

KIRTLAND CITY COUNCIL MINUTES

February 21, 2024 – Work Session

The work session meeting of Kirtland City Council commenced at 6:04 p.m. Council members present were: Ronald Fenstermaker, Suzanne Grazia, Scott Haymer, Matthew Schulz, Joseph Smolic, Julie Symonds and Eric Ziegler.

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 were in attendance.

Finance Director Slapnicker noted that he sent several documents to Council relating to the budget. He reviewed the 2024 Estimated Fund Balances worksheet. He noted it shows the City's beginning cash balance coming into 2024, the estimated resources (estimated revenues by fund), and the 2024 estimated appropriations. He noted that the appropriation is broken down by fund and by the legal level of control, which includes personal services, service/supplies, capital outlay, and transfers.

Mr. Slapnicker reviewed the 2024 Estimated Resources worksheet, noting that in the General Fund he highlighted items authorized by grants, income tax collections from RITA, and property taxes dictated by the County. He noted these are significant revenues and reviewed them line by line with Council. He noted that the most significant revenue is the City income tax, noting that it is budgeted conservatively. Mr. Slapnicker said that the numbers for the State and County Local Government Funds come from the State and County, and the City is required to budget them as such. The City is also required to budget the property taxes based on the amount provided by the County. With regard to the new firefighter grant awarded in 2023, Mr. Slapnicker said the State is delayed in sending reimbursements. The City has submitted every quarter on time, but due to the delay only the first quarter of 2023 has been received; the amount in that line item reflects 2024 and part of 2023. Mr. Slapnicker advised that the highlighted items amount to 94 percent of the General Fund revenues.

Noting that the City receives funds through separate tax levies, Mr. Slapnicker reviewed those with Council. He noted that the only source of funds for those levies is through property taxes.

With regard to property taxes, Mr. Slapnicker advised that the County has a reduction factor built into the numbers due to delinquencies; this reduces by 6 percent the amount the City can budget. Mr. Slapnicker said it is a conservative estimate.

With regard to Funds 214 and 215, Mr. Slapnicker advised those were ARPA grants; those grants have been exhausted so a zero ending balance is shown.

Mr. Slapnicker reviewed Funds 220 Street Construction, Maintenance and Repair, and Fund 221 State Highway, noting that these are budgeted conservatively and are funded by the motor vehicle registration fee and the gasoline excise tax.

Mr. Slapnicker noted that Fund 225 is the County senior levy fund that is awarded annually; the City has to seek reimbursement from the County. He noted that typically capital items are not purchased with these dollars; however, there is \$50,000 earmarked for the community center parking lot, which is an allowable capital item.

Referring to Fund 229 Major Capital Equipment Fund, Mr. Slapnicker said the revenue is solely derived by EMS ambulance runs.

With regard to Funds 500 through 503 for the wastewater treatment plants, Mr. Slapnicker said these are referred to as business-type funds and are essentially their own separate entity/business. The City cannot transfer money from the General Fund into these funds.

Moving into the expense side, Mr. Slapnicker reviewed the 2024 Debt Summary worksheet. He said the City has issued no additional new debt with regard to the short-term various purpose note; the City has remained aggressive with the pay-down, reducing the items covered by that debt from 35 to less than 10. This year's budget looks to pay down \$455,000 on the short-term note; the required minimum payment is \$125,000.

With regard to the short-term road improvement note, Mr. Slapnicker said \$2 million was originally issued in 2021. In the current budget, there is another note issuance of \$2.5 million.

Mr. Slapnicker advised that the long-term debt relates to items longer than one year. The City is locked into scheduled payments on the long-term bonds unless they are refinanced.

With regard to total outstanding debt, Mr. Slapnicker noted that 2020 began with \$4.3 million. By the end of 2024, with the \$2.5 million new issued money, total City debt would be \$5.7 million. Mr. Slapnicker said he put together a worksheet in this regard, which he will send to Council. He noted that in 2025 he is anticipating paying down the remainder of the various purposes note. Referring to the \$2 million note issued in 2021, he said the City is not required to pay anything until 2026. He confirmed that interest payments have been made. With the short-term road improvement note in the budget for 2024, the City would not be required to pay on that principal until 2029. Discussion ensued regarding the \$2.5 million road improvement note in the 2024 budget. Mr. Slapnicker advised there is a long-term bond that will come off in 2026, which would free up almost \$140,000 in principal payments.

Noting that the voters spoke clearly that they did not want increased taxes to pay for the roads, Councilman Ziegler questioned the City taking on more debt for the roads. Mayor Potter noted there was concern that the ballot language made it difficult to discern the purpose of the money, and there was some concern that it was open-ended. The Mayor said that the City has a responsibility, noting that there is greater cost because nothing was done with the roads for so long. Noting that the City cannot continue to take on debt year after year to pave roads, Mayor Potter said it will need to be determined what the residents will support. Discussion ensued.

Mr. Slapnicker said that the debt worksheet shows that from a cash flow standpoint, the City can afford that debt. He noted that the worksheet is carried out to 2040. Mr. Slapnicker reviewed the payment schedule, noting it alleviates some of the debt, which could be shifted to capital items. He noted that a fire engine will be coming up in 2026.

With regard to the aggressive payment of the various purpose note, Mr. Slapnicker said that some of those items are service vehicles from 2016, and their estimated life is not much longer.

With regard to the budget, Mr. Slapnicker said that last year the City's return on budget was close to 10 percent, meaning that the City spent 90 percent of the amount budgeted. He noted that from a conservative budget standpoint, this approach provides a sound financial plan for the City.

Mr. Slapnicker reviewed the gross wages by department, noting that it is an increase of 8.68 percent for 2024. He noted that Council has authorized the new CBA's for Police and Fire, which came in at 6 percent. Within the overtime, the outstanding comp time must also be budgeted. He noted that the professional pay has also increased, along with some other ancillary items. Answering Councilman Schulz, Mr. Slapnicker said the remainder of the staff is also budgeted for a 6 percent increase.

Mr. Slapnicker advised that there is no change to staffing levels, other than the part-time staffing for the Fire Department, which varies. He noted the City is starting the year with 103 individuals, which is the same as last year.

With regard to Ordinance 24-O-15 on tonight's agenda, Mr. Slapnicker advised that House Bill 33 was enacted by the General Assembly, and it is a requirement that it be included in the City's income tax code. He said it does not affect collections. He noted that it was already in the City's code that individuals under 18 years of age do not have withholdings for municipal income tax. He said the apportionment election option for businesses with remote workers does not affect the withholdings; it summarizes that companies can utilize their net profits from the place of their business. He noted this will not have much impact, since most of the tax dollars come from the withholding. He said the net profit has been extended one month for their filings, and late filing penalties have been capped at \$25. Mr. Slapnicker said the City is required to pass this, and he is requesting that it be passed tonight because he needs to submit it to the Regional Income Tax Authority.

With regard to Ordinance 24-O-16, Mr. Lallo advised that this was the old Chapter 882 and was in effect only through the end of 2015; the new Chapter 883 incorporated the changes and was in effect on January 1, 2016. The current legislation incorporates the new changes into Chapter 883; and Chapter 882 is no longer needed and should be repealed.

Mr. Slapnicker advised that the budget, the transfer of funds, and the debt legislation will all receive three readings.

Mr. Slapnicker said he would like to have another session before the next Council meeting to review capital requests, line-item details, and the health of the funds.

Answering Councilman Schulz, Mr. Slapnicker said the Fiscal Officer Certificates must be presented to Council before the first reading of the debt legislation.

It was noted that a Service Department Standing Committee meeting will be held on Saturday, February 24 at 8:00 a.m. regarding the 2024 road program.

There was no further discussion, and the work session meeting adjourned at 6:58 p.m. upon the unanimous consent of Council.

President of Council

Clerk of Council