

CITY OF KETTERING
CITY COUNCIL
BUDGET WORKSHOP MINUTES
December 5, 2023

The Council of the City of Kettering, Ohio, met in a workshop session on Tuesday, December 5, 2023, in the Deeds Conference Room, Kettering Government Center, 3600 Shroyer Road. The meeting came to order at 5:00 p.m.

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

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

Mr. Sterling Abernathy, Mr. Shane Sullivan, Mr. Bryan Suddith and Dr. Jan Duke were also in attendance.

Mr. Bergstresser thanked the Finance Director and Budget Manager for their hard work on the 2024 Budget, along with City administration for their input in its preparation. He then turned the meeting over to Ms. O'Connell to present the 2024 Budget.

Ms. O'Connell began by covering the budget highlights. She stated the City is positively meeting the 2023 (\$1,526,740) and 2024 (\$3,997,160) operating margins. Income tax revenues were estimated at \$54.3 million in 2023, and the City is budgeting \$56.4 million for 2024.

Mr. Scott asked for clarification on the increase in income tax revenue estimates. Ms. O'Connell explained that 75% of income tax revenue comes from withholdings. Anticipated raises, new businesses and individual taxes are considered.

Mr. Klepacz asked about the impact of working from home. Ms. Gregory explained that the City will not know its true impact for several years.

Personnel staffing levels will decrease full-time equivalent employees (FTE) by 2 and increase part-time employees by 1.9. The operating budget increase for inflation and chargebacks in 2024 is \$338,000.

In 2024, capital improvements are budgeted at \$13.5 million. Ms. O'Connell noted the estimated ending general fund balance is expected to increase \$1.4 million in 2023, and will decrease \$0.9 million in 2024.

Ms. O'Connell reviewed the general fund balance, which is estimated at \$55,997,141 on January 1, 2024. The City has \$7,922,409 in funds not spendable or not available for operations. The City will have receipts of \$73,826,000. Other financing sources total \$20,000. The general fund will transfer \$19,422,000 to other funds to subsidize other operations or the capital improvement plan. The City's operating expenditures will be \$54,768,840 for an available ending balance of \$47,729,892.

Items on the schedule include the Street Department receiving a \$3.6 million transfer from the general fund. The State Highway Fund will receive \$2 million for capital improvements. The Cemetery Fund will spend \$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 a \$9 million subsidy. Frazee receipts are estimated at \$5.6 million with expenditures totaling \$6 million showing the \$400,000 subsidy in the budget.

Ms. O'Connell explained that the City's Debt Service fund will receive a subsidy of \$775,000 from the general fund. The capital improvement projects fund starts out with \$13,079,669 including the Boonshoft money in the City's CIP 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 \$4,091,000 will be transferred from the general fund in addition to the Boonshoft money. The City's receipts in the capital improvement projects fund are \$4,044,000 with a transfer of \$4,091,000 from the general fund into the CIP fund. The City's capital improvement expenditures are \$10,694,000 next year for an ending CIP fund balance of \$162,716.

Ms. O'Connell presented non-spendable, restrictions, commitments and assignments totaling \$7,922,141. These funds include prepaid worker's compensation, assets held for resale at \$2,640,184 (Miami Valley Research Park and two properties on Wilmington Pike), economic development commitment (\$2,595,000 including 2024's \$500,000 annual transfer) and gas tax assignments for capital improvements (\$875,444).

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's estimated 2023 and budgeted 2024 general fund margins are in compliance with these goals.

Ms. O'Connell presented the available general fund balance trends from 2015 through 2024. She noted the increases evident in 2019 and 2020 were largely due to funds received from the Bureau of Workers Compensation and CARES Act.

The General fund operating margin is estimated at \$1,528,740 in 2023 and \$3,997,160 in 2024. After subtracting a one-time encumbrance of \$1.7 million and General fund transfers to the CIP fund of \$7,935,000 in 2023 and \$4,362,000 in 2024, the bottom line margins are negative in both 2023 (\$8,129,260) and 2024 (344,840).

Income tax represents 76% of the City's general fund revenue. The City's 2023 estimate for income tax revenue is 4.8% greater than 2022. A 3.8% increase is budgeted for 2024. A 2.5% increase has been incorporated for withholdings in 2024 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.

Ms. O'Connell stated that property tax represents 12% of the City's general fund revenue and is fairly stable. Every three years, property values are re-valued or re-appraised. Property tax revenue for 2021 shows a 13.1% increase based upon the 2020 re-appraisal project. Property tax revenue is anticipated to increase 10% for 2024.

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 rental income between \$3 and \$4 million.

Ms. O'Connell then reviewed the 2024 budgeted general fund expenditures noting Police accounts for 26%, Fire makes up 24% and transfers total 24% of the total general fund expenditures. There are four types of expenditures--personnel, operating, equipment and transfers. The 2024 budgeted general fund expenditures total \$74,190,840.

Mr. Klepacz inquired about investment earnings. Ms. Gregory explained that a policy is in place and low-risk investments are key.

Ms. O'Connell explained that staffing fluctuations were budgeted for 2024, including the decrease of 2 full-time positions and 1.9 part-time positions. An across-the-board pay increase of 2.25% for non-organized employees is included in the 2024 budget, as well as 2.5% for IAFF union employees. 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 7% increase in premiums for 2024.

Ms. O'Connell stated the personnel expenditures make up 81% of the general fund, excluding transfers. In 2024, a 4.5% increase is budgeted for personnel expenditures due to the budget reflecting full-staffing levels and a 7% increase in health insurance premiums.

Ms. O'Connell presented 2023 operating expenditures without personnel including the Forgivable Loan Program (\$1 million), economic development grant (\$600,000), strategic plan (\$130,000) and AXON (\$1,741,000).

Ms. O'Connell reviewed non-personnel operating expenditures for 2024. The 2024 chargeback budgets were increased \$338,000 for inflationary impact; \$150,000 for Planning and Economic Development Plan; \$83,400 for cybersecurity; \$68,200 for gas mask replacement; \$40,800 for Linklayer for MARCS radios; Streets Department's 2024 operating subsidy is \$642,000, 15%

greater than the 2023 budget; PRCA 2024 operating subsidy budget is \$233,000, (3%) greater than the 2023 budget; and Frazee 2024 subsidy budget at \$400,000.

Ms. O'Connell stated that non-personnel operating expenditures total 18% of the general fund expenditures between \$8 and \$10 million.

Ms. O'Connell presented the 2024 capital outlay items. The City-funded projects total \$1,084,900 and those funded by ARPA are \$753,400. City-funded projects include police marked SUVs and unmarked vehicles; Fire passenger van and pickup; Engineering inspector truck and survey equipment; Streets joint sealer, concrete saw, flatbed pickup and flatbed dump; and Parks crew cabs. Internal service funds include VMC staff vehicles. ARPA-funded items include Fire medic, Streets heavy dump truck and upfit.

Ms. O'Connell stated the estimated outstanding debt service as of December 31, 2023, is \$21,013,025. Outstanding debt service includes \$9.6 million for fire stations, \$6.9 million for police renovation, \$4.0 million for PRCA improvements, \$0.3 million for court building and \$0.2 million for OPWC promissory notes. In 2024, debt services expenditures total \$2,719,594 including \$1.1 million for fire station debt service paid for with EMS funds.

Ms. O'Connell stated that the capital improvements fund expenditures total is \$32.7 million for combined 2023 and 2024. The funding breaks down as follows: grants \$7.3 million (Woodman Drive, E. David Road, citywide signal project and bridges); ARPA \$4 million (E. Stroop Bikeway, West Avenue pedestrian bridge Gentile Park and Golf Club Estates); Reimbursements \$0.2 million (Hewitt Bikeway and County Line project); 1% for the Arts Fund \$0.1 million; Boonshoft Fund \$6.0 million; and City Funds \$15.1 million.

Ms. O'Connell reviewed the 2024 CIP highlights including the asphalt program \$1,545,000; neighborhood program (additional gas tax) \$500,000; thoroughfares, arterials and collectors \$465,000; curb, sidewalk, drive approach \$1,680,000; David Road—Far Hills to Ackerman (grant \$1,005,000) \$1,233,000; Danube Bridge (grant \$672,000) \$708,000; West Ave. bridge rehabilitation (grant \$60,000) \$250,000; Flight Line Bikeway \$300,000; Miami Valley Research Park Bike Path (grant (\$125,000) \$350,000; W. Stroop sidewalk—Overland to Southmoor (grant \$264,000) \$440,000; stormwater master plan \$200,000; Golf Club Estates roadway and drainage \$101,000; BMX track improvements \$165,000; and miscellaneous carryovers since CIP workshop \$343,000.

Mr. Scott asked about the decrease in capital improvement budget in 2024. Ms. O'Connell explained that the long-range forecast helps to plan funds necessary to support a healthy CIP budget. Mr. Bergstresser added that there are no major projects in 2024, and the focus is on maintenance. Ms. Gregory reminded Council members that although the budget is lower, it is still a robust maintenance budget.

Mayor Lehner asked Ms. O'Connell about her biggest concerns for the future. Ms. O'Connell stated that 2028 will be challenging as Boonshoft funds will be depleted; but, the City has time to prepare.

Mr. Klepacz asked if Finance could earmark certain things to plan for 2028. Ms. Gregory stated that to allow for greater flexibility, earmarking is not recommended as it creates commitment. Finance will continue to manage the budget with the \$3 million gap in mind.

Mr. Scott voiced concerns about the increased Frazee budget. Ms. O'Connell stated that it is being closely monitored, and considerations are being made for types of performers.

Council members thanked Ms. O'Connell, Ms. Gregory, the Finance Department and Department Directors for all of the work put in to preparing the 2024 budget document.

Mr. Bergstresser reviewed the Council meeting agenda.

Personnel Ordinance in First Reading - Ms. Smith reviewed changes to the personnel ordinance. She stated that a 2.25% wage increase for non-organized employees is proposed for 2024. The following inclusions were also introduced: universal title update from secretary to administrative assistant; non-gender specific references; pay increase for the City Manager; Engineering secretaries decreased from two to one; crossing guard and safety supervisor updates; battalion chief and captain updates; 2.5 % increase for IAFF employees; and changes to staffing in Public Service and PRCA.

Ms. Duvall asked for clarification on crossing guard updates. Mr. Bergstresser explained that crossing guards would have an assigned school, and a crossing guard II would fill in at different schools when necessary.

At 6:24 p.m., Vice Mayor Fisher made a motion to enter Executive Session under Section 121.06 (k) of the Codified Ordinances for the purposes of Personnel Matters; Property Matters; Economic Development; and Negotiations With Organizations Or Individuals, seconded by Mr. Bob Scott. The motion passed unanimously upon roll call.

At 6:51 p.m., the Council exited Executive Session and went back on public record.

The City Council Budget Workshop Meeting adjourned at 6:51 p.m.

ATTEST:

PEGGY LEHNER
MAYOR

LASHAUNAH D. KACZNSKI
Clerk of Council