

MINUTES

KIRTLAND CITY COUNCIL FINANCE COMMITTEE

February 22, 2023

The meeting of the Kirtland City Council Finance Committee (Council as a Whole) commenced at 6:03 p.m. Council members present were: Ronald Fenstermaker, Richard Lowery, Jeffrey Ruple, Matthew Schulz, Joseph Smolic and Eric Ziegler. Absent: Scott Haymer.

Also in attendance were Mayor Kevin Potter, Finance Director Louis Slapnickner, Service Director Joseph Fornaro, Police Chief Brian McCallister, Fire Chief Anthony Hutton and Senior Center Coordinator Teresa Szary. Law Director Matthew Lallo and City Engineer Douglas Courtney arrived later in the meeting.

Mr. Slapnickner welcomed everyone to the meeting regarding the 2023 appropriations. He advised that the appropriation ordinance is on tonight's Council agenda for first reading, noting that it is broken down by fund and the same four categories are in every fund – personnel services (gross wages), capital outlay (items \$2500 or more), transfers, and services and supplies. Mr. Slapnickner noted that Council also has a 2023 dashboard.

Referring to the 2023 Estimated Fund Balances worksheet, Mr. Slapnickner said this shows the end-of-year unencumbered balance brought forward, the estimated resources by fund, and the estimated appropriations tied to the ordinance. He noted that the estimated fund balances column shows the amount if every dollar were spent in the appropriation ordinance. He advised that the Firefighter Grant Award creates a unique situation, noting that because it is a reimbursable grant, the City has to budget for those labor costs in both the General Fund and the new ARPA Public Safety Fund. Mr. Slapnickner said the City will expend the funds before those dollars are received. He explained the process, noting it will be an expense adjustment. He noted that a portion is for pension, which is paid out of the Fire Pension Fund 730.

With regard to Funds 200 through 204, Mr. Slapnickner said that all of this revenue is fully supported by property tax. He advised that these dollar amounts are reduced by 5 percent. He noted the reduction is done by the County, recognizing that not everyone will pay their property taxes.

With regard to the Road Levy Fund, Mr. Slapnickner said there are no new monies coming into this fund. He noted that purchase orders were authorized by Council in previous years, including a recent change order reduction; the funds will be reduced by the purchase orders.

Referring to the Opioid settlement, Mr. Slapnickner said the City will receive those funds over 18 years. He noted that the ARPA funds are not new dollars; the funds from road projects that came in under budget were re-appropriated.

Mr. Slapnickner reviewed the estimated resources, pointing out some significant changes from previous years. He noted that the City received a grant for \$125,000 from ODNR for outdoor bathrooms at the Community Center. The City income tax revenue is up over one million dollars from 2020 receipts, largely as a result of "work from home". The City is estimating \$4.6 million in income tax revenue for this year, which is slightly down from last year's actual revenue. Mr. Slapnickner said he is not sure when those individuals may or may not return to their workplace, so he is budgeting conservatively. He said that looking at income tax revenue for January and February 2023, the City is up \$100,000 from this point last year.

With regard to property taxes, Mr. Slapnickner noted there was a re-evaluation from 2021 to 2022, resulting in the large increase. He noted that the County provides the numbers for the property taxes that the City is required to include in the budget.

Mr. Slapnickner said the only other significant change is the ARPA funding. There were two distributions – one in 2021 and one in 2022; there are no new monies in 2023. The \$82,510 is a result of the change order

and the road program coming in under budget, which allows the City to release those funds to be re-appropriated for the 2023 road program.

Mr. Slapnicker continued to review the operating funds (Funds 100 through 229). He noted there is a significant increase in Fund 225, which is the grant for the Senior Center. He noted that part of the funds are the reimbursement for 2022. Mr. Slapnicker noted that the County awarded the \$75,000 that the City typically receives, along with an additional \$50,000 again for discretionary or capital items; last year was the first time they awarded these additional funds.

Mr. Slapnicker noted there is a \$1 million increase in revenue from last year to this year. He noted that part of the increased revenue is going toward capital outlay. He said that the difference is largely ARPA funds.

Mr. Slapnicker noted that the 2023 budget includes three new full-time firefighters and one additional full-time patrol officer. He reviewed the full-time staffing levels.

Mr. Slapnicker reviewed the City's debt, including debt payments by year that were funded as short-term and long-term. He noted that the City has been staying aggressive on the debt payments.

With regard to debt, Mr. Slapnicker said the City is looking at two options – staying in the short-term note market or bonding the remaining short-term. He noted that Tim Reidy provided some analyses on the two different scenarios. Mr. Slapnicker stressed the importance of the City maintaining flexibility. He noted that bonding the remaining \$3 million would lock the City into payments, and it is unknown how the income tax will transpire over the next several years. Mr. Slapnicker said that by staying in the note market, the City maintains that flexibility. The required pay-downs are known, and as the income tax fluctuations occur, the City can change its optional pay-downs. He stated that based on his estimates, if the City is able to remain as aggressive in the short-term note market, this debt would be paid off in six or seven years. Mr. Slapnicker said it is his recommendation to Council that the City remain in the short-term note market. He noted that Mr. Reidy has volunteered to attend a meeting if Council has questions. Mr. Slapnicker said the biggest risk is the interest rate, but the City needs to maintain the flexibility.

Mr. Slapnicker reviewed the short-term note, saying that the City is looking to pay down \$501,000 this year. He said that \$291,000 is funded from the General Fund and \$210,000 from the Major Capital Improvement Fund. He noted there is a \$36,000 interest payment, funded by the General Fund.

With regard to capital, Mr. Slapnicker said there are requests totaling \$5 million. Noting that there is an upcoming Public Utilities meeting on March 1, Mr. Slapnicker said the wastewater treatment plants desperately need to be addressed, noting that those funds cannot sustain the capital needs of those treatment plants.

Mr. Slapnicker noted that capital needs have been discussed with the Department Heads as part of the budget meetings. For the Service Department, he noted that \$30,000 is needed for mowers and an additional dump truck. He noted there is an additional \$100,000 for potential paving of the Police Department parking lot and discretionary road maintenance.

With regard to stormwater and drainage, Mr. Slapnicker said that in 2023, the amount expected to be received, added to the balance, equates to \$470,000. He noted this is not funded by the General Fund.

Mr. Slapnicker advised that the broadband analysis was also on last year's budget; the work was never completed so those funds remain on balance. He noted the appropriation is \$10,000. Mayor Potter noted that the RFP with Fairsite has been drafted.

With regard to the Police Department, Mr. Slapnicker stated there are two outstanding purchase orders from last year for two cruisers. He noted that the Chief requested an additional cruiser.

Mr. Slapnicker noted that Mr. Fornaro has looked at the City's buildings and made recommendations, one of which is roof repair on the Police Department side of the building.

With regard to the Fire Department, Mr. Slapnicker stated there is Station 2 remodeling being funded from the General Fund for \$30,000. There was discussion regarding the remodeling and other building needs.

With regard to technology, Mr. Slapnicker said the phone system must be addressed City-wide.

Mr. Slapnicker said there is \$3 million of unfunded capital needs for 2023.

Mr. Slapnicker requested that a Finance Committee meeting be held before the next Council meeting to discuss the road program and high-level items for expenditure.

Noting that there is \$3 million in unfunded capital needs, much of which relates to maintenance and repair and purchase of needed equipment, Councilman Lowery expressed his frustration that the City is going to spend a significant amount of money on the roads, when the voters said "no". He stated that he understands there are needs with the roads, but he expressed concern about continuing to let the buildings deteriorate and needed equipment remain unfunded while the City continues to fix the roads. Mr. Slapnicker noted that a portion of the funding source for the roads is from the Road Levy Fund 205, and there are some remaining ARPA funds that were designated for roads. He noted there are some remaining funds as part of the last change order from Street Improvement Fund 460. Mr. Slapnicker said the General Fund transfer for roads was \$676,000. Councilman Fenstermaker agreed that the buildings will continue to get worse; he noted that the infrastructure is not only the roads.

Upon completion of discussion, the meeting adjourned at 6:59 p.m. upon the unanimous consent of Council.

President of Council

Clerk of Council