

## **KIRTLAND CITY COUNCIL MINUTES**

### **SPECIAL MEETING**

**May 31, 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, Jeffrey Ruple, Matthew Schulz, Joseph Smolic and Eric Ziegler. Richard Lowery was absent.

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

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

Finance Director Louis Slapnicker reviewed the costs to a homeowner for different scenarios of a property tax levy and the costs to taxpayers for an income tax increase.

Council President Ruple opened the meeting to comments from the public.

Mayor Potter acknowledged receipt and read into the record an email from Donna Haupt of 7675 Joseph Street, indicating the reasons she believes an income tax increase would be preferred for retired individuals. Councilman Smolic noted he has received similar input in conversations with residents, especially those that are retired.

Responding to Mr. Smolic, Mr. Slapnicker stated it typically takes approximately three years for an income tax increase to be fully realized. Councilman Smolic explained the front-loading of the program, noting that even after the road program is complete, there will be maintenance work required every year.

Councilman Schulz inquired if the delinquency rate is figured in the numbers provided by the Finance Director. Mr. Slapnicker confirmed the numbers indicate the amount that would actually be realized.

Council President Ruple noted that the Law Director advised Council that if an income tax increase is put in place, there is a possibility it could be reduced by Council in the future if it became over-funded at some time. Mr. Lallo explained that language can be included in the Charter that would allow Council to levy an income tax at a maximum rate, but it can be reduced in the future without amending the Charter, if it is found to be over-funded.

Council President Ruple stated that members of the community have inquired about a resolution or ordinance to assure that the money would be used for the roads. Mr. Lallo advised that Council can pass a resolution providing that if the Charter amendment passes, Council pledges to utilize those funds to pay for a road program.

Responding to questions from Council, Mr. Fornaro confirmed that the funds would cover drainage work that relates to the roads.

Councilman Schulz inquired if the Service Director anticipates purchasing any capital equipment with the additional funds. Mr. Fornaro stated it is his understanding that the funds would be used for roads. Mayor Potter noted this commitment can be delineated in a Resolution. The Mayor noted the need to establish a long-term capital funding plan. He noted that \$400,000 was committed from the General Fund this year for road work; if funding is established for the road program, money from the General Fund can be used to establish a capital plan.

**Nick Angie, 8013 Gildersleeve Drive**, inquired about costs for an income tax increase based on income vs. a property tax increase based on home value. Mr. Slapnicker stated that with a salary of \$50,000, it would be an increase of \$125 per year for an income tax increase from 2 percent to 2.25 percent; it would be an increase of \$500 for a salary of \$200,000. A tax increase to 2.35 percent would be an increase of \$175 for a \$50,000 salary. With regard to the credit factor, Mr. Slapnicker noted that income would need to be broken down based on where it is earned. With regard to property tax, Mr. Slapnicker stated for a 4 mill levy, which would generate approximately \$1.2 million in additional revenue to the City, the cost to a homeowner for a home with \$100,000 market value would be an additional \$140. Mr. Slapnicker said a 2 mill levy, which would generate \$635,000 in new revenue to the City, would cost an additional \$70 for a home with \$100,000 market value. Mr. Angie stated he will do what he can to help the community, and whatever is decided, the City has his vote.

**John Lesnick, 9235 Regency Woods Drive**, inquired if the City is able to borrow the same amount of money with a property tax or an income tax. Mr. Slapnicker stated it is based on the new revenue; it does not matter if it is a property tax or an income tax. Mr. Lesnick noted that the revenue from a property tax would end, likely in five years. Mr. Slapnicker noted there are Fire levies from the 1980's that are continuous; however, if there is an end date, it will affect the funding source which will affect the amount that can be borrowed.

Council President Ruple said that the consensus seems to be that Council is looking at a 0.3 to 0.35 percent income tax increase, although nothing has yet been put to a vote.

With regard to Mr. Angie's inquiry regarding the credit factor, Mr. Slapnicker provided clarification that it would still cost an individual \$125 per \$50,000 of salary.

There were no further comments or questions from the community.

Councilman Ziegler stated that after the three meetings, Council has a clear direction on what they will do; it is now a matter of determining whether it will be 0.3 or 0.35 percent.

Councilman Schulz stated he would like to see a linear regression of expected income taxes in 10 to 15 years to make sure Council is not asking for too much now. Mr. Slapnicker stated there are too many variables involved to provide a 10-year futuristic look at the income tax.

Mayor Potter stated that after this year, the City will have spent \$3.3 million on roads in the last 2-1/2 years. Current road funding needs are approximately \$17 million, and capital needs are approximately \$4 million, for buildings, vehicles, and equipment. The Mayor said it has been mentioned that a road program can be funded with job creation, but it would require 1,000 new jobs with individuals earning \$50,000 per year to support this road program. He stated that economic development is important, but the City cannot count on that to fund the road program. The Mayor stated that the options to fund the road program have been discussed. He noted that with a property tax levy, there will likely be a sunset date, and the amount of revenue would be flat. With an income tax increase, the Mayor stated there will be some growth.

Mayor Potter said that another point that has been considered is that a property tax levy affects all property owners in the City, whereas an income tax increase would not affect retirement income, social security and pensions. The Mayor noted that Kirtland is the 10<sup>th</sup> most aged community in Ohio; 22 percent are over the age of 65, which is more than 1/5 of the community. He noted that property tax tends to affect that portion of the population more adversely because of the fixed incomes. The Mayor noted that with an income tax increase, the money is garnered from those who are still working and earning income. He also noted that in the Old Town community, there are some seniors who are looking at some significant property tax increases for the sewer project. The Mayor noted the City is trying to get funding committed to that project to mitigate the costs to those residents.

The Mayor noted that a Charter amendment to increase the income tax gives the City the ability to front-load the road program, getting a lot of road work done in the first five years to get the City caught up. He said that with an income tax, the City can take advantage of note issuance and ultimately roll it into a bond. In future years, the City would have that reliable dedicated source of income, which would be growing. With the property tax, there is a five or ten year drop off and the inability to utilize the financing.

Mayor Potter stated the City is looking to implement a long-term road funding strategy, with the intention of committing other funds in the General Fund to a capital plan for the future. The Mayor thanked Council for a great discussion, and he thanked the community for communicating with the City in this regard. He stated appreciation for the work of the Finance Director, the City Engineer and the Service Director with regard to the road plan and funding.

Councilman Fenstermaker requested that an evaluation be done after Year 6 of the program to make sure that the funds available going forward do not exceed what is needed. Mayor Potter suggested it would be part of the budget process every year, noting he is confident there will not be too much funding by Year 6 because of the front-loading of the plan. The Mayor noted that, as mentioned by the Law Director, there are two options the City could implement to reduce the revenue if necessary.

Discussion ensued regarding the road plan for the budget process each year. Mr. Lallo reviewed Section 236.12 relating to the road plan and funding, noting that it contains provisions for conversations between the Administration and Council regarding the funding of the road plan.

Councilman Haymer stated he does not believe the road plan will be over-funded in the future.

**Bob Leske, 8344 South Locust,** stated that he sees the point of discussing this as an income tax rather than a property tax, because everybody that is using and benefitting from the roads will pay towards them. He stated concern about things being earmarked to make sure that funds collected are for roads. Mayor Potter noted that the Law Director can help develop the proper language for a resolution.

Mr. Leske stated he suggests that something be done about the decision making process. He said he has a "bad taste in his mouth" for what the road program did in front of his house. He wants to be sure that the funds are spent in a fashion that is truly foundational; otherwise the maintenance means nothing. Mayor Potter noted that the City must have a mechanism of funding roads for the future, so the additional asphalt paving on top of his road can be done to provide a road that is comparable to Springer. The Mayor reiterated that putting that application down was to extend the life of the road, and funding is needed to be able to put asphalt on top of that application. Mayor Potter stated that the City will do a better job of communicating with the residents in the future.

Councilman Smolic noted there will be \$12 to \$13 million of road work in the first six years, but only approximately \$6 million will be collected during those years, so there would not be an excess at that time. He noted that Council will be able to see funding details during the budget process on an annual basis.

Councilman Ziegler noted the City will also need to plan for higher interest.

Mayor Potter noted that Councilman Lowery advised him that he supports the income tax increase of 25 basis points or more.

Mayor Potter noted there is a timeline in order to put something on the November ballot. He inquired if Council would like legislation on first reading for next Monday for an income tax increase, noting there are four meetings before the summer recess.

Mr. Lallo advised that a 2/3 vote of Council is needed for the legislation, because it is a Charter amendment; therefore five of the seven Council members must vote in favor. Mr. Lallo stated he can have legislation ready for next Monday if Council so chooses.

Discussion ensued regarding whether the income tax increase should be 0.3 or 0.35 percent. Mayor Potter noted that the amount could be amended if necessary. Council directed the Law Director to prepare legislation with a 0.35 percent income tax increase.

**ADJOURNMENT:**

Mr. Smolic moved to adjourn, with the second by Mr. Ziegler. The motion of Council passed by unanimous vote and the meeting adjourned at 7:56 p.m.

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President of Council

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Clerk of Council