

KIRTLAND CITY COUNCIL MINUTES

SPECIAL MEETING

May 10, 2022

The special meeting of Kirtland City Council was called to order at 7:00 p.m. by Council President Jeffrey Ruple. Mr. Schulz led the prayer which followed the Pledge of Allegiance. The members of Council present were: Ronald Fenstermaker, Scott Haymer, Richard Lowery, Jeffrey Ruple, Matthew Schulz and Joseph Smolic. Eric Ziegler was absent.

Administrative personnel present were: Mayor Kevin Potter, Law Director Matthew Lallo, Finance Director Louis Slapnicker, City Engineer Douglas Courtney, Service Director Joseph Fornaro, Police Chief Brian McCallister, Fire Chief Anthony Hutton and Senior Center Coordinator Teresa Szary.

COMMUNITY FORUM – PLANNING FOR FUTURE ROAD FUNDING

Mayor Potter noted that the Finance Director will be reviewing different scenarios for future road funding, then Council will hear from the community.

Mayor Potter stated that over the last couple years, the City has redirected resources to help create more opportunities, noting that after this paving season the City will have paved a fair amount of City roads without having to ask the voters for more money. He noted that with the consolidation of dispatch with the City of Willoughby, the City now spends \$300,000 less per year for dispatch services. With that savings, the City has been able to create three full-time police positions. Additionally, the City was able to issue \$2 million in notes, knowing that the savings throughout the year would help in the repayment of that note.

The Mayor noted that the City is aware that a lot of work is needed on the roads. He said there will be a \$1.3 million road program this year, with approximately \$700,000 coming from ARPA funding, \$400,000 from the General Fund, and a couple hundred thousand dollars left over from last year's road program. He noted that after this year the City could continue to pull from the General Fund, but there are many capital needs, and the City needs to focus on not only maintaining the buildings, but also replacing vehicles and making sure they are viable to keep the community safe. The Mayor noted another option is to look at staffing, but the City did a good job the past couple years of creating balance and making sure the City has the right amount of staffing. He noted he does not want to sacrifice service and safety for the residents.

Mayor Potter noted it must be determined if the City will do nothing or the bare minimum and continue to watch the roads crumble, which will increase the cost for repairs in the future, or work together to create a solution and strategy for the future. To create that long term funding strategy, the next step is to ask the residents to contribute, either by property tax or income tax. The Mayor noted that property tax would affect all property owners, and income tax would affect those with earned income but will not affect those that receive retirement income or social security. He noted that the Finance Director has provided information regarding the costs to an average homeowner or wage earner. The Mayor noted that the voters will be given the opportunity to come to the polls to help make that decision.

Finance Director Louis Slapnicker said that the City is definitely in need of a new revenue source in order to fund ongoing road improvement, rehabilitation and maintenance. He noted that in this year's budget there is \$5 million of unfunded capital requests from the departments, and it does not include the road funding going forward. He noted there are two ways to generate additional revenue, one being property tax, and one being income tax.

With regard to property tax, Mr. Slapnicker stated it would be considered outside millage, and it would be by a vote of the people. He stated that a 2 mill levy would generate an estimated \$635,000 per year, costing a homeowner approximately \$70 per year for every \$100,000 of home value. A 4 mill levy would

generate \$1,270,000 per year, costing a homeowner an additional \$140 per year for every \$100,000 of home value.

With regard to raising the income tax rate, Mr. Slapnicker said the City requested estimates from the Regional Income Tax Agency. Raising the current income tax rate from 2 percent to 2.25 percent would raise an additional \$819,000 approximately. Raising the income tax rate to 2.5 percent would raise an additional \$1.2 million. This would affect earned income only; the income tax increase would not affect pensions or social security income. For an individual with \$50,000 annual income, raising the income tax to 2.25 percent would cost that individual another \$125 per year.

Mayor Potter noted it has been asserted that if the City had economic development with new jobs, these costs could be covered. He advised that the City would need approximately 1000 jobs paying \$50,000 per year to bring in enough revenue at the current tax rate to sustain and fund a road program.

Mr. Slapnicker advised there are three classes of individuals that the income tax affects – those that live and work in Kirtland, those that live outside of Kirtland and work in Kirtland, and those that live in Kirtland and work outside of Kirtland. He explained the credit factor, noting that it applies only to individuals that live in Kirtland and work outside of Kirtland.

Noting the City had a \$2 million note issuance last year, the Mayor stated the City does not want to take on more debt without having a dedicated source of funding to cover that debt. He stated that if the City had a dedicated source of funding, note issuances could be implemented for a series of years to catch up on the roads. He noted that after 4 or 5 years, the notes would be rolled into a bond. Mr. Slapnicker explained that the full amount of an income tax increase would not be realized in the first year; it takes 3 years to realize the full amount. Mr. Slapnicker stated that with an income tax increase, the notes could be issued to catch up on the roads that are in dire need.

Mayor Potter noted that with income tax, the funds generated will grow over time, and it would give the City an opportunity to create a long-term funding strategy. If Council were to place an income tax increase on the ballot, the Mayor noted the importance of Council passing a concurrent resolution providing that the additional percentage of income tax is dedicated to funding for road projects, including drainage projects to support the roads.

Mayor Potter noted that he forwarded some worksheets to Council from Mr. Slapnicker. He noted it provides information regarding note issuance. The Mayor noted that with property tax, a length of time is included in the ballot language; this could prohibit the ability to create the long-term strategy. Mr. Slapnicker reminded Council that the sheets he provided contain estimates, in order to provide a sense of the potential new revenue stream and cash flow so the City can front load funding and get some of the roads done up front. He explained the factors that can change within the worksheet.

Answering Councilman Schulz, Mayor Potter said the worksheets have not yet been shared on the City website, as they are for discussion purposes. Mr. Slapnicker explained that a callable bond has a built-in option for paying it off early.

With regard to the importance of a front-loaded road program, Mr. Courtney stated there are a lot of streets in Kirtland that are in poor shape, and the City would like to take care of the worst streets in a short period of time, so the road program can be in maintenance mode in the later years of the program. Mr. Courtney stated the City does not want the bad roads to get worse to the point of being undriveable. He noted the City wants to address them before they have to be fully reconstructed.

Council President Ruple opened the meeting for comments and questions from the community.

Jim Vyskocil, 8415 North Locust Drive addressed Council regarding the repaving that was done last year on North and South Locust. He said the road is now worse than before the work started. He said the year before, they used a machine to patch all the potholes, and he thought they did a good job. He said the chip and seal was done in the fall, with no notice, and in his opinion it was a lousy job; there are ruts, and it is crumbling at the edges. Mr. Vyskocil said the snow plows plowed all the loose chips, and they got all over cars and in residents' driveways. He said this spring the loose stones on the edge of the road were blown back on the road, and a street sweeper came out. He noticed today that the road is crumbling at the edge of his driveway. Mr. Vyskocil stated he would not support a road levy at this time.

Mayor Potter stated that chip seal is not paving; it is a maintenance tool to make a fairly good road last longer. He noted there have been conversations on what can be done to help this situation. Mayor Potter agreed that when the patching was done the year before, it was a smoother ride on that road. He said he unfortunately did not educate the neighborhood regarding the reason for the chip seal. The Mayor noted that chip seal has been used in other areas of the City, and over the course of time it wears in and smooths out.

Mr. Courtney explained that chip seal is a maintenance tool used to extend the life of roads that are in fair condition, so the City can wait a little longer to do major rehabilitation. He agreed that chip seal is rough, but over time, heat and traffic, it will smooth out. Mr. Courtney stated that he, Mr. Fornaro and the Mayor are discussing alternatives to chip seal as part of the maintenance program.

Sharon Vyskocil, 8415 North Locust Drive, said that Locust Drive has many bends and they are quite narrow. She said that for the residents living on the bends, their yards are torn up, because of the garbage truck, the school buses, and the mail trucks on those narrow bends. She suggested that those bends be widened, noting there are tire tracks on those yards on the bends.

Kathy Babic, 8540 Bridlehurst Trail, asked if chip and seal is the City's definition for fixing the roads. Mr. Fornaro stated that Bridlehurst is scheduled for a repave in 2024, noting that the plan is fluid. He noted the work would include reprofiling the road, which would include drainage work and widening the turns, if needed. Ms. Babic stated that Bridlehurst, Palomino and Appaloosa Trail are dangerous for young children riding bicycles and for seniors trying to walk on the terrible road.

Councilman Smolic noted that the 10-year road plan is available on the City website. Mr. Smolic explained the need for proper maintenance of the roads. Mayor Potter noted that the repair and proper maintenance of the roads cannot happen with the current funding available. The Mayor noted that the situation on Bridlehurst is typical of many streets in the City.

Answering Ms. Babic regarding the need for major repairs on so many roads, Mayor Potter said the issue has been funding. He noted the conversation tonight is how to address the funding going forward. The Mayor noted there has not been a committed large-scale strategy for funding the roads for a very long time. Mayor Potter said the City Engineer has indicated this plan is the minimum needed to catch up on the roads and be in a position to maintain them in the future.

Bill Horton, 8551 Palomino Trail, said he has been a resident of Kirtland for 45 years. He said his road was done approximately 20 to 25 years ago; that was the only time it was done and it has constantly been patched. He stated if it continues in the same manner, it will only cost the City more money because the road is in such bad shape, along with Bridlehurst and Appaloosa, and the sub-base is being destroyed. He said the residents were told last year that in 2023 the road would be replaced. Mr. Horton questioned the criteria being used, noting that Pinehurst was done a couple years ago, while his road was in worse shape. He said the snow plows bring up asphalt when they plow.

Mr. Courtney noted the reason for tonight's meeting to determine how the road plan can be funded. He said that is the reason the 10-year road plan is designed to be front-loaded with rehabilitation work so the

bad streets can be taken care of and to get into a maintenance mode. Mr. Courtney stated that a true street repair and maintenance program involves revisiting a street every 3 to 5 years for maintenance after it is paved. Mr. Courtney stated that is the goal with the 10-year road plan. Mr. Courtney explained that each year there will be adjustments to the plan, noting that certain roads may get worse than anticipated.

Walter Tornstrom, 8735 Palomino Trail, said he was told his street would be paved in 2023. He said the problem goes back to previous administrations that did little. He inquired if there was money available from the state through Senator Cirino. Mayor Potter noted that he, as well as every Mayor for cities the Senator represents, has inquired if there is anything he can do to help the cities. He noted that state dollars generally are used for main or arterial roads. He noted that a few years ago the County Commissioners apportioned some funds to every city in Lake County based on population; he noted that Kirtland received \$60,000 and was able to fix a portion of a really bad street. The Mayor noted he is always in conversations with the State and County for funding for roads, and also for sewer needs. The Mayor noted that the City Engineer monitors grant opportunities.

Mr. Tornstrom inquired if funds are available through State Issue 2. Mr. Courtney stated the program is still in place, and the last two rounds of applications have been for Old Town sewer funding.

Mr. Tornstrom said the cost of asphalt has risen 30 percent this year. He inquired if anyone has requested money from a rich person to donate money tax free. Mayor Potter responded that he personally has not asked anyone of great wealth if they would be willing to pass on some of their wealth to the City.

Mr. Tornstrom went on to describe the poor condition of Palomino Trail. Mayor Potter stated the purpose of tonight's meeting is to move this conversation forward regarding a funding mechanism to support a road paving strategy and plan. Mr. Tornstrom said he would prefer an income tax, since he is retired. He noted that if someone's road has already been paved, they will not vote for anything. The Mayor stated that the hope is that as a community, everyone would support having all the roads repaired. Councilman Smolic noted that even if the road has already been paved, it will need future maintenance.

Tim Taubert, 9395 Amberwood Drive, said he is glad there is finally conversation about fixing the roads, as they are in bad shape and need to be fixed. He inquired how it will be decided which plan to put before the people. Mayor Potter said this is the second community forum, noting this has been discussed throughout the budget process; it is anticipated that the City representatives will make that determination regarding what, if anything, is submitted to the voters this fall. He noted there has been conversation regarding property tax, where all property owners share, and regarding income tax, which affects income-earning individuals. He noted that legislation would be introduced in early June.

Terry Babic, 8540 Bridlehurst Trail, said that he and his wife have no children but pay a lot of money for the schools; he noted that may be the City's future leaders. He said he believes the most important things he should pay for are fire, police and road maintenance. He questioned if most people have children that they need to benefit from the possible mis-management of funds in the school system. Mayor Potter noted he has children in the schools and believes the schools do a good job educating the children. With regard to the income tax, Mayor Potter said there are individuals from other communities who work in the City of Kirtland, noting that an income tax adjustment would give those individuals a chance to invest in the community where they work and drive.

Pamela Mills, 8409 Billings Road, said although her road has already been done, she wants to support her town, and she inquired about the City's plan and whether a ballot issue will go forward. Mayor Potter stated that the only way to get a new source of road funding would be a ballot issue. She questioned if the income tax increase would be better for the long term. Mayor Potter confirmed that income tax has growth over time.

Mr. Slapnicker noted if a property tax levy is placed on the ballot, it is outside millage and is a fixed dollar amount with no potential to grow over time, other than new builds. He said that a benefit of the income tax is that it would grow over time as the income would grow.

Ms. Mills said that for a property tax, it would be \$140 per year for a 4 mill levy for a \$100,000 home. She noted that the income tax would not affect her. She noted there are almost 7,000 residents, with 20 people present tonight. Ms. Mills said that although she does not earn income at this time, she wants to support her town. She said that whatever the City chooses to move forward, she will support the City. She inquired which would provide more money sooner, a levy or income tax. Mr. Slapnicker stated they both have timing differences, but a property tax would potentially provide funds a little quicker, but it would remain fixed. He stated there will be some borrowings, in order to front load the plan.

Councilman Smolic inquired about the length of a levy. Mr. Lallo stated for road levy funding, according to the statute it can be for any period of time as declared in the resolution put before the voters; he noted it can be for a permanent period of time. He noted that once the amount is declared, it stays the same.

Mayor Potter read an email received from Carol David of 7373 South Raccoon Hill Drive, stated she previously lived in Lyndhurst and all road repair, leaf pick-up, garbage and recycling was paid for through her taxes. She inquired why residents get little for their taxes in Kirtland and if money has been wasted. Mayor Potter noted there is a different tax base in Kirtland than in Lyndhurst, noting there is a lot of commerce in Lyndhurst which helps support leaf pick-up, garbage and recycling. Regarding what residents get for their taxes in Kirtland, the Mayor noted it is important to point out that the City receives approximately 12 percent of the property tax. Mayor Potter stated that during his time as Mayor, money has not been wasted by the City.

Councilman Smolic provided past figures for income tax for the past six years, noting it has grown by \$610,000.

Noting that the different scenarios have been discussed, Mayor Potter inquired about Council's thoughts. Councilman Lowery noted this is his fourth plus year on Council, and he said he voted no for any new taxes in this community for the last four years, because he believed that much more work needed to be done to define the needs in the community and that due diligence needed to be done. He said he believes this Administration over the last two years has done a lot to tighten the strings. He stated that now something needs to be on the ballot, and the roads need to be fixed. He said he favors the income tax, because it grows over time. A property tax, unless the City goes back to the voters in 10 years to ask for more, will not grow. He stated that the needs of the community, the roads, drainage, service and safety forces, will continue to need revenue to do what needs to be done. He noted that a property tax is a fixed number of dollars; an income tax grows over time.

Councilman Schulz stated he is more in favor of property tax because it is equitable amongst the residents, whether retired, disabled or a business owner that owns property. He said if the denominator is larger, the taxes are shared and the burden is less on each person. He said he believes there may be some ability to capture some additional revenue, referring to the work done by the Fiscal Task Force.

Council President Ruple said he has not made up his mind, noting he has heard from one resident since the last meeting. He said he is glad that a lot more people attended tonight, and he would like to hear from more residents regarding their thoughts. Mr. Ruple invited residents to call or email him or anyone on Council to provide their input. Councilman Smolic noted that all Council members' email addresses and phone numbers are available on the City's website.

Jim Vyskocil, 8415 North Locust Drive said he has paid enough tax to different cities over the years, and a levy is coming out of his pocket. He said he would vote in favor of the income tax, but he does not believe he could support a levy to increase his property taxes.

John Lesnick, 9235 Regency Woods Drive, said he believes there are approximately 2700 households that pay property tax in the City of Kirtland. He inquired how many people pay income tax. Mr. Slapnicker advised that as of 2020, there are 934 individuals that live and work in Kirtland; 4,593 individuals that live in Kirtland and work elsewhere; and approximately 4,900 individuals that work in Kirtland but reside elsewhere. Mr. Lesnick noted there is a much broader base for income tax than for property tax.

Mayor Potter asked to hear from Councilman Haymer and Councilman Fenstermaker. Mr. Fenstermaker said he has not made a decision yet; he would like to hear from more residents. He noted he is not in favor of raising taxes unless it is absolutely necessary, but he does not see many options now.

Regarding Law Director Lallo's comment that, depending on the language, a property tax would be in perpetuity, Councilman Schulz commented it is just like owning a home, in that the homeowner never stops putting money into it. He said it is a matter of getting to a steady state, noting that the plan also has a maintenance portion. He said if the property tax is done in perpetuity, it allows the City to borrow in a manner that the plan can be front loaded, since there is a guaranteed revenue stream.

Councilman Haymer said his concern is whether 4 mills would be enough for the City to do what needs to be done. He stated he is in favor of whichever method provides the most money the quickest, noting that the problems are not going away and the roads need to be fixed sooner rather than later.

Mr. Slapnicker stated that the worksheet provided to Council was modeled around an approximately \$1.2 million revenue increase.

Mayor Potter noted that it must be determined what is palatable to the residents. He noted the City has done what it could the last few years, and residents want the City to do something about the roads. Mayor Potter stated appreciation for the input from the residents.

ADJOURNMENT:

Mr. Schulz moved to adjourn, with the second by Mr. Fenstermaker. The motion of Council passed by unanimous vote and the meeting adjourned at 8:32 p.m.

President of Council

Clerk of Council