

CITY OF KETTERING
CITY COUNCIL
BUDGET WORKSHOP MINUTES
December 6, 2022

The Council of the City of Kettering, Ohio, met in a workshop session on Tuesday, December 6, 2022, in the Deeds Conference Room, Kettering Government Center, 3600 Shroyer Road. The meeting came to order at 5:39 p.m.

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

Staff Members present included City Manager Mark Schwieterman, Assistant City Manager Steve Bergstresser, Law Director Ted Hamer, Human Resource Director Jenny Smith, Fire Chief Mitch Robbins, Police Chief Chip Protsman, Planning & Development Director Tom Robillard, Finance Director Nancy Gregory, Budget Manager Kelly O'Connell, Economic Development Manager Amy Schrimpf and Community Information Manager Mary Azbill.

Mr. Sterling Abernathy and Mr. Joe Overholser were also in attendance.

Mr. Schwieterman took a moment to thank the Finance Director and Budget Manager for their hard work on the 2023 Budget, along with City Administration for their input in its preparation. He then turned the meeting over to Ms. O'Connell to present the 2023 Budget.

Ms. O'Connell began by covering the budget highlights. She stated the City is positively meeting the 2022 and 2023 operating margins. For 2022, the estimated operating margin is \$821,900, and the budgeted operating margin for 2023 is \$1,964,970. One-time COVID-related receipts for 2022 include American Rescue Plan Act (ARPA) funds in the amount of \$13.7 million and Emergency Rental Assistance Program (ERAP) STAYPUT funds totaling \$3.8 million.

Income tax revenues were originally estimated at \$52 million, and then increased to \$53.2 million during the fall, and the City is budgeting \$54.3 million for 2023.

Personnel staffing levels will increase full-time equivalent employees (FTE) by 4 and a decrease in part-time employees by 13.7. The operating budget showed an initial 0% target for departments over the 2022 budget, and later added \$543,000 to operating budgets for items impacted by inflation such as fuel and vehicle maintenance.

In 2023, capital improvements are budgeted at \$16.8 million. Ms. O'Connell noted the estimated ending general fund balance will decrease by \$3.1 million 2022, and decrease \$4.1 million in 2023.

Ms. O'Connell reviewed the general fund balance, which is estimated at \$60,404,749 on January 1, 2023. The City has \$8,522,914 in funds not spendable or not available for operations. The City will have receipts of \$68,918,000. Other financing sources total \$20,000. The general fund will transfer \$24,595,000 to other funds to subsidize other operations or the capital improvement plan. The City's operating expenditures will be \$53,048,910 for an available ending balance of \$43,175,925.

New items on the schedule include the Street Department receiving a \$4.3 million transfer from the general fund. The State Highway Fund will receive \$125,000 in capital improvements. The Cemetery Fund will receive \$159,000 in capital improvements for its storage building. The Police Pension Fund will receive a \$1.5 million subsidy. Parks, Recreation and Cultural Arts will receive an \$8.8 million subsidy. Frazee receipts are estimated at \$5.7 million with expenditures totaling \$6 million showing the \$300,000 seen each year in the budget.

Ms. O'Connell explained that the City's Debt Service fund will receive a subsidy of \$863,000 from the general fund. The capital improvement projects fund starts out with \$15,354,803 including the Boonshoft money in the City's estate tax fund reserved for future years' expenditures at \$3 million each year. The Boonshoft contribution is estimated to last until the end of 2027. A total of \$8,990,000 will be transferred from the general fund in addition to the Boonshoft money. The City's receipts in the capital improvement projects fund are \$4,094,000. The \$4,094,000 is a transfer from the general fund into the CIP fund. The City's capital improvement expenditures are \$15,882,000 next year for an ending CIP fund balance of \$122,668.

Ms. O'Connell presented non-spendable, restrictions, commitments and assignments totaling \$8,522,914. These funds include prepaid worker's compensation, assets held for resale at \$2,642,474 (Miami Valley Research Park and two properties on Wilmington Pike), economic development commitment (\$2,125,000 including \$500,000 annual transfer) and gas tax assignments for capital improvements (\$418,000). ARPA funds are included in assignments (\$3,062,440).

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 2022 and budgeted 2023 general fund financials meet these goals.

Ms. O'Connell presented the available general fund balance trends from 2014 through 2023. She noted the increases evident in 2019 and 2020 due to funds received from the Bureau of Workers Compensation and CARES Act.

The operating margin is \$821,901 in 2022 and \$1,964,971 in 2023. The City subtracts transfers to the CIP fund for reductions in the general fund balance of \$6,482,886 in 2022 and \$5,790,000 for 2023. Bottom line margins are negative in both 2022 (\$5,543,985) and 2023 (\$3,805,029). ARPA funds for 2022 totaled \$7,965,676 and \$4,900,881 in expenditures in 2023. General fund profit for 2022 was \$2,421,691 and loss totaling \$8,705,910 for 2023. The operating budget has always maintained a positive margin.

Income tax represents 79% of the City's general fund. The City's 2022 revised estimate for income tax revenue is 1.4% less than 2021, and a 2.1% increase is budgeted for 2023. A 2.5% increase has been incorporated for withholdings in 2023 which make up 75% of total income tax revenue. A 2% increase has also been included for businesses and partnership taxes. Work from home and employment changes in the city are taken into consideration in increase estimations.

Mr. Scott asked for clarification on the 75% personal income tax and 25% business tax model with the volatility of employment. Ms. Gregory explained that personal income tax is based on withholdings from people working in the city. If employment is increasing, that is the larger growth area which is why we use 2.5% of the forecast. Mr. Scott asked what impact Tenneco leaving will have on the city. Mr. Schwieterman explained that Tenneco has 600 employees, and the tax impact will be significant. Redevelopment of the property and finding employees jobs is critical. Mr. Scott asked about outcomes if Tenneco employees do not continue to work in Kettering. Mr. Schwieterman stated that the toll would be on the operating margin. The known quantities are included in the equation. Expenditures would be adjusted. Ms. Gregory stated that an increase is forecasted after taking into account the known things like Tenneco. As employment and wages increase, so does the forecast.

Ms. O'Connell stated that property tax represents 11% of the City's general fund and are fairly stable. Every three years, property values are re-valuated. Property tax revenue for 2021 shows a 13.1% increase based upon the 2020 re-appraisal project.

Ms. O'Connell reviewed other revenue sources with the Council members. Those sources included local government fund, court fines at about \$1 million each year, as well as permit fees, reimbursements and BWC rebates typically between \$3 and \$4 million.

Ms. O'Connell then reviewed the 2023 budgeted general fund expenditures noting Police accounts for 24%, Fire makes up 22% and transfers total 38% of the total general fund expenditures. There are four types of expenditures--personnel, operating, equipment and transfers. The 2023 budgeted general fund expenditures total \$77,643,910.

Ms. O'Connell explained that staffing increases were budgeted for 2023, including the addition of 4 full-time positions—2 civilian dispatch supervisors and part-time to full-time conversions for Administrative Systems, PRCA and Frazee positions. Part-time positions will decrease 13.7% for 2023. An across-the-board pay increase of 2.25% for organized and non-organized employees is included in the 2023 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 2023.

Mr. Schwieterman advised that the City is below the region's average cost of living increases.

Mrs. Hall asked if non-organized employees opt out of unions. Mr. Schwieterman explained that there are non-dues paying employees who receive the same benefits as paying members. Other employees are non-union based on their positions. Traditionally, all employees receive the same salary increases, and union members get certain other benefits that non-members do not.

Vice Mayor Fisher asked if the increase in personnel brings the City back to pre-COVID levels. Mr. Schwieterman stated the City is not holding positions, but has significant vacancies.

Ms. O'Connell stated the personnel expenditures make up 81% of the general fund, excluding transfers. CARES Act funding was used for public safety personnel costs. In 2023, a 5.9% increase is anticipated in personnel expenditures due to new positions and health insurance.

Ms. O'Connell presented 2022 operating expenditures without personnel including the Forgivable Loan Program (\$1 million), economic development grant (\$600,000), strategic plan (\$130,000) nuisance abatement (\$90,000), TCSU rescue vehicle (\$46,630) and crisis intervention assistance (\$25,500).

Ms. O'Connell reviewed non-personnel operating expenditures for 2023. The initial departmental operating target was a 0% increase over the 2022 budget with exceptions for non-recurring items and new initiatives. The 2023 chargeback budgets were increased \$543,000 for inflationary impact; \$137,700 was added back from 2021 budget cuts; Streets Department's 2023 operating subsidy is \$1,310,300, (44%) greater than the 2022 budget; PRCA 2023 operating subsidy budget is \$221,200, (3%) greater than the 2022 budget; Frazee 2023 operating loss budget remains at \$300,000. With no transfer from the general fund, non-recurring items and new initiatives include \$150,000 ED/GE grant; \$60,000 4-year contract for Stryker Lifepak maintenance; \$55,000 3-year renewal for AT&T SIP services; \$18,300 increase to Board of Community Relations Committee; and \$10,000 New Sustainability Committee.

Mr. Duke asked about the Frazee operating budget and what steps are being taking to remedy the issue. Mr. Schwieterman stated the City is looking at different options. The 2023 season is under contract with Variety Attractions using the same booking agent. A study will be done prior to the 2024 season. Mr. Duke asked how a full-time position is justified when revenue is not an acceptable level. Mr. Schwieterman stated that a current part-time position was made full time. Last year's numbers suffered due to two significant failures where big name acts did not sell seats. The City lost \$400,000 on two nights.

Mr. Duke asked if staff is able to turn down shows that might not sell. Mr. Schwieterman confirmed that the City will have a say for such decisions in 2023.

Mr. Scott asked if the focus should be change from major league to minor league. Mr. Schwieterman stated that they are leaning toward a community venue with \$5 shows as those do well.

Mr. Duke stated that there were no significant failures when the City booked shows. Mr. Schwieterman stated there was less competition at that time.

Ms. O'Connell stated that non-personnel operating expenditures total 17% of the general fund expenditures between \$8 and \$10 million.

Ms. O'Connell presented the 2023 capital outlay items. The City-funded projects total \$979,800 and those funded by ARPA are \$1,700,900. City-funded projects include police marked SUVs and unmarked vehicles; Fire SUV; Engineering portable generator; Streets backhoe, pickups, salt conveyor, join sealer; and Park's crew cabs. Internal service funds include VMC staff vehicles; IT Storage arrays; Facilities platform lift, pickups and vans. ARPA funded equipment includes Fire engine; Streets heavy dump truck, flatbed dump truck, compost turner; heavy dump truck up-fit carryover, and flatbed truck up-fit carryover.

Mr. Duke asked about electric vehicles being purchased. Mr. Schwieterman stated that the City would start with staff vehicles.

Mayor Lehner asked how the life of a Fire engine is determined. Chief Robbins stated that KFD uses an apparatus replacement plan. Mr. Duke asked if the high school could use the old ones. Chief Robbins stated the high school does not want the old engines.

Ms. O'Connell stated the 2023 budgeted debt service is \$2,805,285. She noted there is \$23,196,216 estimated outstanding as of December 31, 2022. This includes \$10.4 million for fire

stations, \$7.2 million for police renovation, \$4.7 million for PRCA improvements, \$0.5 million for court building and \$0.4 million for OPWC promissory notes. In 2023, debt services expenditures total \$2,805,285 including \$1 million for fire station debt service paid for with EMS funds.

Ms. O'Connell stated that the capital improvements fund expenditures total is \$36.6 million for combined 2022 and 2023. The funding breaks down as follows: grants \$6.7 million (County Line project, citywide signal project and bridges); ARPA \$5.7 million (Forrer Boulevard, Gentile Park and Golf Club Estates); Reimbursements \$0.5 million (Hewitt Bikeway and County Line project); 1% for the Arts Fund \$0.1 million; Boonshoft Fund \$6.0 million; and City Funds \$17.6 million.

Mr. Duke asked if EMS funds are still bringing in around \$1 million each year. Ms. O'Connell confirmed they do.

Ms. O'Connell reviewed the 2023 CIP highlights including the asphalt program \$1,416,000; neighborhood program (additional gas tax) \$1,000,000; thoroughfares, arterials and collectors \$480,000; curb, sidewalk, drive approach \$825,000; Wilmington Pike--E Stroop to Beaverton (grant \$594,000) \$1,658,000; Southern Blvd.--Stroop to Dorothy \$430,000; Woodman--Wilmington to Stocker (grant \$465,000) \$800,000; Flesher Ave. bridge replacement (grant \$200,000) \$485,000; West Ave. bridge rehabilitation (grant \$473,000) \$568,000; E. Stroop Road bikeway \$200,000; Golf Club Estates roadway and drainage \$1,550,000; Gentile Park and playground (grant \$141,000) \$1,628,000; Rosewood Arts Center Phase III plus theater (grant \$690,000) \$1,415,000; Building 46 code improvements \$300,000; and miscellaneous carryovers since CIP Workshop \$112,000.

Mr. Bergstresser reminded Council that the Boonshoft money will be depleted in five years adding \$3 million to the City's financial responsibility. By 2028, the costs will grow due to inflation.

Council members thanked Ms. O'Connell, Ms. Gregory, the Finance Department and Department Directors for all of the work put in to preparing the 2023 budget document.

Mr. Schwieterman reviewed the agenda for the Council meeting.

- Enterprise Zone Tax Sharing Agreement – This resolution allows the City and Kettering City Schools to enter into a five year enterprise zone tax sharing agreement that causes new income tax revenue to be shared when tax abatements are granted to Kettering businesses. The existing tax sharing agreement expired on September 30, 2022, and this agreement will be in place until September 30, 2027.
- Economic Development – An additional \$500,000 will be expended for economic development purposes citywide.
- Personnel Ordinance - This ordinance will provide the table of organization, position classification plan, compensation plan and pay schedules and rules and regulations pertaining to conditions of work and supplemental benefits for the employees effective January 6, 2023. Additions include 2.25% wage increase, health insurance sharing, wellness program and additional personnel discussed in the budget presentation.
- Fire Department Presentation – Five new firefighter/paramedics will be sworn in this evening.
- Alter High School Proclamation – The Alter High School Golf Team will be recognized for their state championship.

Mr. Schwieterman reviewed calendar items.

- The Alter High School Marching Band will receive a proclamation December 13 for their national championship.
- Council Workshop will begin at 6:00 p.m., on December 16.
- Round Robin is December 16 from 11:30 to 1:00 p.m.
- Mr. Schwieterman's retirement party is December 19 from 4:00 to 7:00 p.m. at Polen Farm.

Fraze Sign Removal – Mr. Schwieterman stated that the Fraze sign at the corner of Lincoln Park and Shroyer is no longer working and will be removed with no replacement plan.

RV Presentation – Mr. Schwieterman stated that a presentation suggesting recommended ideas and concepts will take place at the December 13 workshop.

Siren Testing – Mr. Schwieterman explained that the monthly siren test was 30 minutes late on December 5 due to heavy call loads in dispatch.

Kudos - Mr. Schwieterman advised Council members that KFD was commended by a resident for their knowledge and skill in determining a not-so-obvious illness. Another resident lost a wallet in their leaf pile and called to report that the Streets Department found it while collecting leaves and returned it.

Acting City Manager – Mr. Schwieterman appointed Mr. Bergstresser acting city manager December 9-11.

Mr. Schwieterman stated that Matt Greeson arrives December 12, located in the City Manager's office. Mr. Schwieterman will take up residence in a lower-level office. Everyone is scheduled to meet with Mr. Greeson at this point.

ARPA Fund Update – Mr. Schwieterman reviewed ARPA fund allocations with Council. Money was spent on public safety personnel. Quarterly financial reports will show spending and funds remaining.

The meeting was adjourned at 7:00 p.m.

ATTEST:

PEGGY LEHNER
MAYOR

LASHAUNAH D. KACZNSKI
Clerk of Council