

CITY OF KETTERING  
CITY COUNCIL  
BUDGET WORKSHOP MINUTES  
December 7, 2021

The Council of the City of Kettering, Ohio, met in a workshop session on Tuesday, December 7, 2021, in the Deeds Conference Room, Kettering Government Center, 3600 Shroyer Road. The meeting came to order at 5:30 p.m.

Council Members present included Mayor Patterson, Vice Mayor Klepacz, Mr. Duke, Ms. Fisher, Ms. Duvall and Mr. Scott. Mr. Lautar had an excused absence.

Staff Members present included City Manager Mark Schwieterman, Assistant City Manager Steve Bergstresser, Law Director Ted Hamer, Finance Director Nancy Gregory, Budget Manager Kelly O'Connell, Economic Development Manager Amy Schrimpf and Community Information Manager Mary Azbill.

Ms. Jyl Hall, Mr. Todd Elzey and Mr. Sterling Abernathy were also in attendance.

Mr. Schwieterman took a moment to thank the Finance Director and Budget Manager for their hard work on the 2022 Budget, along with City Administration for their input in its preparation. He then turned the meeting over to Ms. O'Connell to present the 2022 Budget.

Ms. O'Connell began by covering the budget highlights. She stated the City is positively meeting the 2021 and 2022 operating margins. For 2021, the estimated operating margin is \$3,034,000, and the budgeted operating margin for 2022 is \$670,000. One-time COVID-related receipts for 2021 include American Rescue Plan Act (ARPA) funds in the amount of \$6.9 million (the City will receive the same amount in 2022), Shuttered Venue Operator Grant (SVOG) funds in the amount of \$3.0 million, Emergency Rental Assistance Program (ERAP) STAYPUT funds totaling \$1.5 million and Federal Emergency Management Agency (FEMA) 2020 application funds totaling \$100,000.

Income tax revenues were originally estimated at \$47.9 million, and then increased to \$51.9 million during the fall, and the City is budgeting \$52.0 million for 2022.

Personnel staffing levels will increase full-time employees (full-time equivalent – FTE) by 15.5 which mostly includes reinstating reductions made in 2021 with the exception of the 3 additional dispatchers hired in 2021. Part-time employees FTE (2080 hours) will increase by 10.4 FTE. The operating budget showed an initial 0% target for departments over the 2021 budget, and an additional \$348,000 was restored from the cuts that were made last year.

In 2022, capital improvements are budgeted at \$15.7 million. Ms. O'Connell noted the estimated ending general fund balance will decrease by \$157,000 (breaking even) in 2021, and decrease \$4.3 million in 2022.

Mayor Patterson asked if these numbers take into consideration the remote working trend. Ms. O'Connell confirmed that working from home was a consideration.

Vice Mayor Klepacz asked for clarification on the term operating expenditures. Mr. Schwieterman explained that operating expenditures include personnel, operating and capital outlay. Operating at 0% is a portion of that classification.

Ms. O'Connell reviewed the general fund balance, which is estimated at \$52,571,026 on January 1, 2022. The City has \$5,493,133 in funds not spendable or not available for operations. The City will have receipts of \$65,613,000. Other financing sources total \$20,000. The general fund will transfer \$19,046,000 to other funds to subsidize other operations or the capital improvement plan. The City's operating expenditures will be \$50,912,000 for an available ending balance of \$42,752,893.

New items on the schedule include the Frazee Pavilion operations fund of \$3,130,906 from SVOG received in 2021. ARPA funds at \$6,451,000 (\$6.9 million less the purchase/encumbrance of a medic vehicle), an additional \$6.9 million in ARPA funds next year, operating costs for ARPA will be \$2,099,000 for capital equipment and \$2 million for community programs (i.e., STAYPUT and down payment / home improvement program). ARPA will fund \$3,475,000 in capital improvements (Gentile Park and Forrer Boulevard) with \$5.8 million outstanding. Mr.

Schwieterman reminded the group that the \$5.8 million will be utilized for encumbrances by the end of 2024 and spent by 2026.

Ms. O'Connell explained that the City has a debt service expenditure of \$2,838,618. The capital improvement projects fund starts out with \$15,565,000 including the Boonshoft money in the City's Capital Improvement fund reserved for future years' expenditures at a \$3 million drawdown each year. The Boonshoft contribution to the Capital Improvement fund is estimated to last until the end of 2027. The City's receipts in the capital improvement projects fund are \$4,058,000. The \$4,995,000 is a transfer from the general fund into the CIP fund. The City's capital improvement expenditures are \$11,877,000 next year for an ending CIP fund balance of \$210,334.

Ms. O'Connell presented non-spendable, restrictions, commitments and assignments totaling \$5,493,133. These funds include prepaid worker's compensation, assets held for resale, economic development commitment and gas tax assignments for capital improvements.

Mr. Duke asked if electric vehicles will impact gas tax. Mr. Bergstresser will research this.

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 no less than 25% or three months of operating expenditures and transfers.

Ms. 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 2021 and budgeted 2022 general fund financials meet these goals.

The operating margin is \$3,034,000 in 2021 and \$670,000 in 2022. The City subtracts transfers to the CIP Fund for a reduction in the general fund balance of \$4,169,000 in 2021 and a reduction in fund balance of \$4,995,000 for 2022. Net general fund margins are negative \$157,000 in 2021 and negative \$4,325,000 for 2022.

Income tax represents 79% of the City's general fund. The City's 2021 estimate for income tax revenue started out at \$47.9 million and was increased to \$51.9 million. For 2022, the budget is \$52,038,000 with inflationary costs and the anticipated offset of refunds due to the work-from-home impact.

Property tax represents 12% of the City's general fund. Property tax revenue for 2021 shows a 13.1% increase. It is expected to stay the same for 2022.

Ms. O'Connell reviewed other revenue sources with the Council members. Those sources included local government fund, court fines, as well as permit fees, reimbursements and BWC rebates.

Ms. O'Connell then reviewed the 2022 budgeted general fund expenditures noting Police is 26%, Fire is 23% and transfers are 25% of the total general fund expenditures. There are four types of expenditures--personnel, operating, equipment and transfers. The 2022 budgeted general fund expenditures total \$69,958,000.

Ms. O'Connell explained that staffing increases were budgeted for 2022, including 15.5 full-time positions including 3 new dispatchers and 2 police officers and 10.4 part-time positions. An across-the-board pay increase of 2.5% for organized and non-organized employees is included in the 2022 Budget. The PERS employer contribution remains at 14% (Police 19.5% and Fire 24%) 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 3% increase in premiums for 2022.

In response to Mayor Patterson's inquiry, the three new dispatchers will be covered by reimbursement revenue from Miami Township.

Vice Mayor Klepacz asked about the timing of hiring full-time employees. Mr. Schwieterman stated some hiring has taken place during 2021. Two budgeted positions for patrol officers were not filled in 2021 but will be in 2022.

Ms. O'Connell stated the personnel expenditures make up 82% of the general fund, excluding transfers. In 2022, a 5.5% increase is anticipated in personnel expenditures due to dispatchers and health insurance.

Ms. O'Connell presented 2021 operating expenditures without personnel. Departments were asked to make 0% increases. Citywide non-personnel reductions totaled \$807,000. Non-recurring expenditures included \$650,000 economic development improvement grants, \$50,000 purchase of 3404 Wilmington Pike and demolition, \$226,400 police worn body cameras, \$49,850 police donation purchases, \$46,630 TCSU vehicle allocation and \$17,780 MVCC closed captioning software,

Ms. O'Connell reviewed non-personnel operating expenditures for 2022. The initial departmental operating target was a 0% increase over 2021 budget, with exceptions for non-recurring items and new initiatives. The 2021 budget reductions are partially restored for 2022. General fund 2022 operating budgets include the addition of \$205,700 in 2021 reductions. Streets 2022 operating subsidy is \$448,000 (17.8%) greater than the 2021 budget. PRCA 2021 operating subsidy budget is \$1,200,000 (16.2%) greater than the 2021 budget. Frazee 2022 operating loss budget remains at \$300,000 with no transfer from the general fund. Non-recurring items and new initiatives include \$277,000 Facilities chargeback update, \$20,000 Ortho photos, \$10,000 City Survey and \$18,000 MARCS radio fee increase.

Non-personnel operating expenditures total 17% of the general fund expenditures between \$8 and \$10 million.

Ms. O'Connell presented the 2022 capital outlay items. The City-funded projects total **\$1,443,600** and those funded by ARPA are **\$2,099,000**. City-funded projects include replacement equipment for Police, Fire, Engineering, Streets, Parks and Facilities. ARPA-funded equipment replacement will support Fire and Streets.

Ms. O'Connell stated the 2022 budgeted debt service is \$2,838,618. She noted there is \$25,124,369 estimated outstanding as of 12/31/21. This includes \$11.8 million for fire stations, \$7.6 million for police renovation, \$5.4 million for PRCA improvements, \$0.8 million for court building and \$0.3 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 \$241,000. Debt service expenditures include \$1,055,000 for fire station debt service paid for with EMS funds.

Ms. Duvall asked for clarification on the court building funding as other municipalities use it. Mr. Schwieterman explained that Kettering is the host city for that building.

Vice Mayor Klepacz inquired about EMS fund usage toward debt. Mr. Schwieterman stated that 80% of EMS revenue is allocated toward debt service and 20% toward capital equipment. As revenues fluctuate, percentages allocated change.

Ms. O'Connell stated that the capital improvements fund expenditures total is \$27.7 million for combined 2021 and 2022. The funding breaks down as follows: Debt \$0.5 million (OPWC and police renovation), grants \$7.4 million (largely from citywide signal project, Ridgeway Bridge and County Line project), reimbursements totaling \$0.7 million (from Beavercreek for County Line Project and from Centerville for Hewitt bikeway), 1% for the Arts Fund at \$0.2 million (Ridgeway Bridge artist fee) and the City share will be \$18.9 million (\$6 million coming from the Boonshoft fund at \$3 million per year).

Ms. O'Connell reviewed the 2022 CIP highlights including traffic signals replacement phase 3 (\$1,440,000 grant) \$1,845,000, asphalt program \$1,000,000, neighborhood program (additional gas tax) \$1,000,000, thoroughfares, arterials and collectors \$565,000, curb, sidewalk, drive approach \$750,000, Hewitt Avenue Bikeway (\$247,000 grant, \$119,000 Centerville), \$495,000 Smithville--Wilmington to N. Corp. \$575,000, Southern Blvd--Stroop to Dorothy \$400,000, Woodman--Wilmington to Stocker \$590,000, Ansel Drive Bridge Rehab (grant \$436,000) \$471,000, Rosewood Arts Centre \$1,365,000, Forrer Blvd--Smithville to Woodman (ARPA) \$1,975,000 and Gentile Park (ARPA) \$1,500,000. Changes made since the Capital Improvement Council Workshop include: \$184,000 for miscellaneous expenditures carried over.

Council members thanked Ms. O'Connell, Ms. Gregory, the Finance Department and Department Directors for all of the work put in to preparing the 2022 Budget document.

Mr. Duke asked if Stroop to Dorothy includes Southern and Stroop. Mr. Bergstresser confirmed and advised that resurfacing would include Stroop to Big Hill. Big Hill to Dorothy will take place in 2024 or 2025.

Mr. Schwieterman reviewed agenda items for tonight's meeting and other pertinent information. December 14 workshop will start at 6:45. Budget appropriation will occur at the December 14 meeting.

Second reading of Personnel Ordinance – Mr. Schwieterman discussed the updates included in the personnel ordinance. A 2.5% across-the-board wage increase in 2022, 2.5% in 2023 and 2.25% in 2024 will be included. The City restructured temporary part time minimum wages. Adjustments were made to the temporary scale to allow more latitude to be competitive in hiring. The temporary pay scale was changed to incorporate contractual employees. Union contracts are included in the document. The Law department converted a part-time position to a full-time Clerk in the Prosecutor’s Office. KPD included a Dispatch Supervisor in the ordinance that has not been finalized.

This position is currently filled by a sworn police officer. Changing the position to civilian status allows the current sworn supervisor to return to road patrol.

Income Tax – Mr. Schwieterman stated income tax numbers year-to-date through November look good. Currently, numbers are 5.8% over 2020 and 2.6% over the revised forecast. Final numbers will be available in February.

STAYPUT Program Update – Mr. Schwieterman advised that \$1.1 million in funds have been processed out of the \$1.5 million available in Phase 1. It is likely that Phase 2 funds will be increased to \$2 million by the county.

Leaf Collection – Crews are working through the final pass through the city.

Mayor Patterson asked about another round. Mr. Duke requested a Code Red to publicize it. Mr. Schwieterman advised he will speak with Public Service Director tomorrow.

Stormwater Drainage Analysis – Mr. Schwieterman announced that Engineering is conducting a stormwater drainage analysis in the Golf Club Estates area. The City will hire LJB for an additional study. The City will return to Council during the first quarter of 2022 with an update.

Vice Mayor Klepacz asked if the county is involved. Mr. Bergstresser stated they have received funding for a water main replacement project in the neighborhood and we will be working with them to coordinate between projects.

Mr. Scott asked if the STAYPUT program is leveling off yet. Mr. Schwieterman stated the City does not have the manpower to keep up with the workload. Those closest to eviction and the lowest income are moved to the front of the line. The City is hiring a contractor to help.

Ms. Duvall asked how many people have applied. Mr. Schwieterman stated that we can provide numbers for applications received, pending, processed and denied. Expanded data is not yet available.

The meeting was adjourned at 7:02 p.m.

ATTEST:

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DONALD E. PATTERSON  
MAYOR

LASHAUNAH D. KACZNSKI  
Clerk of Council