice to this issue and share your ideas.

Sincerely,



Sarah Stephens Krupp
Chamber/Small Business Director