

KIRTLAND CITY COUNCIL MINUTES

April 5, 2021 – Work Session

The work session meeting of Kirtland City Council commenced at 6:03 p.m. Due to the current state of emergency regarding COVID-19, the meeting was held virtually via Zoom. Council members present were: Scott Haymer, John Lesnick, Richard Lowery, Jeffrey Ruple, Matthew Schulz, Joseph Smolic and Kelly Wolfe.

Mayor Kevin Potter, Law Director Matthew Lallo, Finance Director Mary Kovalchik, City Engineer Douglas Courtney, Service Director Joseph Fornaro, Economic Development Manager Monica Drake, Police Chief Lance Nosse and Fire Chief Anthony Hutton were also in attendance.

Mayor Potter noted that the purpose of the work session is to discuss the bond anticipation note. Referring to Ordinance No. 21-O-17 on tonight's agenda, Councilman Lesnick noted that it relates to the issuance and sale of \$2 million in notes in order to get started this year on the road program. Using the screen share function of Zoom, Mr. Lesnick shared and reviewed a document relating to debt service requirements on obligations, noting that it would be five years interest only on the note for the roads. He noted that the current debt payment for this year would be \$575,000; the City could pay less toward the debt even with the additional \$2 million for this year.

Mr. Lesnick noted it is a good time to borrow due to the current low rates. He noted the City can borrow more money and pay less per year; and although it is not sustainable, it will get the road program started this year. He noted that an issue will need to be put before the voters later this year or next year in order to sustain the program, or there will have to be additional reductions in spending. He stated that because of the dispatch changes in 2020 the City has the funds to pay the interest on the first five years.

There was discussion regarding anticipated CARES Act funding and how those funds can be spent. It was noted that infrastructure projects are currently limited to only sewer, water and broadband.

Mrs. Kovalchik discussed the debt payment schedule and paydowns. She also reviewed the salary and benefits worksheet for the first quarter of 2021; as of March 31 the change in expenses over the prior year is \$270,000 less. However, she stated that \$150,000 will be due to Willoughby, noting they deferred that payment until September. She stated overall there is an annualized cost reduction of approximately \$234,000. Answering Council President Lowery, Mrs. Kovalchik stated that based on the cost reductions and what is projected for the current bond anticipation notes, the City can afford to proceed with the \$2 million notes. Discussion ensued regarding debt, debt payments and current projections.

Mr. Lesnick noted that if nothing is done with the roads this year, the cost is expected to increase due to further erosion of the roads.

Mr. Schulz noted that the decisions made now will affect future Administrations and future Councils.

Responding to an inquiry from Mr. Schulz relating to the City obtaining a rating, Mrs. Kovalchik explained that it is a long, detailed process. She noted that the City currently uses the State Treasurer's rating. She confirmed that having reserves would boost the City's bond rating, but a consistent move toward reserve balance must be shown.

Councilman Ruple inquired if there is a need to pass this Ordinance tonight; he asked the Finance Director's opinion on whether this is a sound way to proceed. Mrs. Kovalchik stated she mapped out projections for five years, looking at bond anticipation note interest, long term bonded debt and interest on this proposed bond anticipation note and principal and interest into 2027. She noted that relief funding will provide relief in other areas, freeing up money for other needs. She stated that at this time the funding is available to the City, noting that in the fifth year one long term debt falls off the schedule, offering a little more security toward being able to fund the program. She noted that the City needs to show some initiative toward capital projects.

Answering Mr. Ruple's question regarding whether this needs to be passed tonight, Mr. Lesnick discussed the timeline, noting that engineering must be done and bids obtained. He noted that passing it tonight would provide for a possible June/July date to have contractors begin work; any delay in passage of the Ordinance will delay the entire timeline. Mr. Lesnick stated that the City Engineer and Service Director have come up with a tremendous plan, and this will help it come to fruition for the first year without asking the residents for more money at this time.

Responding to Mr. Schulz, Mr. Lesnick noted this is the third time this has been discussed in open session. Mr. Schulz stated that a couple Council members were not present for the March 29 meeting, so this is the first time they are seeing the numbers for the paybacks. Mayor Potter noted that in early February in discussion of the budget, there was discussion regarding this additional \$2 million to fund the road program; he stated concerns that delay will result in insufficient time for a road program this year. Mr. Lesnick also stated concern about delaying the passage of this legislation, noting that no other plan has been presented regarding funding.

Mrs. Wolfe stated that seeing the numbers for the second time has helped her understanding of the matter.

Mrs. Wolfe asked what will happen if the voters do not approve a ballot issue to fund the road program. Mayor Potter stated that if that occurs, a significant amount of the worst roads will have been addressed; he stated that the longer the City waits, the projects will become much more cost prohibitive. Mayor Potter stressed the need to continue conversation and engage the community for the long-term funding solution.

Mr. Lesnick stated that the City was looking to ask the residents for more money last year, and Councilman Schulz rightfully pointed out it was the wrong time to do that. He noted that the Mayor respectfully agreed to pull the legislation; since then the City has been looking for a way to proceed without asking the residents for more money at this time. He acknowledged that it is the Mayor's responsibility to put together a road plan, but pursuant to the ordinance the Mayor and Council must come up with the funding to accomplish the road plan. Mr. Lesnick stated this will provide for 20 percent of the road program to be done without asking the residents for money; it is affordable for the City due to the low interest rates.

Mayor Potter noted there were almost \$4 million dollars in short-term notes from 2010 to 2018 for various vehicles and projects. He stated that in looking at the minutes, all of those ordinances passed unanimously, but it was not asked what was done to control costs. Mayor Potter stated that some tough choices have now been made regarding spending.

Council President Lowery thanked Councilman Lesnick for all the work he has done, along with the rest of Council and the Administration, to navigate this complex decision that must be made.

There was no further discussion, and the work session meeting adjourned at 7:10 p.m. upon the unanimous consent of Council.

President of Council

Clerk of Council