THE CITY OF KENT, OHIO
FINANCE COMMITTEE
WEDNESDAY, NOVEMBER 1, 2017

Chair Michael DeLeone called the meeting of the Finance Committee of Kent City Council to order at 7:20 p.m.

PRESENT: **MR. JACK AMRHEIN, MR. MICHAEL DeLEONE, MR. GARRET FERRARA, MR. JOHN KUHAR, MS. MELISSA LONG, MS. HEIDI SHAFFER, MR. ROGER SIDOTI, MR. ROBIN TURNER, AND MS. TRACY WALLACH.**

ALSO PRESENT: **MR. DAVE RULLER, CITY MANAGER; MR. JIM SILVER, LAW DIRECTOR; MS. BRIDGET SUSEL, DIRECTOR OF COMMUNITY DEVELOPMENT; MS. MELISSA BAKER, PUBLIC SERVICE DIRECTOR; MR. DAVID COFFEE, FINANCE DIRECTOR; MR. JIM BOWLING; CITY ENGINEER AND MS. TARA GRIMM, CMC, CLERK OF COUNCIL.**

ABSENT: **MR. JERRY T. FIALA, MAYOR AND PRESIDENT OF COUNCIL**

There were three (3) items on the Agenda.

1. Authorize and Accept AMATS Grant Funding.

Mr. Ruller referred to Mr. Bowling, who in his Memo to the City Manager dated October 20, 2017, is asking for Council's approval to submit to AMATS for Federal Funding to resurface Mogadore Road from Cherry Street to Summit Street. This section of Mogadore Road is the lowest rated of eligible street sections that do not already have outside funding committed, according to ODOT's Pavement Condition Ratings. We are requesting approval to submit to AMATS' Resurfacing program for $580,000 of construction funding. The total project cost is $740,000. The $160,000 local share is anticipated to be part of the annual street and sidewalk program. The funding is anticipated to be available in 2022 (federal Fiscal Years 2022 and 2023).

Mr. Kuhar asked if there will be grading and widening of Mogadore Road before it is resurfaced.

Mr. Bowling stated they will be milling 2 inches and laying 3 inches, there will be grading on the edges and possibly more crowning of the road.

Mr. Sidoti questioned if there has been a traffic study done on Mogadore Road.

Mr. Bowling replied the average daily traffic is 5,960 vehicles per day and the road can easily handle twice as much traffic.

Mr. Kuhar wondered if we are changing the entrance from off of Summit Street.

Mr. Bowling commented how that has not been decided yet, but we requested enough funding to make some small changes.

Ms. Wallach was curious as to when the money will go into effect.

Mr. Bowling reiterated that the grant is for the 2023 and/or 2024, with availability for Summer of 2022, but we can ask for the money earlier.

Ms. Wallach asked for clarification how the chip and seal of Mogadore Road was an emergency repair.

Mr. Bowling agreed and reminded Council that we may not even receive this grant.

Ms. Shaffer stated this will give us time to consider other traffic and road issues in the area.

Mr. Bowling agreed that we can look into it.

Mr. Kuhar asked if we are approved for the grant, will this help in marketing the adjacent property.

Mr. Bowling stated yes, and we should know in January of 2018 if we have been awarded the grant.

MOTION TO AUTHORIZE, ACCEPT AND APPROPRIATE THE PROPOSED AMATS GRANT FOR THE RESURFACING OF MOGADORE ROAD FROM CHERRY ST. TO SUMMIT ST., AND DECLARING AN EMERGENCY made by Mr. Kuhar, seconded by Ms. Shaffer, and CARRIED by a voice vote of 9-0.

2. Accept the 2018-2022 Capital Improvement Plan.

Mr. Ruller stated the Capital Improvement Plan had been delivered to all members of Council in October to allow for ample review time. It provides a schedule of projects and financing from 2018 – 2022 based on critical need priority and is constrained to stay within available funding levels. Increases in Streets, Sidewalks and Utilities improvements of $1.2 million is based on more income taxes meaning more money for infrastructure; we are making progress on the gap and on improvements. Council should be focused on the 2018 numbers, as we are very agile with our Capital Improvement Plan. There has been more grant funding, 52%, with matching of 2:1 and 3:1. Our 9% Water and 3% Sewer rates remain consistent as projected in our 2016 Utility Rate Stabilization Plan, which was included in the Council Communications packet. There are no surprises in rates or projects.

He then referred to Mr. Coffee who began by stating there are 74 projects in 2017, and 57 in 2018. Mr. Coffee referred to page 4 for 2017 to explain how the numbers reflect $1,117.00 in re-appropriations from prior year projects. We overspent by $466,780, only because the recently authorized MARCS Radio equipment purchase of $547,000 put us over.

Mr. Ruller interjected that we have had the money to be able to stretch for projects.

Mr. Coffee agreed that we have adequate reserve to handle projects like the MARCS radios.

Ms. Wallach inquired what our undesignated General Fund is right now.

Mr. Coffee predicts $9,471,947.00 which includes the Capital Fund itself. The virtual General fund has $1.9 mil in projected carryover. Therefor the $9.4 mil minus the $1.9 mil equals the virtual general fund.

Mr. Kuhar questioned how if construction costs are rising at a rate of 27-42%, are we planning on dumping money into new projects as fast as we can.

Mr. Coffee commented how we are always competing against inflation. We can only take on so much at one time. Our Department heads have great desires and ambition, which is why we re-appropriate.

Mr. Kuhar stated that "this is our stretch time."

Mr. Coffee pointed out we have been "stretching" for quite some time, as shown in the enterprise funds for 2018.

Mr. Ruller mentioned hoe sometimes we have to weigh the cost of borrowing and the debt rates; we've been benefitting from very low interest rates.

Mr. Sidoti raised the question if the 2018 projections include the preliminary costs for the New City Hall.

Mr. Coffee responded "yes" $300,000.00 is adequate seed money. The 2018 $3.350 mil budget reflects the $3.388 mil budgeted in excess of the Charter requirement. We are well within the requirement which directly reflects the assistance from Department Heads who made concessions as every department gave up something from their wish list.

Mr. Ruller prompted Council how they adopted reserve balance policies for our funds.

Mr. Coffee specified how these reserve balance policies are for enterprise funds, water, sewer and storm water funds. He then referred to the 4th page from the end of the Plan which contained a spreadsheet on the water fund and stated that this fund has been our greatest challenge but we are stable and have healthy numbers due to the rate stabilization plan. Our current challenge is on capital projects as our needs outweigh our resources. Sometimes we just have to bite the bullet, with much trepidation on his part, and go below our fund balance policy of 25%. Mr. Coffee projected in 2018 the fund balance falling to 15.88% in the water fund. He is requesting Council's approval for a variance for 2018 only as a balancing act.

Mr. Coffee continued with the sewer fund balance falling to 20%; however it may be a moot point if we outperform. If the 2018 starting balance is higher, then the end balance should be higher. Again, He is requesting Council's approval for a variance for 2018.

Mr. Ruller interpolate the question of "What's the risk in authorizing these variances?" There could be a waterline break that could require money really quick to fix. We have reserves, and although we may or may not be below normal, we consistently have a Plan A, Plan B, and even a Plan C in finding other sources of funding to cover the expenses. We may not be as well off as we want to be.

Mr. Wallach simplified how the fund balances should be at 25% and what Mr. Coffee is asking for is to fall below the 25% requirement for 2018.

Mr. Coffee answered "yes, the total operations v. the total debt in each fund."

Mr. Kuhar inquired if the grant we received for energy conservation for rebuilding equipment is complete and how are the savings fitting into the budget.

Mr. Coffee replied "yes, it is completed and has lowered operating costs at a certain level.

Mr. Ruller added that we have new baselines as we achieved lowering the costs in half the amount of time as predicted.

Mr. Coffee pointed out the Capital Plan is off-set by the grant. We recouped within a 2 year period and are now enjoying the on-going benefits.

Ms. Shaffer did not want to get into the weeds discussing the general fund, but questioned the upcoming discussion on sidewalks and why the line item of $10,000 in red colored typeface is listed as a capital project being expended.

Mr. Coffee highlighted that the red coloring is to merely call attention to it being a new item compared to 2016.

Ms. Shaffer questioned if we do no spend monies in a fund, do they roll over to that same specific fund.

Mr. Coffee replied "yes".

Mr. Silver questioned if Mr. Coffee will be needing the new rate increases for be effective the January 1, 2018.

Mr. Coffee replied “yes please.”

Mr. Sidoti referred to the last page and our debt service of $1.054 mil and questioned if the ration is in good shape with our debt service.

Mr. Coffee is pleased with the number as it is a healthy indicator to paying down our debt with monies not specifically allocated.

Mr. Sidoti added how the general public doesn’t necessarily understand the difference between good debts vs. bad debts.

Mr. Coffee assured Council we do have the capacity for new projects or even new debt.

Ms. Wallach questioned the undesignated general funds which were over $10 mil are now only $2 mil.

Mr. Coffee stated how this an elusive part of benchmarks is the volatility of capital projects.

Mr. Ruller assured Council that Mr. Coffee’s forecasts on a budgetary basis, is conservative and frequently we outperform projects; he goes worst case scenario and we’ve been performing 20-25% better. $7 mil is Council’s benchmark; however investments cost money.

Mr. Coffee continued with how the numbers are adjusted for the sale proceeds of the old administration building. $2,275,500 is hidden and reserved for the new administration building.

Ms. Wallach noted the reserves and the rainy day fund is $2.4 mil.

Ms. Shaffer stated she has had several complaints on the College Avenue parking lot and not waiting for an overall project to wait until 2020 or even 2022.

Mr. Bowling informed Council that has a placeholder of 3 critical need projects we are looking into to potentially work with other partners – College Ave., N. Water & Horning Rd. Things need to be finalized with those partners. We only own a small trapezoid shaped portion of the College Ave. parking lot. The site itself was never established as a parking lot and will need to go before the Planning Commission; rebuilding would make us lose 15-20 parking spots. The property owner needs to work together with us to address the project as a whole. We are also looking into grant sources or working with KSU for the N. Water and Horning Rd. projects.

Ms. Shaffer asked “Who fills the holes then?”

Mr. Bowling replied “We do” and are aggressively maintaining and prioritizing. There is a balance and we need to find the sweet spot.

Ms. Baker added that also includes the alleyways too.

Ms. Sidoti referred to the last page of the Capital Plan and the operating revenues. He pointed out how property and other taxes are only 10% of our total operating dollars; people think it is 80% or more and we need to educate the residents on the budgeting process.

Mr. Coffee agreed with Mr. Sidoti that 10% is small but comparative and is a reflection of our collection issues and not rebounding.

Mr. Sidoti asked if it was fair to assume that in every $1.00 in property tax collected, less than 20 cents benefits the City.

Mr. Coffee corrected Mr. Sidoti by stating it is actually under 10 cents for every $1.00 collected; the primary beneficiary are our schools.

Ms. Long stated that people just don't want to pay any more taxes, especially when considering Issue #8 on the upcoming ballot.

Mr. Kuhar agreed with Ms. Long on general property taxes, but Issue #* would be a dedicated tax hike for just the wellness center.

Mr. Coffee added that Issue #8 is a voted levy and would be a 100% dedicated figure. He then brought a few other items to Council's attention regarding maximizing and stretching funds: The sewer fund contains $2 mil borrowed from the Ohio EPA which was a necessity to fund the Storm Water Sanitary Pump Station to increase its useful life. Increasing the Stormwater rates in March of 2016 helped. In 2018 we are projecting an 81% ratio, well above the 25%. Mr. Coffee spoke with Mr. Bowling and informed Council that the rate analysis on the Stormwater study has been completed.

Mr. Bowling stated Phase 1 will occur early 2018 and will take time to review so there will be something to present to Council in Spring 2018.

Mr. Coffee expressed the complicated process due to the different rate basis. There is always a chance of individual disputes or challenges as this process is different than metering.

MOTION TO APPROVE THE 2018-2022 CAPITAL IMPROVEMENT PLAN WITH THE TWO (2) VARIANCES FROM THE CITY POLICY'S FUND BALANCES FOR ONE (1) YEAR, AND DECLARING AN EMERGENCY made by Mr. Kuhar, seconded by Mr. Sidoti, and CARRIED by a voice vote of 9-0.

3. Authorize the 2017 Budget Appropriations Amendment.

Mr. Coffee referred to his Memo to the City Manager dated October 24, 2017 outlining the requested budget appropriations.

Council did not have any questions.

MOTION TO AUTHORIZE THE PROPOSED BUDGET APPROPRIATIONS AS SUBMITTED, AND DECLARING AN EMERGENCY made by Ms. Wallach, seconded by Ms. Shaffer, and CARRIED by a voice vote of 9-0.

Chair DeLeone adjourned the meeting at 8:26 p.m.

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Tara Grimm, CMC
Clerk of Council

ACTION RECOMMENDED:

1) **AUTHORIZE, ACCEPT AND APPROPRIATE THE PROPOSED AMATS GRANT FOR THE RESURFACING OF MOGADORE ROAD FROM CHERRY ST. TO SUMMIT ST., AND DECLARING AN EMERGENCY.**
2) **AUTHORIZE THE PROPOSED BUDGET APPROPRIATIONS AS SUBMITTED, AND DECLARING AN EMERGENCY.**