

CITY OF KETTERING
CITY COUNCIL
BUDGET WORKSHOP MINUTES
December 3, 2019

The Council of the City of Kettering, Ohio met in a budget workshop session on Tuesday, December 3, 2019, in the Deeds Conference Room, Kettering Government Center, 3600 Shroyer Road. Mayor Patterson called the meeting to order at 6:04 p.m.

Council Members Present included Mayor Patterson, Vice-Mayor Lautar, Mr. Scott, Mr. Klepacz, Mr. Wanamaker and Mrs. Fisher. Mr. Duke had an excused absence.

Staff Members Present: Gregg Gorsuch, Economic Development Manager, Law Director Ted Hamer, Finance Director Nancy Gregory, Kelly O'Connell Budget Manager, Fire Chief Tom Butts, Assistant Fire Chief Mike Miller, Assistant Fire Chief Mitch Robbins, Police Chief Chip Protsman, PRCA Director Mary Beth O'Dell, Human Resource Director Sara Mills Klein, Mary Azbill Community Information Manager, Public Service Director Dave Duritsch and John Sliemers Assistant City Engineer.

In addition, residents Mr. and Mrs. Beyers and Mr. Sterling Abernathy were present. Pastor Josiah Kagin, Grace Baptist Church, was also present.

Mr. Gorsuch introduced Pastor Kagin and asked him to say an invocation.

Mr. Gorsuch stated Kelly O'Connell, Budget Manager, will present the 2020 budget document to Council this evening. Mr. Gorsuch then turned the meeting over to Mrs. O'Connell.

Mrs. O'Connell stated the 2020 budgeted General Fund operating revenues cover operating expenditures. She also noted the 2019 estimated operating margin is \$2,621,470 and the 2020 budgeted operating margin is \$2,343,620. The income tax revenues for 2019 are estimated to be \$51.2 million, the 2019 original budget was \$50.5 million and the 2020 budget is \$52.3 million. In 2020, capital improvements are budgeted at \$24.6 million. Mrs. O'Connell noted the ending general fund balance will decrease by \$1.9 million or 4.2% in 2019 (estimate) and the ending general fund balance will decrease by \$2.6 million or 6.3% in 2020 (budget). The Available General Fund balance will decrease an additional \$1.4 million (\$4.0 million total) due to assignment of funds equal to the increased gas tax receipts.

Mayor Patterson asked for clarification on the significant decrease from 2019 to 2020 general fund and whether or not this is an accrued balance. Mrs. O'Connell explained that the Available Fund Balance is reduced due to a \$1.4 million assignment of funds equal to the increased gas taxes for capital improvements.

Mrs. O'Connell reviewed the estimated General Fund Balance, which is estimated at \$42,271,289 on January 1, 2020. She also reviewed the fund balance highlights for the year. She noted income tax represents approximately 79% of the total general fund revenues and property taxes represent about 10% of the total general fund revenues.

Mrs. O'Connell noted the general policy for operating margin is personnel; operating, capital outlay, operating transfers and debt service are funded by current operating revenue. Capital improvements may be funded by reserves.

Ms. O'Connell reviewed other revenue sources with the Council members. Those sources included court fines, local government fund and "other" sources.

Mrs. O'Connell then reviewed the 2020 Budgeted General Fund Expenditures noting Police are at 26%, Fire at 23% and transfers are 24% of the total general fund expenditures. There are four types of expenditures, personnel, operating, equipment and transfers. The 2020 Budgeted General Fund Expenditures total \$68,510,380.

Ms. O'Connell stated the proposed 2020 personnel budget includes contracted pay increases of 2.0% or 2.5% for organized employees and 2.5% for non-organized employees. The PERS employer contribution remains at 14% (Police 19.5% and Fire 24.0%) and the employee contribution remains at 10% (Police 12.25% and Fire 12.25%). The City's health insurance carrier will continue to be United Health Care and there will be a 5% increase in premiums for 2020.

Mrs. O'Connell stated the City would be adding 4 full-time positions and decreasing part-time positions by 1 full time equivalent. She mentioned 2 of the full time positions will be police officers. There will be 1 new Frazee Facility Coordinator (concessions) position added and another Frazee Facility Coordinator moved from part time to full time in 2019. A vacant inventory clerk position at the Vehicle Maintenance Center is eliminated.

Mrs. O'Connell stated the personnel expenditures are 79% of the general fund expenditures, excluding transfers.

Vice Mayor Lautar asked why police pension was the only one identified in operating transfers. Mrs. O'Connell explained that .3 mills of un-voted property tax is set aside in a special fund for police pension contributions.

Mrs. O'Connell also explained the departmental operating target was a 0% increase over 2019 budget, with exceptions for non-recurring items and new initiatives. PRCA 2020 operating subsidy budget is \$48,000 (0.6%) greater than the 2019 budget. Frazee 2020 operating loss budget remains at \$300,000.

Ms. O'Connell described the 2020 non-recurring items and new initiatives. They include Police/Fire CAD & RMS at \$124,600, Police Bulletproof Vest replacement \$86,800, Police MDT replacement \$260,000, Fire MDT replacement \$175,000, Building #2 Demolition Grant \$1.1 million and EDGE grant \$600,000. She also noted operating expenditures represent 19% of general fund expenditures, excluding transfers.

Mayor Patterson asked if Finance determined why the income tax numbers were so different in 2018. Ms. Gregory advised that businesses and individuals increased estimated payments in 2017 in anticipation of changes in the federal tax law. This resulted in an unusually large amount of refunds in 2018. Things have leveled out.

Mr. Klepacz asked if Finance feels confident this is ironed out. Ms. Gregory stated year-to-date income tax receipts through November 2019 indicate we can expect increased revenues in 2019 and 2020.

Mrs. O'Connell stated the 2020 budgeted debt service is \$2,955,696. She noted there is \$21,108,122 estimated outstanding as of 12/31/19. This includes \$12.4 million for fire stations, \$6.8 million for PRCA improvements, \$1.3 million for Court building and \$0.6 million for OPWC promissory notes.

Mayor Patterson asked if PRCA improvement is for same purpose as in previous years. Mrs. O'Connell confirmed that it is.

Mrs. O'Connell reminded everyone the Capital Improvements Fund expenditures total is \$38.0 million for combined 2019 and 2020. The funding breaks down as follows: Debt \$8.4 million, Grants \$8.0 million, Reimbursements/Sale \$0.6 million, 1% for the Arts Fund \$0.6 million and the City Share will be \$20.4 million.

Mayor Patterson asked if that it is part of the 1% for Arts Fund. Mrs. O'Connell confirmed.

Council members and staff had further discussion regarding the 2020 CIP highlights. The highlights include the following: asphalt program \$1,000,000; thoroughfares, arterials and collectors \$365,000; curb, sidewalk and drive approach \$750,000, Ackerman: Stroop to Dorothy \$650,000, Far Hills: David to Dorothy (grant and State Highway) \$1,200,000, Wilmington: E. Stroop to S. Corp. (grant) \$1,565,000, Ridgeway

Bridge replacement (grants and loan) \$2,800,000, Gentile Park (carryover) \$1,400,000; Rosewood Arts Center (grant) \$2,000,000, Police Department renovation \$8,000,000.

Mr. Lautar asked if Gentile carryover is in a special interest-bearing account. Ms. Gregory stated that the Gentile carryover is not in a special account. All City funds are invested per the City's investment policy.

Mr. Klepacz asked if the gas tax is set aside as supplemental revenue. Mrs. O'Connell explained that by law, gas tax receipts are deposited into the Street Maintenance Fund and the State Highway Fund. The gas tax increase effective July 2019 will generate increased revenue in these funds. General Fund transfers will be reduced by a corresponding amount, allowing for an assignment of general fund dollars for neighborhood improvements.

Council members thanked Mrs. O'Connell, Ms. Gregory and the Finance Department for all of the work they put in to preparing the 2020 budget document. Mr. Gorsuch thanked Council members for reviewing the budget materials at the CIP budget workshop and for all of their input in the budget process. The numbers will become final with the adoption of the December 17th appropriation resolution.

6:35 p.m. – 6:52 p.m. Break

After the break all six City Council members were present. Staff members that remained were Gregg Gorsuch, Ted Hamer, Nancy Gregory, Fire Chief Butts, Assistant Fire Chief Miller, Assistant Fire Chief Robbins, Police Chief Protsman, Mary Beth O'Dell, Sara Mills Klein, Mary Azbill, Dave Duritsch and John Sliemers.

In addition, residents Mr. and Mrs. Beyers and Mr. Sterling Abernathy were present.

Mr. Gorsuch reviewed the agenda for the City Council Meeting to include 5 resolutions and 2 ordinances to include the massage ordinance and personnel ordinance.

Mr. Klepacz asked if the agenda would be amended.

Mr. Hamer responded stating that the Bond Counsel advised that City staff must ratify Steve Bergstresser as acting city manager in a resolution in order to sign the bond documents for the Parks & Recreation Refunding issue that Council acted on at their November 27, 2019 meeting. The closing will take place the morning of December 17, 2019 so action must take place at tonight's meeting. Options are to amend during workshop or at the meeting tonight as the sixth resolution.

Mrs. Fisher asked for clarification stating the bond people say that you have to have a name? Mr. Hamer responded stating there needs to be documentation. They can put in bond refunding that City Council approves.

Mayor Patterson returned to the meeting.

It was decided to amend the agenda after the invocation or approval of minutes at the request of Law Department.

The meeting was adjourned at 6:59 p.m.

ATTEST:

DONALD E. PATTERSON
MAYOR

LASHAUNAH D. KACZNSKI
Clerk of Council