

Canal Winchester

*Town Hall
10 North High Street
Canal Winchester, OH 43110*



Public Hearing Minutes - Final

June 15, 2020

6:00 PM

City Council

*Mike Walker - President
Mike Coolman - Vice President
Jill Amos
Will Bennett
Bob Clark
Patrick Lynch
Chuck Milliken*

A. Call To Order *at 6:55 p.m.*

B. Roll Call

Yes – Amos, Bennett, Clark, Coolman, Lynch, Milliken, Walker

C. Purpose of Public Hearing

ORD 20-029

Finance

Sponsor: Clark

An Ordinance Approving and Adopting the 2021 Tax Budget (Ordinance, Exhibit A)

⌈ **Staff Report**

Jackson said I mentioned at the last council meeting the purpose of the tax budget in that we are really looking at revenue, not looking too much at expenditures, we do a decent amount of work and it saves us some time in the fall when we start talking about the final appropriations, but these are two of the Ohio Revised Code sections that govern why we are here to talk about the tax budget. The purpose of the tax budget is to estimate the revenue the city expects to receive in the next fiscal year so our calendar year is our fiscal year, January 1 to December 31. On the screen you will see what our funding sources are, income taxes, property taxes, and with grants we have been more successful in non-water, sewer, roadway grants like for McGill Park; fines and fees, debt and the miscellaneous all-encompassing category. We are also setting the limitations for our appropriations and this means we can only spend the money we have so we are setting the limit on how much we expect to have so we know how much money we can spend. The tax budget is also to allow the county budget commission to adjust tax levies; we don't have any voter debt so that part does not apply to us but we are still required to put together a tax budget. The general fund is by far our least restrictive and largest fund. We can basically spend money out of the general fund for just about anything; it accounts for all of the city activity except for those required to be accounted for separately. Our biggest revenue sources in the general revenue fund are taxes, licenses, fees, permits and some state funding. The single largest source is income tax we have talked about at every council meeting since the pandemic hit and we knew that the shutdown was going to affect our largest revenue source. These pie graphs show you what we collected in 2019 in total revenue in the general fund from income taxes, in 2019 72% of our revenue came from income taxes. In the 2021 budget we are looking at 79% in the general fund. One of the questions we seem to talk about a lot is where does our income tax come from and you have probably heard me say over and over that the majority of our income tax does not come from our residents, it comes from businesses, as you can see 83% comes from withholdings of income tax, your employers withholding city income tax and remitting it to RITA that is where we are getting the majority of our funding and 6% are individuals that are filing returns. In 2019 what does this equate to, just over six million from withholdings and about \$450,000 from individuals. The stat at the bottom of this slide I like to point out that our top three business taxpayers make up 18% of our income tax revenue; this is lower than the number I gave you last year which was 20%, which is a good thing it means we are diversifying so if something were to happen to one of those businesses it would lessen the impact to our revenue source.

You are going to hear a theme from everything I am going say in the rest of this presentation and that is COVID and what effect COVID has had on everything we planned to do this year and everything we planned to do next year. Projecting income tax revenue to remain consistent to where we are at this year which is just over \$7.2 million is very, very conservative; typically, we are conservative budgeters to begin with and this is even more conservative than what we would have been had COVID not hit and us being a little uncertain as to the exact impact COVID is going to have. As of when I put this presentation together at the end of last week, we are 1% behind where we were at this point last year, so, is that concerning to me, no, because it fluctuates on a daily basis and it all depends especially with the extension of the payment deadline this year it all depends on when people turn things in, so that 1% is not concerning to me at this moment. So again, COVID, it is impacting us now and it will impact us into next year; why is that...because people pay their income taxes, generally speaking, the following year. The net profit tax specifically so any effect on net profit we will not see until 2021, so we have to take all of that into consideration. We'll see a little loss in 2020 and 2021 and early projections are showing somewhere between 5% and 10% loss of revenue but we will keep a close eye on this and adjust as need be. This is our revenue projection as of today. So, if before the end of the year something changes, God forbid another shut down were to occur or something more positive happens that we see income tax dollars come in more quickly we can adjust these and even do that into 2021, but these are what we feel are appropriate for what we know today. This graph shows you what our income tax collections look like over the last several years and what I like to do is show you where we budgeted, where we actually landed and this shows our conservative budgeting practice and where we are projected to be in 2020. Our 2020 projection right now is right about where we ended 2019, so basically, we are not gaining, we could still see a little bit of a loss, but we are not typically to gain. So, we are going to stick with that projection of where we are at for 2021 and where we are at in 2020. Again, very, very conservative. The next couple of slides show you our next largest revenue sources for the general fund. Building and development permits and fees, property taxes that number has continued to go up as we have seen more single family homes being built in town and even businesses, the special assessments number is going to remain consistent because those do not typically change, the pool and the 2020 column still shows what we would have originally budget for revenue from the pool and we know that is going to be zero but there is hope for next year that will bring in just over \$132,000, the cable TV franchise fees we get quarterly franchise fees from every cable company that is doing business in our town and that \$120,00 is consistent with what we typically see in any given year. This is now everything else and more for your information and for you to look back on than for me to tell you why numbers are what they are. Court fines they have been busy, and just because they have been busy doesn't mean people pay so we still have to deal with that; interest things were looking good in the market for a while and then they stopped looking so good so that number is not what I hoped it would be for 2021, but hopefully will still some return on our dollars. Local government has been very consistent; bed tax was affected by the shut down and probably will continue to be affected for the foreseeable future until people are comfortable going out and traveling the way they used to; the only other one I am going to point out here are our insurance claims, knock on wood, have not had as many light poles hit recently. Our total budgeted revenue for 2021 is just over \$9 million dollars, \$9,171,550. Now let's talk about where that sits in relation to previous years. You can see it is a decrease from 2020 and we are thinking about all the effects that COVID had. I know the developer said earlier that things still look good for them from a developer perspective and let's hope that is true. We went very conservative on what to expect from development revenue in 2021. I would rather not expect to get money and then get it than the other way around. What do we pay for out of the general fund; salary and benefits, contract services, O and M, capital outlay and typically we like to see revenue equaling expenses, a balanced budget is probably a term you are all very familiar with. Not in 2021 and why is that; the biggest reason is

we have budgeted for a potential increase in our contract with the Sheriff's department; this is a topic we have been talking about for quite a while. Sgt. Hendershot mentioned it earlier that we had met with Chief Lape and Sgt. Hendershot at two separate times to discuss what they feel we need to do to move forward with staffing and I have shown some extra dollars in there for 2021 to see what we can do as far as bringing them in additional help now what that additional help looks like is still being discussed. So, when I say that meaning a sergeant, meaning deputies, meaning a detective, what is it that they need to help them function efficiently as our community continues to grow. This will require an amendment to our contract and just an FYI our contract expires December 31, 2021 so any agreement we come to we will have to bring to council for approval. My disclaimer is this is subject to change based on needs and revenue collections between now and this fall. Keep in mind while we want everything we may not be able to get it all at once. This slide shows you when you review the tax budget exactly what goes into each one of those line items and this is more in my world when somebody says security of persons and property I know they are talking about law enforcement and you may not necessarily think that so this is a guide for you as you are going through the actual budget. Staffing in the general fund we have an increase of 2% as far as salaries go for our employees; that is just a budget number and nothing will be determined until closer to the end of the year but we do like to put something in there as a placeholder. This does maintain our current staffing level so there are no additions planned for 2021. I know it sounds like a broken record when we talk about health care premiums going up so for benefits we are still budgeting for a pretty hefty increase in our health care premiums. Salary and benefits make up 26% of our total general fund budget; in 2019 it ended up being 21% of our total general fund budget expenditures and the last one of 25% of entire 2021 so you can see this is a typical range as far as the salary and benefits number to our total expenditures and this is what you will see if you look at other communities. Our plan for expenditures is an increase in contract services as the cost of business continues to go up and we expect that and some we already know and expect based on what we have seen this year. We talked about the sheriff contract; the pool management company and 2020 was our last year on that contract so I believe Mr. Peoples will be bringing something to you at some point this year in regards to that contract. General maintenance contracts like if somebody has to come in and repair the HVAC equipment and things like that we always budget for a little bit more each year. Capital outlay again these are typical of what we always plan for in the street program that includes sidewalks, street tree planting in the spring and fall, I discussed the pool contract, McGill Park phase one a carryover from 2020 based on where we are in the year and getting that out to bid and getting the project started and right now expenditures from this there is not a ton in the 2021 tax budget because I don't have a grasp of where we'll be at 12-31 of 20 so that is something I will keep looking at with that project in the fall; and then the Sheriff SUV we have talked about that for a number of years and then computer and IT stuff your typical yearly replacement. So, total budgeted expenditures for the general fund is just over \$9 million at \$9,382,625; that is a decrease of \$715,000 from our 2020 budget so that means we cut off about 7% of our budgeted expenditures. This is telling you we are being very cognizant of what we are spending given the situation with COVID and the effect on our income tax revenue and what it has done to our residents and we don't want to be out spending money when we know that some people are struggling. In any given year we only spend between 89% and 92% of our budgeted funds and that has been very consistent when I started at the city seven and a half years ago and again we are very, very cognizant of what we do and just because we put it in the budget doesn't mean it will come to fruition. The next slide shows you where we ended 2019 at as far as the general fund balance, so \$10.5 million dollars and keep in mind I just showed you our total budget expenditures for 2021 at \$9.3 million which is actually less than what we had in our coffer at the end of 12-31 of 2019. So, we are estimating to end 2020 at \$9.2 million and 2021 with just over \$9 million. We are carrying more than most entities as far as a fund balance goes, a rule of thumb is six to

nine months of expenditures and we are pretty much close to a year. Moving on to special revenue funds and it accounts for specific revenue sources that are legally restricted or committed to expenditure for specified purposes, so these are funds that we can only use for certain things and this is a list of those funds for your information. Any time we talk about a certain fund and funding source you can see where that money is coming from. Gas tax can only go into the street maintenance fund and there is an Ohio Revised Code for each one of those funds, we have a bed tax fund, we have talked about TIFs and we have the Diley Road, Gender Road and the Greengate Drive TIFs so any money generated by those has to be deposited into those specific funds. This will be boring because nothing is changing between 20 and 21. Given where we are with COVID we don't see a whole lot of movement and these funds have a predictable and consistent revenue source. The street maintenance and highway are funded by motor vehicle license and gasoline taxes are probably the ones to be hit the most with COVID with people driving less and getting gas less but as people start getting back to work we'll see those numbers coming back up to where we are used to seeing them. Because we are predicting revenue to stay about the same and we don't have anything exciting planned for 2021 right now, just things we will carryover from 2020 like we talked about with McGill Park. There are some decreases where debt payments have started to decline because the debt is older and we are not paying as much on them and the replacement cycle of some of our computer equipment that is paid out of these special funds for certain employees. The street maintenance fund is our most talked about special revenue fund and we do pay a couple of employees out of this fund and this is where we do a good portion of our street work out of this fund and you can see here where our funding source is of gasoline tax at 87% so it is very highly dependent on that. This fund is very healthy so the decrease in gasoline tax will not cripple this fund by any means. This shows where we spend that money and over half of it goes to the office for salaries and benefits and the other would be office supplies and equipment. This slide shows you revenue and expenditures in graph form. These funds can only be used for specific projects you don't see a lot of fluctuation in any of this. In the TIF funds until we have a project planned out of these funds you will see a large revenue and a small expense out of those. I want to talk about the McGill Park fund; it has a currently balance of \$502,000 and that is all donations we have received for the build out of the park. We are planning to use these funds as the city's portion to build out phase one, so this is budgeted for 2021 and as I mentioned earlier we are going to look closer at this project come in the fall when we do the final appropriations and I will have better numbers for you then. Debt, the cool thing about our debt is we have not really taken out new debt other than our lease agreements, so our yearly debt payments are going down, so this number back when I started was probably \$1.3 million and now we have basically cut it in half so what that does is free up money for other projects in the general fund. A lot of information on this slide about what those debt issuances are, keep in mind this does not include McGill Park, it does not include McDorman, I guess I could have added that in there, or our vehicle leases, these are just our big debt issuances. This is a graph showing you how our debt has declined, so when we take on new debt and you guys say can we afford it, can we afford it, this is a good way to show you that yes, yes, we can. Back in 2016 when we were at our highest at \$1.4 million maybe and now we are at \$750,000. The water and sewer funds have no projected increase in the revenue despite the number of households increasing and a scheduled rate increase in 2021. We have been watching the usage during the stay at home and it really has not fluctuated from what we typically see during that same period of time, so we are not anticipating a big increase in water usage and things are becoming more efficient, too, so that plays a part. We do have a scheduled rate increase in 2021 that was an ordinance that passed a couple of years ago and we will still monitor that and see if we feel that is necessary and appropriate. We did decrease the capital outlay in this fund for 2021 and we have been able to get some projects done and be very cognizant of our revenue. The biggest revenue source of the water and sewer fund are the utility bills you pay. This shows you dollars

amounts in graph form of what we have collected since 2017; 2019 was a huge year for us. It has been pretty consistent despite the addition of Brew Dog and the amount of water they use when brewing and the number of households. But consistent is good. This highlights the two largest expenses out of the water and sewer fund is utilities, basically electric, and chemicals in the water plant and sludge removal in the sewer plant. You can see where we were in 2017 and where we are in 2020 and 2021. There has been a huge increase especially in the water plant chemicals, so of that has to do with price and some of it has to do with the amount we are using in the water system. The storm water fund is funded with a user charge on your utility bill and we budgeted for a slight increase in this based on the new household in town and some of the development. Water and sewer connection funds are capacity based so when a developer comes to town and they want to tap into our water and sewer lines this is where those funds go and only planned expenditures right now and a small capital outlay and the emergency fund if something were to happen, like a water line break, unexpected emergency repair. The next slides are estimates of where we expect our funds balances to be at December 31, 2020 and December 31, 2021. It shows you the increases and decreases, you will see mostly increases because we are trying to be very conservative with our spending in 2021. I will answer any of your questions and I won't be offended if you don't have any.

Bennett said if I have any specific questions I will follow-up after in lieu of time this evening. Lynch said no questions, but thank you for your conservative look into the budget and also adding additional funds in there for Sheriffs and I know people were asking for that so thanks for considering that. Walker said thank you for a great report.

E. Public Comments - Five Minute Limit Per Person

Jim Bohnlein, 6320 Rossmore Lane in Canal Winchester, came forward to speak. Maybe I wasn't paying enough attention, but I didn't see anything about McDorman in the budget. Jackson said as far as the build out right now we are not far enough along in that process to have costs and that should be done here in the fall so we will talk about how we are paying for that come in the fall and it will most likely be a short-term debt issuance this year, so that won't necessarily have to be budgeted for 2021. That still remains to be seen, this is not the final appropriations, we'll bring those in the fall and we'll know more then when we bring the final appropriations as to what is going on with that building; Bohnlein said thank you; what are the top three businesses that do 18% of our budget or revenue; Clark said Lucas would know; Jackson said one of them is the schools; Clark said Nifco and TS Trim; Jackson said I don't know if it is TS Trim or HFI; Lucas said it is TS Trim; Bohnlein said so TS Trim, Nifco and schools, okay, thank you, thank you Mayor.

F. Council Discussion and Recommendation

G. Adjournment

Motion to adjourn made by Clark; seconded by Coolman

Motion carried by the following vote:

Yes 7 – Clark, Coolman, Amos, Bennett, Lynch, Milliken, Walker

Adjourned at 7:26 p.m.