

## MINUTES

### KIRTLAND CITY COUNCIL FINANCE COMMITTEE

April 15, 2024

The meeting of the Kirtland City Council Finance Committee (Council as a Whole) commenced at 6:07 p.m. Council members present were: Ronald Fenstermaker, Scott Haymer, Matthew Schulz, Joseph Smolic and Eric Ziegler. Suzanne Grazia and Julie Symonds arrived later in the meeting.

Also in attendance were Mayor Kevin Potter, Law Director Matthew Lallo, Finance Director Louis Slapnicker, Service Director Joseph Fornaro, Police Chief Brian McCallister and Fire Chief Anthony Hutton.

Councilman Ziegler, as Finance Committee Chair, said that since Council has approved the \$2.5 million bond legislation for roads this year, the purpose of tonight's meeting is to discuss ideas for additional funding mechanisms to be used for roads, to potentially put before the voters in the fall.

Mr. Slapnicker noted these conversations were held in 2022; he said there are two options for an additional funding source – the income tax rate and a property tax levy. He noted that a property tax levy would affect every real property owner in the City of Kirtland. With regard to income tax, he said it is made up of three components: withholding tax, net profit returns, and individual returns. Mr. Slapnicker said there are three categories of individuals affected by the income tax: those who live and work in Kirtland, those who live in Kirtland and work outside of Kirtland, and those who reside outside of Kirtland and work in Kirtland. Mr. Slapnicker said that last year an income tax increase was put before the voters. He noted that he updated the worksheet based on additional numbers that he received from RITA and after reaching out to the Lake County Auditor's office.

Mr. Slapnicker said the property tax levy is for a fixed dollar amount for the length of the levy; the income tax will increase with inflation. He advised that the market value of a home is multiplied by 35 percent to determine the assessed value upon which the property is taxed. He noted that a 2-mill property tax levy would generate approximately \$641,000 annually; a 4-mill levy would generate approximately \$1,282,000 per year. A 2-mill levy would cost the property owner \$70 annually for \$100,000 of assessed value; a 4-mill levy would cost the property owner \$140 annually for \$100,000 of assessed value. With regard to the dollar amount needed for roads, Mr. Fornaro said the plan was to get as many roads as possible paved in the first five years, with a cost of \$18 million.

With regard to income tax, Mr. Slapnicker noted if the voters pass an increase in the rate, it takes approximately three years to realize the full revenue; it takes approximately six to nine months to realize the revenue from a property tax levy.

Noting that he contacted the Lake County Auditor's office, Councilman Schulz noted that the City can expect to see data on the triennial property re-evaluation values in late summer.

Mr. Slapnicker noted that the current income tax rate is 2 percent with a credit factor of 1.75. He noted that if the income tax rate is increased to 2.25 percent with the credit factor remaining at 1.75, the estimated new revenue is \$951,500.

Mr. Slapnicker said his recommendation would be for an income tax increase, rather than a property tax levy; he noted if the income tax is increased, the amount generated will grow and it does not affect senior fixed-income retirement. It also affects those who utilize the City's roads but do not live in Kirtland.

Mayor Potter noted that an income tax increase would require a Charter amendment. He said he asked the Law Director to look into specific language that would designate the increased amount for roads. Mr. Lallo noted that a provision could be included in the amended Charter language stating that any income tax in

excess of 2 percent shall be allocated only to the City's road improvement and maintenance program. He noted that additionally, a sunset provision could be included in the Charter language.

Councilman Schulz noted that an income tax increase could raise too much money designated for roads only. Mr. Lallo said the language could require the minimum of 2 percent, but not to exceed 2.25 percent; if too much is collected, it can be scaled back by passage of an ordinance. Mr. Slapnicker noted that another mechanism would be for Council to increase the credit factor.

Discussion ensued regarding the previous road levy and the options presented for additional funding for roads going forward. There was discussion regarding a timeline with regard to the deadline for the November ballot, and the amount of funding needed for the roads. Mr. Slapnicker noted there are still a lot of capital needs. In discussion, Councilman Fenstermaker clarified that the City has a road plan going forward, but it is not funded.

It was agreed that another Finance Committee meeting be scheduled for May 6, 2024 at 6:00 p.m., prior to the next regular Council meeting.

There was no further discussion, and Mr. Schulz moved to adjourn, with the second by Mr. Fenstermaker. The meeting adjourned at 6:42 p.m.

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President of Council

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Clerk of Council