

## **KIRTLAND CITY COUNCIL MINUTES**

### **SPECIAL MEETING**

**April 25, 2022**

The special meeting of Kirtland City Council was called to order at 7:00 p.m. by Council President Jeffrey Ruple. Mr. Lowery 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, Joseph Smolic and Eric Ziegler.

Administrative personnel present were: Mayor Kevin Potter, Law Director Matthew Lallo, Finance Director Louis Slapnicker, City Engineer Douglas Courtney, Service Director Joseph Fornaro and Fire Chief Anthony Hutton.

### **COMMUNITY FORUM – PLANNING FOR FUTURE ROAD FUNDING**

Mayor Potter thanked Council for holding the special meeting tonight. He thanked the residents in attendance, both in person and those watching via YouTube. Mayor Potter noted that the Finance Director has been working diligently to provide some different scenarios.

Mayor Potter noted that over the last two and one-half years, the City has worked hard on behalf of the taxpayers to reduce costs and redirect resources to create more opportunities in the City. The Mayor noted the City now spends \$300,000 less annually for dispatch services; as a result, the full-time police staff is being expanded by three positions since the time dispatch was moved to Willoughby. He noted this will help ensure that Kirtland remains as one of the safest cities.

Mayor Potter stated a hard look has been taken at the Service Department and administrative staffing in the last two years. In looking at how the City government functions, the Mayor said he is proud to say the City is smarter with how it is spending taxpayer dollars. After this year, in three years' time the City will have paved more roads than the previous five years of road levy spending. The City has committed to professional engineers and contractors so the Service Department can now focus on serving the residents more aptly and responsibly. He stated that road maintenance is now part of the focus and plan. The Mayor stated that as part of this new approach to City business, the City now has a thriving senior center and expanded City events.

The Mayor stated that the purpose of tonight's meeting is to talk about the road plan for the future, but it also includes planning for the future. He noted that all want the best for Kirtland, and the conversation tonight is how to responsibly chart that course for many years to come.

Noting that more roads were paved and maintained in the last three years than during the previous five years with the road levy funding, Mayor Potter stated this was achieved as a result of the new approach with more efficient City government, without asking the taxpayers for more funds in these last three years. It was done with hard work, and the right decisions were made for Kirtland. He noted that when the last levy was up for renewal, he said no because he believed there was more work to be done to better manage the City's finances.

Mayor Potter stated the City has now reached a critical point, and an honest conversation is needed. There are a few choices; doing little or nothing would leave the issue for others to try to deal with in the future, which would assuredly come with higher costs. He stated another option is further cost-cutting measures, which would lead to less safety for the residents. Alternatively, he stated that action can be taken together for the common purpose of creating a long-term road program that the residents can trust. Mayor Potter stated he is not interested in the first two options, saying they would be irresponsible of those that were elected to do the right things.

Noting that the issue is not new, Mayor Potter stated it can now confidently be said that the City government has worked hard to exhaust all options, and it is time to come together and determine the long-term solution. Because Kirtland went decades without a long-term strategy for fixing the roads, the City is now faced with over \$16 million of road funding needs, along with millions of dollars of capital needs.

Mayor Potter stated that the 2022 budget committed \$480,000 from the General Fund to this year's \$1.3 million road program. He noted that funding needs to be shifted in future years to responsible capital and equipment replacement plans.

Referring to creating new jobs in Kirtland to fund road paving and capital, Mayor Potter stated that 1000 new jobs, paying \$50,000 each year, would be needed to fully fund those needs. Unfortunately, that is not an immediate reality. He stressed the need to grow the City carefully, retaining the character of Kirtland.

Mayor Potter noted that Administration and Council have agreed that the voters will have the final say regarding the funding strategy. He noted it must be determined what option will be presented to the voters. He stated the options are a road levy or a charter amendment to the income tax. A road levy would be supported by property tax and the burden would be shouldered by all Kirtland property owners, including the fixed-income seniors. However, if Kirtland voters decide to change the income tax to support a long-term road program, it would be an investment by those actively employed and would not tax the retirement income of the City's seniors.

The Mayor stated that a 2 mill road levy would bring in approximately \$635,000 per year, which would allow only for patching and selective repair of some of the worst roads. It would cost a property owner approximately \$70 per year for every \$100,000 of home value. He noted that the last time this levy was in place, the results were not favorable. A 3 mill road levy would bring in \$952,000 per year, and might be a viable solution, depending on the length of that commitment. It would cost a homeowner \$105 per year for every \$100,000 of valuation. A 4 mill levy would realize \$1.27 million per year, and would cost a homeowner approximately \$140 per year for every \$100,000 of home value.

Mayor Potter stated that a one-quarter percent income tax increase would raise just over \$800,000 per year; as incomes grow, it would raise approximately \$30 million over 30 years. With this annual funding, future City Councils and Mayors would have the flexibility for note issuance and consolidating bonds, allowing many more miles of road to be paved in the earliest years of funding and leaving enough for a future maintenance program. For every \$50,000 earned by an individual, an additional \$125 would be committed to road funding. He reiterated that an income tax adjustment would not put any burden on seniors with retirement income.

For a 0.35 percent income tax increase, the Mayor noted that for every \$50,000 earned by an individual, an additional \$175 would be invested each year to manage a long-term road program; Council could take 0.1 percent to commit to storm and sewer funding in the future. The Mayor stressed the need for strategic planning for the future needs.

Finance Director Louis Slapnicker stated that with property tax, there is outside and inside millage. The City of Kirtland has two levies on inside millage, and those increase with the increase in market values. The City also has outside millage, which is by a vote of the people. He noted that the Ohio Constitution allows 10 mills to be taxed on any property within City limits, which is referred to as inside millage. Anything outside of that has to be voted on by the people. Mr. Slapnicker explained that a mill is \$1 for every \$1000 of assessed value. Mr. Slapnicker stated the reason outside millage does not grow with current market values is because House Bill 920, enacted in 1976, protects homeowners from inflationary trends; when voting for an outside millage levy it is a fixed dollar amount.

Mr. Slapnicker stated Kirtland has 2.7 mills of inside millage for the General Fund and 0.3 mills for the Police Pension Fund; those two levies would grow as property values increase over time. The City has 5 outside millage levies, two from 1976 - police protection levy at 2.5 mills and a fire protection levy at 0.9 mills. There is also a 1980 fire protection levy for 1 mill, a 2008 fire emergency levy for 2.8 mills, and a 1996 senior/recreation levy at 0.85 mills which was renewed last year. In total, the City has 11.05 mills on property taxes, 3 mills of which would grow with property values. The other 8.05 mills does not grow over time. Mr. Slapnicker stated if there was to be another voted property tax levy, it would be for a fixed dollar amount and would remain as such going forward. He noted the only additional new income that would be generated on that levy would relate to new builds.

With regard to property taxes, Mr. Slapnicker also mentioned that there is no homestead rollback for anything enacted after 2016; he explained how the rollback works for levies prior to 2016.

Mr. Slapnicker stated the other option is income tax. The City currently has a 2 percent income tax rate with a 1.75 percent credit rate. He said the City's income tax base and revenues are made up of net profits, individual returns and withholding tax. The withholding tax is broken down into three classes of individuals – 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. The first two mentioned pay 2 percent income tax to the City; the credit factor has no effect on them. Individuals that live in Kirtland and work outside of Kirtland are given a credit rate of 1.75 percent. Mr. Slapnicker referred to and reviewed a handout that was provided showing different scenario estimates of income tax rates and tax credits.

In looking at both scenarios (property tax and income tax), Mr. Slapnicker stated that property tax affects every homeowner in the City of Kirtland. Noting that income tax affects all earned income, Mr. Slapnicker stated that the pension or social security of retired individuals is not subject to this tax.

Mr. Slapnicker stated that Council asked him to look at the tax rates to see how Kirtland compares to other municipalities across the state. He noted that on the Regional Income Tax Agency's (RITA) website there are approximately 400 taxing districts (including Kirtland). He said that currently Kirtland, at 2 percent income tax rate is in the 25 percent range. He stated that those with rates of 2.25 percent and 2.5 percent make up 12 percent of all RITA municipalities. Mr. Slapnicker said the tax credit factor also needs to be taken into consideration. For Kirtland, with the net effect of the 2 percent income tax rate and the City's credit factor, Kirtland is actually in a bottom range across all RITA taxing districts.

In summary, Mr. Slapnicker noted that property taxes will affect the entire community, compete with the schools, and do not grow as property values increase. With income tax, all earned income is taxed, whether from a resident or non-resident; the income tax would grow as the income tax base grows.

Answering Councilman Lowery, Mr. Slapnicker explained that inside millage is shared by all taxing districts in the county, including the county, schools, city and libraries. Of the 10 mills that can be levied, the City receives 2.7 mills.

Mr. Courtney reviewed the road conditions in Kirtland, noting that based on the condition rating done in 2018, adjusted for streets that have been paved since then, there are 2 miles of pavement in the very poor category, 11.12 miles in the poor category, 13.37 miles in the fair to poor category, 16.35 miles in the fair category, and approximately 23 miles in the good to very good category. By percentages of miles of pavement, approximately 40 percent of the pavement is fair to poor or lower. Only about 1/3 is in the good to very good category. He stated that in 2020, the City did a good portion of Emerald Glen; in 2021 the City completed recycling and resurfacing of Billings, Wisner, Springer and Springer Court, and repairs and resurfacing on Beechwood and Oakwood. Still to be done from the 2021 program is Mitchells Mill, in cooperation with Kirtland Hills. He noted that a good portion of mileage was addressed last year for approximately \$2 million.

Looking ahead to the next 5 to 10 years, Mr. Courtney stated the road plan for 2022 through 2031 has been prepared. Given the condition ratings, the City is behind in keeping up with the roads; therefore, the street plan has been front loaded for the first 5 years, both in dollars and in mileage. For 2022 through 2026 (years 1 through 5 in the plan) the City would spend approximately \$9.3 million in rehabilitation and approximately \$3.7 million in maintenance. The first 5 years would take care of a little over 17 miles of pavement and would maintain approximately 42 miles of pavement. After the first 5 years, rehabilitation tails off because the City will have caught up. He noted the idea in the plan is to try to catch up in the first 5 years, and do more maintenance in the next 5 years, which would be 2027 through 2031.

Mr. Courtney stated that in 2027 through 2031, rehabilitation costs will be \$1.6 million and maintenance costs will be approximately \$2 million, with another 7 miles of pavement rehabilitated, and about 54 miles of pavement maintained. Mr. Courtney stated that the primary focus of the maintenance program is keeping good roads good for as long as possible before needing to rehabilitate again.

Councilman Schulz inquired about the estimated useful life after rehabilitation. Mr. Courtney stated with proper maintenance, it can be stretched to 20 or more years.

Mr. Courtney stated the program is front loaded so the catch-up work can be done. The rehab and maintenance program will be more consistent year-to-year, at a lower cost than the first 5 years.

Councilman Ziegler inquired about maintenance after the 10-year plan. Mr. Courtney stated that once the catch-up work is done, with the road network of 66 miles, he believes \$750,000 to \$1 million for a maintenance program per year will be sufficient. Mr. Courtney stated he does not believe there will ever be a point where pavement rehabilitation is not being done.

Council President Ruple asked what factor of inflation has been considered. Mr. Courtney stated with the current road plan, from 2021 to 2022 a 5 percent increase was included. For the remaining years, it was 3 percent in 3 years. With the next update on the road plan, Mr. Courtney said inflation might be higher; he noted that the road plan is fluid and will be updated each year. Mr. Slapnicker added that with this being a long-term road program, consideration should be given to the property taxes that will remain at the fixed dollar amount vs. the income tax number that would trend with any growth of income.

Councilman Lowery inquired if there is an assumption that the roads will get worse if the City does nothing, and whether the costs will increase or remain the same if the City does nothing. Mr. Courtney stated he does not recommend the option of doing nothing, because the condition of the pavement, by a scale of 0 to 100, can be expected to drop the rating by 2 to 3 percent annually. He stated if nothing is done, future costs will be more.

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

Mayor Potter noted that an announcement was posted offering the community a chance to send emails to Teresa Szary; he noted there was one email regarding roads and funding. Mayor Potter read the email from Diane Brezec of 10792 Crestwood Drive; she inquired if this was announced anywhere other than the Kirtland website, saying it should have been in the Chronicle or the senior newsletter because not everyone has internet. She also said the Federal government passed a huge infrastructure bill of which Ohio received funds, and she inquired if Kirtland applied for any. She said the City should not count on levies passing when so many streets have been crumbling for years and promises were made that never happened, including drainage problems. She also commented that there should have been a mailer for this meeting.

Regarding the meeting announcement, Mayor Potter stated he referenced in his article in the Kirtland Chronicle that the City would be having an upcoming meeting related to road funding, and it was recently decided that the meeting would be held April 25. The Mayor said the City did its best to announce it on

social media and on the Kirtland website; he noted this will not be the last conversation related to this subject. With regard to the infrastructure bill, the Mayor noted that the Department of Transportation is holding webinars, and he has forwarded information to the City Engineer and Service Director to assure that Kirtland can obtain any assistance possible. Mayor Potter confirmed there is an important drainage component that must be addressed. He said there will be a drainage project going out to bid this year for that area. Councilman Smolic noted he has spoken with residents in this area over the years regarding the drainage issues. Mr. Smolic stressed the importance of addressing the drainage in conjunction with fixing the roads.

John Lesnick, 9235 Regency Woods Drive, inquired about the 10 mills that grows with property value increases. Mr. Slapnicker stated the Ohio Constitution allows the taxing of 10 mills on a single property within the city limit; the 10 mills is shared between the county, schools, city and libraries. Out of the 10 mills, the city receives 2.7 mills. He noted that anything outside of that millage has to be voted on by the people. Mr. Slapnicker confirmed there is nothing available for the roads within those 10 mills.

Carol Martz, 7475 Euclid-Chardon Road, asked for clarification of the work done on Charlesderry by the City. Mr. Courtney stated when the water mains were installed in the Charlesderry area, Aqua Ohio committed approximately \$23,000 for chip seal work in that neighborhood, and that was done last year. Mr. Courtney noted that the City hired the contractor to do the work. Mr. Fornaro stated approximately \$35,000 was spent in that area, noting that a double chip was added and North Star was added.

Ms. Martz noted that a comment was made about the income tax, indicating those funds could eventually be allocated to other things, such as sewers, etc. She inquired how it would be assured that the appropriate amount of funding would be allocated to the roads. Mayor Potter noted Council can pass a resolution indicating the dollars are committed to the roads; should the road funding pass at the ballot, then it could be codified in an ordinance. With regard to creating a fund for stormwater and wastewater long-term planning, Mayor Potter noted it is something Council could consider. Mayor Potter noted that with a road levy, it is built into the ballot language; for income tax, the City will isolate it for that purpose. Councilman Smolic noted that residents would be able to look at the 0.25 percent of the income tax to make sure the money was allotted for the roads as intended.

Councilman Lowery inquired if there would be money in the General Fund for capital improvements if this moves forward. Mayor Potter stated in 2021 the City committed \$200,000 from the General Fund to the road program, and in 2022 the City committed \$480,000 from the General Fund to the road program. He noted that every year some money would be committed out of the General Fund for capital needs. The Mayor noted the City has not had a capital plan in place for funding for replacement of vehicles and equipment and/or the City buildings.

Jim Palec, 8890 Martin Road, said the City currently receives around \$400,000 in gasoline excise tax and the state intended it to be used for road maintenance. He inquired what percentage of the excise taxes go into road maintenance. Mr. Slapnicker stated the excise tax is accounted for in two separate funds – Fund 220 Street Construction Maintenance and Repair (SCMR) and Fund 221 State Highway. Mr. Slapnicker stated that looking at the line item detail on the appropriation side, \$541,000 is appropriated for the year out of Fund 220 and \$41,530 is appropriated out of Fund 221. He stated those excise tax monies are accounted for in those two funds and are appropriated as such. Mr. Palec inquired if the funds are going directly toward road repair or toward salaries for the Road Department. Mr. Slapnicker stated part of the funds is for salaries, noting that the road crews are out maintaining roads; he stated a portion is for road salt. He noted it is posted on the City website in the line item detail on the appropriations side for Funds 220 and 221. Mayor Potter noted many of the dollars go to the Service Department, as has been for some time. Mr. Palec commented that it made sense to funnel those monies to the Service Department when they were doing the work on the roads rather than having work contracted.

Councilman Schulz inquired about the 2022 bids. Mr. Courtney stated it is scheduled to advertise for bids in a few weeks. He said part of the work will be drainage work on Fox Hill, noting that drainage calculations are still being completed. Mr. Courtney noted that the bid opening would be in late May or early June.

John Lesnick, 9235 Regency Woods Drive, commented on the SCMR funds; he said the gas excise tax and the license plate registration fees accumulate about \$550,000. Noting that he spoke to Mr. Fornaro, the City is estimating about 5000 tons of salt this year at approximately \$45 to \$50 a ton, which will use half those funds. He noted that some of the funds are used for plowing, and he believes the City does some of the drainage work to prepare for the roads. Mr. Fornaro confirmed that the Service Department does drainage and crack seal work. Mr. Lesnick stated that although the City is not doing rehabilitation work as was done under previous Service Directors, repairs are still being done in preparation for the contracted work. Mr. Slapnicker confirmed the funds are being used for that purpose.

Noting that a few people came in after the meeting began, Mayor Potter noted the meeting is being recorded and can be viewed on the City's YouTube channel. He said the essence of the conversation relates to what the City has done the past couple years to pave roads without having to ask the taxpayers for more money, compared to the previous five years under the road levy, and letting the community know what has been done and what is needed to build a long-term road program.

Council President Ruple asked that members of the community reach out to Council with their questions and comments regarding a potential income tax increase vs. a levy. He requested the community's feedback to help come up with a successful plan to make this work.

Discussion ensued regarding the fixed term and fixed amount of a levy, as compared to the income tax. With regard to an income tax increase, Mr. Slapnicker noted there will be a delay in realizing the full amount. It was noted that the City can borrow if there is a funding mechanism in place.

Mr. Lesnick stated if there was a 5-year 3 mill property tax levy, he believes the City will need to borrow \$10 million to start doing the rehabilitation now. He questioned whether the City would be able to borrow that \$10 million on that 3 mill levy, noting that \$10 million would not be raised in 5 years. Mr. Lesnick stated although he is not in favor of raising taxes, something needs to be done with the roads.

Councilman Smolic emphasized the importance of maintenance to help extend the life of the roads, noting that 20 years down the road it will save the City millions of dollars. He referred to a website that is a good source for understanding the benefits of road maintenance.

**ADJOURNMENT:**

Mr. Lowery moved to adjourn, with the second by Mr. Smolic. The motion of Council passed by unanimous vote and the meeting adjourned at 8:10 p.m.

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President of Council

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Clerk of Council