

CITY OF KETTERING
CITY COUNCIL
BUDGET WORKSHOP MINUTES
December 8, 2020

The Council of the City of Kettering, Ohio met in a budget workshop session on Tuesday, December 8, 2020, via video conference. Public portions of the Workshop were live streamed at www.youtube.com. Mayor Patterson called the meeting to order at 5:32 p.m.

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

Staff Members Present: City Manager Mark Schwieterman, Assistant City Manager Steve Bergstresser, Economic Development Manager Gregg Gorsuch, Law Director Ted Hamer, Finance Director Nancy Gregory, Budget Manager Kelly O'Connell, Parks, Recreation & Cultural Arts Director Mary Beth O'Dell and Community Information Manager Mary Azbill.

Mr. Schwieterman took a moment to thank the Finance Director and Budget Manager for their hard work on the 2021 budget, along with City Administration for their input during an extraordinary year. He then turned the meeting over to Mrs. O'Connell to present the 2021 Budget.

Mrs. O'Connell stated the 2021 budgeted general fund operating revenues cover operating expenditures. She also noted the 2020 estimated operating margin is \$1,078,830 and the 2021 budgeted operating margin is \$927,500. This year, the City reports one-time receipts largely related to the pandemic including Bureau of Worker's Compensation Dividends (4) totaling \$2 million, CARES Act funding to be used primarily for COVID at \$3.2M, CARES funding for CDBG at nearly \$600,000 and FEMA grant funding for \$100,000-150,000 with a 75%/25% City match.

Vice Mayor Klepacz asked if the \$5.9 million is calculated into the operating margin calculation. Kelly confirmed except for the CDBG portion which would make it \$5.3 million.

The income tax revenues for 2020 are estimated to be \$49.2 million, the 2020 original budget was \$52.3 million and the 2021 budget is \$47.9 million. Personnel staffing levels will decrease 14.8 FTE for full time employees and 19.8 FTE for part time personnel.(One FTE = 2080 hours). Operating expenditures excluding personnel is less than last year's budget. In 2021, capital improvements are budgeted at \$12.5 million. Mrs. O'Connell noted the estimated ending general fund balance will increase by \$1.1 million and decrease \$2.3 million in 2021.

Mrs. O'Connell reviewed the general fund balance, which is estimated at \$45,882,078 on January 1, 2021. The City has \$5 million in funds not spendable or not available for operations. The City will have receipts of \$60,719,000. Other financing sources are at \$1.5 million. The general fund will transfer \$16,285,000 to other funds to subsidize other operations or the capital improvement plan. The City's operating expenditures will be \$48,249,000 for an available ending balance of \$38,570,000.

The City has a debt service expenditure of \$2.8 million including \$514,000 for Police renovation. The capital improvement projects fund starts out with \$21,456,000 including the Boonshoft money in the City's estate tax fund reserved for future years' expenditures at \$3 million each year. That reserve currently shows \$18,651,000, and 2021 will be the 8th year using Boonshoft contribution estimated to last until mid-year 2028. The City's receipts in the capital improvement projects fund are \$5,227,000. The \$3,976,000 is a transfer from the general fund into the CIP fund. The City's capital improvement expenditures are \$11.9 million next year for an ending CIP Fund balance of \$105,000.

Mrs. O'Connell explained non-spendable, restrictions, commitments and assignments totaling \$5,008,005. These funds include prepaid worker's compensation, assets held for resale, economic development commitment and gas tax assignments for capital improvements.

Mayor Patterson asked for a breakdown of funds used for road improvements. Mr. Schwieterman explained that the money is spent on resurfacing and roadway capital improvement consistent with the policy.

The Government Finance Officers Association recommends at least two months of operating expenditures are available as unrestricted fund balance. In Kettering, income tax is less stable than property tax used in GFOA's model; therefore, Kettering opts to maintain not less than 25%, or three months of operating expenditures and transfers. Kettering's available balances for 2020 and 2021 respectively have \$25 million and \$22 million over minimum.

Mrs. O'Connell noted the general policy for operating margin is personnel; operating, capital outlay, debt service expenditures, and operating transfers are funded by current operating revenue. Capital improvements may be funded by reserves. The City meets those goals. The City's estimated 2020 and budgeted 2021 General fund financials meet these goals.

Mayor Patterson asked about the \$4 million increase in paid personnel. Mrs. O'Connell explained that in 2020 the City moved \$3 million in public safety payroll from the general fund to a special grant fund set up for CARES Act and FEMA funding. This reclassification makes 2020 personnel expenditures appear much lower than 2021.

The operating margin is \$1,670,000 in 2020 and \$927,000 in 2021. The City then subtracts transfers to the CIP Fund for a net increase in General Fund balance of \$1,078,000 in 2020 and a reduction in fund balance of \$2.3 million for 2021. Margin targets were met in 2020 and 2021.

The City's 2020 estimate for income tax revenue is \$49.2 million and the budget is a 2.7% decrease to \$47.9 million. In 2021, when the City generated an estimate, a 2.5% growth factor for withholdings was included. Another 1% increase was factored for non-withholdings. There is a decrease for 2020 and 2021 due to the pandemic and the departures of Synchrony and WilmerHale.

Property tax revenue for 2021 shows an increase of \$469,000 for the general fund at a 7% increase. The state rejected the county's valuation proposal, so the City will learn more toward the end of this week. A percentage increase in valuation does not correspond with the same increase in our revenue.

Ms. O'Connell reviewed other revenue sources with the Council members. Those sources included local government fund at \$734,000 in 2021, court fines at \$989,000, as well as permit fees, reimbursements and BWC rebates. The 2020 revenues include a \$500,000 EDGE grant for Tenneco.

Mrs. O'Connell then reviewed the 2021 budgeted general fund expenditures noting Police is 26%, Fire is 23% and transfers are 23% of the total general fund expenditures. There are four types of expenditures, personnel, operating, equipment and transfers. The 2021 budgeted general fund expenditures total \$64,534,500.

Mrs. O'Connell explained that staffing reductions were budgeted for 2021, including Clerk of Courts (1), Human Resources (.5), Planning & Development (1), Police (2), Fire (1), Volunteer Office (.5), Streets (4), Facilities (1) and PRCA (3.8). An across-the-board pay increase of 0% for organized and non-organized employees is included in the 2021 budget. Each 1% increase equates to \$470K including benefits. 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 10% increase in premiums for 2021.

Staffing level decreases of 14.8 FTE in full-time positions is equivalent to a \$1,462,000 savings. A reduction of 19.8FTE in part-time positions is equal to a \$653,700 savings.

In response to Mr. Lautar's question regarding police staffing, Mr. Schwieterman stated that for 2021 budget, the assumption is that KPD will be down 2 positions. The budget reflects two vacancies throughout the year. In response to questions regarding overtime, Mr. Schwieterman stated that overtime and service provision will not be impacted by accounting for two less officers in 2021. Streets personnel levels will also have little impact on service provision. As the City rolls back into regular activities in 2021, positions will be filled, notably in PRCA.

The unusual reduction of \$3.3 million in 2020 is due to the reclassification of public safety payroll from the general fund to the special grant fund because of CARES Act and FEMA grant funding. The 2021 general fund personnel budget compared to the 2020 budget is almost 1% less. Budgeted personnel for all funds is 2.6% less than the 2020 budget.

Mrs. O'Connell stated the personnel expenditures make up 82% of the general fund, excluding transfers.

Mrs. O'Connell explained 2020 operating expenditures without personnel. Non-recurring items included Kettering Medical Center's loan forgiveness at \$3.6 million, ED/GE grant for Tenneco for \$500,000, body-worn cameras for Police at \$236,000, bulletproof vests were \$71,500 and MDT replacement for Police and Fire totaled \$390,000.

Mrs. O'Connell also explained the 2021 departmental operating target was initially a 0% increase over 2020 budget, with exceptions for non-recurring items and new initiatives. Additional reductions were made based on a 5% reduction plan. In the general fund, operating expenditures without personnel are \$963,000 (10%) less than the 2020 budget. PRCA's 2021 operating subsidy budget is \$538,000 (6.8%) less than the 2020 budget. Frazee 2021 operating loss budget remains at \$300,000 with no transfer from the general fund. Streets 2021 operating subsidy is \$108,000 (4.1%) less than the 2020 budget.

Ms. O'Connell described the 2021 capital outlay items. They include Planning & Development van at \$35,000, Police marked SUVs (2) at \$80,000, Streets sweeper at \$320,000, Streets 1-ton pickup at \$60,000, Streets asphalt tack coat trailer at \$15,000, Facilities 3/4 ton utility pickup at \$55,000 and VMC staff sedans (3) at \$67,500.

Mrs. O'Connell stated the 2021 budgeted debt service is \$2,829,640. She noted there is \$27,240,726 estimated outstanding as of 12/31/20. This includes \$11.8 million for Fire stations, \$7.9 million for Police renovation, \$6.1 million for PRCA improvements, \$1.0 million for Court building and \$0.4 million for OPWC promissory notes. The City was approved up to \$400,000 for OPWC loan for Ridgeway Road Bridge and will likely only need \$100,000. Debt service expenditures include police renovation debt service of \$514,000 and \$1,054,000 for fire station debt service paid for with EMS funds.

Mrs. O'Connell reminded everyone the capital improvements fund expenditures total is \$32 million for combined 2020 and 2021. The funding breaks down as follows: Debt \$8.5 million (mostly for Police renovation), Grants \$7.4 million (largely from ODOT for the citywide signal project, Ridgeway Bridge and County Line project), reimbursements totaling \$1.1 million (from Beavercreek for County Line Project and from Centerville for Hewitt Bypass), 1% for the Arts Fund at \$0.5 million (2020 expenditures for Schantz and Ridgeway Bridge projects) and the City share will be \$14.5 million (\$6 million coming from the Boonshoft fund at \$3 million per year).

Council members and staff had further discussion regarding the 2021 CIP highlights. The highlights include the following: County Line widening (grant) at \$3,941,000, asphalt program at \$1,000,000, neighborhood program (additional gas tax) at \$1,000,000, thoroughfares, arterials & collectors at \$180,000, curb, sidewalk, drive approach projects at \$750,000, Dorothy Lane curbs: S. Dixie to Wilmington Pike at \$350,000, Marshall Road--S. Corp. to David Road at \$574,000, Schantz Bridge landscaping at \$200,000, S.R. 835 resurfacing (grant & State Highway) at \$400,000, Danube Court Bridge rehab design

at \$100,000, Rosewood Arts Centre (grant) at \$1,685,000 and Police station project (carryover) at \$138,000.

Changes made since September 8 Council Workshop include: Schantz Ave. Bridge Landscaping at \$200,000, Danube Bridge design at \$100,000, Police Renovation carryover at \$138,000, Smithville--Wilmington to Dayton Corp. (2022) at \$<325,000>, Woodman--Wilmington to Stocker (2022) at \$<700,000>, Core Fiber Network Enhancement (2022) at \$<171,000> and College Drive cul de sac (revise estimate) at \$<200,000>.

Council members thanked Mrs. O'Connell, Ms. Gregory, the Finance Department and Department Directors for all of the work they put in to preparing the 2021 budget document.

Break - 6:30 p.m. - 6:35 p.m.

After the break, Mayor and City Council members were present. Staff members remaining were Mark Schwieterman, Steve Bergstresser, Gregg Gorsuch, Ted Hamer and Mary Azbill.

Mr. Schwieterman reviewed the agenda for the City Council Meeting.

FEMA Grant Resolution – The City wishes to submit FEMA grant reimbursement for COVID-related reimbursements. The City is adding two projects totaling less than \$200,000 with a 75/25% split. Projects are mostly for supplies.

Personnel Ordinance in First Reading – There will be a 0% across the board increase for non-unionized employees and minimum wage adjustments for employees below that threshold. Split pay grades for Fire battalion chiefs and captains will be included.

Income Tax Numbers – Originally income tax numbers were estimated at \$52.2 million and are now at \$49.2 million. Year to date receipts are trending \$1.2 million over the revised estimate. The City still has time to gather December and January numbers.

Countywide Property Re-Appraisal – In July 2020, the numbers were submitted to the state by Montgomery County proposing a countywide rate of 7% with Kettering at 9.21% gain in value. The state rejected the proposal. They came to an agreement of a 15% countywide increase.

Mayor Patterson asked if residents can expect a dramatic increase. Mr. Schwieterman confirmed that residents will receive their first bill in January reflecting the increase.

Lincoln Park Holiday Music – The timer on the music was malfunctioning and music was running continuously. There is no music at this time. It is hoped the timer will be fixed by December 9 and music will play from 6:00 a.m. to 10:30 p.m., at night.

Ridgeway Bridge Project – The project started, and the goal is to demolish the bridge by December 25 including weekend work closing Dorothy Lane between Southern and Far Hills. That should happen within the next two weeks.

COVID Update – The City reports 6 positive cases, 19 with symptoms and 6 quarantined. The numbers are a bit higher than last week. CDC issued new guidelines reducing exposure quarantine from 14 days to 10 with no symptoms. Testing resulting in negative results allows for only 7 days' quarantine. The City reviewed the policy and, since testing is not used in current protocols, the 10-day quarantine will be observed.

Wellness Program – The Wellness Program received the Healthy Worksite Gold Award for programs and technology used, as well as response to COVID. Mr. Lautar asked if the City gets discounted health premiums for having a wellness program. Mr. Schwieterman stated the City does not but reaps internal employee health benefits.

Leaf pickup should commence next week.

MVCC budget is forthcoming.

The funeral for the Washington Township firefighter will take place Friday during which the City of Kettering will call through mutual aid.

At 7:04 p.m., Mr. Duke made a motion to enter into executive session under Section 121.06 (k) of the Codified Ordinances for purposes of Property Matters; Labor Negotiations; Economic Development; and Negotiations with Organizations or Individuals; the motion was seconded by Mr. Scott. The motion passed by a unanimous roll call vote.

At 7:14 p.m., Council exited the executive session and went back on the public record.

The meeting was adjourned at 7:14 p.m.

ATTEST:

DONALD E. PATTERSON
MAYOR

LASHAUNAH D. KACZNSKI
Clerk of Council