

## MINUTES

### KIRTLAND CITY COUNCIL FINANCE COMMITTEE

May 6, 2024

The meeting of the Kirtland City Council Finance Committee (Council as a Whole) commenced at 6:10 p.m. Council members present were: Ronald Fenstermaker, Suzanne Grazia, Scott Haymer, Matthew Schulz, Joseph Smolic, Julie Symonds and Eric Ziegler.

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

Councilman Ziegler, as Finance Committee Chair, noted that the purpose of the meeting is to continue discussion regarding the potential placement of a November ballot issue for either an increase in property tax or an increase in income tax for road funding.

Answering Mr. Ziegler regarding timing, Mr. Slapnicker advised that for a property tax increase, the timeline would be early July since the rates need to be certified by the County; he noted there is a little more time relating to an income tax increase. Mr. Slapnicker said it is important to consider who would be affected by a property tax increase and by an income tax increase. He noted that a property tax increase would affect every property owner in the City of Kirtland. With regard to an income tax increase, Mr. Slapnicker noted there are three categories of individuals that would be affected: those that live and work in the City of Kirtland; those that live in the City of Kirtland and work outside of the City of Kirtland; and those that live outside of the City of Kirtland and work in the City of Kirtland. Relating to property tax, Mr. Slapnicker said a new levy would be certified for a specific dollar amount, which does not increase with time, as opposed to the income tax, which will grow with inflation.

Mr. Slapnicker noted the other items to consider are the amount of money that would be generated and the cost to the taxpayer. He noted that he sent a worksheet to Council regarding 2024 revenue scenarios. With an income tax of 2.25 percent, the estimated increase in revenue is approximately \$951,000. With the income tax, it takes approximately three years to realize those full dollars – in year one the city would receive approximately 25 percent; year two would be approximately 65 percent, and by year three the full dollar amount is realized.

With regard to property tax, Mr. Slapnicker advised that a 2-mill levy would generate approximately \$641,000 annually, and a 4-mill levy would generate approximately \$1,281,000. For the cost to the homeowner based on valuation, a 2-mill levy would be \$70 for each \$100,000 of market value.

Mr. Slapnicker noted that an income tax increase from 2 percent to 2.25 percent would cost a taxpayer approximately \$125 more per year for each \$50,000 of income.

There was discussion regarding the road program. Mr. Courtney noted there are about 30 miles of roads in the “failed” and “poor” categories. Mr. Fornaro noted that the roads in the “fair” and “good” categories would be several years out and may reach another category level before they can be addressed.

With regard to the Charter language relating to income tax, Mr. Lallo noted that a sunset clause could be included, and language could be drafted reflecting that an ordinance be passed levying that the amount collected would be at least 2 percent but no more than 2.25 percent. He noted the language could include a provision that any amount levied in excess of 2 percent would be allocated to a particular road improvement fund.

Mayor Potter noted that an income tax increase would not affect the retired seniors on fixed incomes, and it would grow over time; whereas a property tax levy is stagnant and would affect the seniors.

Discussion ensued regarding the options presented to put before the voters for road funding, along with getting information to the residents. Chief Hutton noted that when the last road levy was passed, the City had hired a public relations firm that worked hard to get the message out to the voters. Mayor Potter added that all funds spent on that effort were from donations.

Answering Councilman Schulz, Mr. Courtney explained how inflation is figured into the road plan projected costs.

Councilman Schulz said that consideration should be given to how an income tax increase would affect the School's payroll, noting that it would effectively be a pay cut for Kirtland teachers that live outside the city.

Council members discussed their preferences with regard to an income tax increase vs. a property tax levy.

Noting that there has been discussion regarding a lease purchase option for a new fire engine, Chief Hutton said he has been working with Mr. Slapnicker on the numbers, and they looked at the different terms. He noted that the quote received one month ago for a fire truck was \$862,000; it was sent back to be reworked and to change some of the specifications. He noted that the price increased by \$9,000 in 30 days. Chief Hutton said they are looking at the lease purchase option, which is similar to the option recently taken by Willoughby for a ladder truck. He noted that he and Mr. Slapnicker looked into a one-year or two-year payoff; there would be approximately \$56,000 interest if it is paid off in year one.

Chief Hutton said the cost of that same truck is expected to be \$1.1 million in 2026. With the interest cost, the city would actually save \$174,000 on the lease purchase now, as opposed to waiting until 2026 for the purchase.

Mr. Slapnicker advised that the lease purchase option would lock in the price, with associated interest costs. He said his recommendation would be to take the one-year payoff option, with the first payment being in 2026. As discussed during the budget discussions, Mr. Slapnicker said the City will have the available funding in 2026. He noted the City will have the \$375,000 for the down payment now; and the first and only payment would be in 2026. Mr. Slapnicker noted that the City will have the truck sooner with the lease option.

Chief Hutton advised that Rosenbauer has agreed to lock in the current price of \$871,000. He noted that he can have everything ready for the next Council meeting if Council is willing to move forward. There was brief discussion regarding the truck specifications.

Further discussion ensued regarding an income tax increase vs. a property tax levy to be put before the voters. Councilman Ziegler suggested that Council move forward with a proposed income tax increase, and work on a message to the residents. Answering Councilwoman Symonds, Mr. Slapnicker said he can provide some comparisons with other communities.

There was no further discussion, and Mr. Ziegler moved to adjourn, with the second by Ms. Symonds. The meeting adjourned at 6:52 p.m.

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President of Council

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Clerk of Council