

KIRTLAND CITY COUNCIL MINUTES

April 18, 2022 – Work Session

The work session meeting of Kirtland City Council commenced at 6:00 p.m. Council members present were: Ronald Fenstermaker, Scott Haymer, Richard Lowery, Jeffrey Ruple, Matthew Schulz, Joseph Smolic and Eric Ziegler.

Mayor Kevin Potter, Finance Director Louis Slapnicker, City Engineer Douglas Courtney, Service Director Joseph Fornaro, Fire Chief Anthony Hutton and Senior Center Coordinator Teresa Szary were also in attendance.

Mayor Potter provided a brief history of the recent road plan and funding, noting there are still many miles of road that need to be addressed. The Mayor noted that it is now time to have conversation regarding future funding of the road plan. With regard to holding a community forum in this regard, Mayor Potter requested that Council hold a special Council meeting next Monday, April 25. As a special Council meeting, all Council members can be in attendance and have a dialogue with the public. He noted that going forward, the choice to do nothing and watch the roads continue to deteriorate is not a responsible option. He stated that property taxes and income taxes can be explored as funding mechanisms, noting that one mechanism to adjust the income tax (changing the tax credit) would not go to the voters. The Mayor stated he believes there is agreement that whatever is decided must go to the voters.

Referring to the special meeting on April 25, Councilman Fenstermaker inquired if options for other funding would be discussed, such as a police, fire or operating levy. Mayor Potter noted the community's appetite for millage must first be determined. He noted that a levy that frees up money in the General Fund would allow that money to be used for road infrastructure.

Council President Ruple suggested it would be helpful to have a document available to share with the public at the special meeting, indicating what has been done with the roads in the last couple years and what is planned for 2022. Councilman Schulz suggested that drainage projects should also be shared with the public.

Mr. Slapnicker said he will provide a couple different scenarios for funding through property tax or income tax. Noting that he reached out to the Auditor's office, Mr. Slapnicker stated that a 2 mill levy would bring in an additional \$635,041, which would cost a resident an additional \$70 per year per \$100,000 market value. A 4 mill levy would generate \$1,270,081 and cost a resident an additional \$140 per year for every \$100,000 home value. Mr. Slapnicker stated that a property tax levy is considered outside millage, noting that the dollar amount will remain the same and will not change with the increase or decrease of property value. Mr. Slapnicker said there is no longer a homestead rollback after 2016. He noted that levies compete with the schools, since the schools have no other means to generate revenue. With a property tax, all property owners are affected, even those that are on a fixed income.

With regard to income tax, Mr. Slapnicker stated there are two factors to take into consideration – the tax rate and the tax credit, which is a percentage reduction. He stated Kirtland has a 100 percent credit, up to 1.75 percent; he explained how the credit works. Mr. Slapnicker stated that the tax credit affects only Kirtland residents that work outside of Kirtland; it does not affect Kirtland residents that work in Kirtland or non-residents that work in Kirtland. Mr. Slapnicker stated that the Charter provides for a 2 percent tax rate; it can be changed only by a vote of the people.

Mr. Slapnicker provided some scenarios, using an average salary of \$50,000. With a 2 percent income tax, the tax would be \$1,000 per year. Raising the income tax by 1/4 percent would increase the tax by \$125 per year. He stated that if the income tax rate is raised from 2 percent to 2.25 percent, with the tax credit unchanged, across the board it is estimated to generate an additional \$819,000 per year. Answering Councilman Lowery, Mr. Slapnicker confirmed that the income tax will change as salaries change, so it has the potential to increase each year. Retirement income is exempt from that income tax.

Mr. Slapnicker stated if the income tax rate is raised to 2.5 percent, leaving the tax credit at 1.75 percent, it would generate \$1,638,823. He noted the new revenues would not be realized in the first year; it typically takes almost 3 years to realize the full amount. Answering Councilman Haymer, he noted that revenue would generally be realized sooner with a property tax increase.

Councilman Fenstermaker inquired how a 2 percent and 2.5 percent tax rate compares to other communities in the county. Referring to the Regional Income Tax Agency (RITA) website, Mr. Slapnicker stated that tax rates are listed for all member communities. Mr. Fenstermaker noted it would be helpful to have that information available to the public for next week's meeting.

Mr. Slapnicker stated if the income tax rate is raised to 2.25 percent and the tax credit factor is raised to 2 percent, it would generate approximately \$390,000 per year. If the income tax rate is raised to 2.5 percent and the tax credit factor is raised to 2 percent, it would generate approximately \$1.2 million per year.

Referring to the table of income tax rates on the RITA website, Councilman Lowery noted that most of the surrounding communities have a 2 percent tax rate. In comparison, Mayor Potter noted that another consideration is the outside millage of the other communities. Mr. Slapnicker stated that the tax credit also needs to be considered, noting that a community with a 2 percent tax rate may have a much lower tax credit factor than Kirtland; the net effect between the tax rate and the tax credit needs to be considered. As an example, Council President Ruple noted that Painesville Concord has a 1.75 percent tax rate, with a tax credit factor of zero. In discussion, Mr. Slapnicker noted that if only the tax credit is changed, it would affect only Kirtland residents that work outside the City.

Discussion ensued regarding the amount of funds that should be generated for the road program. Council President Ruple inquired about having some different scenarios of tax rates and tax credit for comparison. Mr. Slapnicker stated he will reach out to RITA to provide those additional scenarios, but he was not sure whether it could be done by next Monday.

Answering Mayor Potter, Mr. Courtney stated that if nothing is done, the roads will continue to get worse; there are several miles of road in the City that need work now, but the City cannot take care of those now. If the plan cannot be completed in 10 years, Mr. Courtney stated it can be adjusted to something more palatable. Based on the current road plan, a significant portion of the streets that are in need would be taken care of within 10 years; and by the end of the 10 years, the City would be primarily in maintenance mode.

Mr. Slapnicker stated he will forward the estimated revenue generators to Mr. Courtney to match with the plan for the public's information. Mr. Slapnicker noted there are three scenarios involving changing the credit factor and three scenarios without changing the credit factor. These scenarios should give the public a good idea of the different options. Mayor Potter noted that the public should also be provided with comparison information regarding millage for property tax.

Councilman Ziegler asked Mr. Courtney for his professional opinion regarding the minimum amount needed to go forward. Mr. Courtney stated that in his professional opinion, the road plan that has been prepared is close to the minimum, without getting to a point where the City cannot keep up. It was noted that the road program cost is \$16 million over 10 years.

When asked about committing funds from the General Fund, Mayor Potter stated there are also capital needs to be funded.

Responding to Councilman Schulz, Mr. Courtney explained how inflation was factored into the road plan. Noting that he attended ODOT's inflation seminar, Mr. Courtney said he is unsure if the 3 percent figure will be enough; he noted that the plan is fluid.

Councilman Schulz stated he hopes Council will be able to see in advance the document that will be available to the public at next week's meeting.

There was no further discussion, and the work session meeting adjourned at 6:55 p.m. upon the motion of Mr. Schulz and the second of Mr. Smolic.

President of Council

Clerk of Council