

Canal Winchester

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



Meeting Minutes - FINAL

June 17, 2019

6:45 PM

City Council

*Bruce Jarvis – President
Mike Walker – Vice President
Jill Amos
Will Bennett
Bob Clark
Mike Coolman
Patrick Lynch*

A. Call To Order

Call to order @ 6:45 p.m.

B. Roll Call

Present 6 – Amos, Bennett, Clark, Coolman, Jarvis, Lynch

Absent 1 – Walker

C. Purpose of Public Hearing**ORD-19-037**

Finance

Sponsor: Jarvis

An Ordinance Approving And Adopting The 2020 Tax Budget ([Ordinance, 2020 Tax Budget](#))

Jackson: Thank you Mr. Jarvis, I did email a copy of this presentation to all of council, so you can refer back to it; there is a lot of reference slides in here, so I'm going to fly through those; this way you'll have them, should you want to look back at them at any point; as Mr. Jarvis stated, we are here to look at the 2020 Tax Budget – the revised code says we have to do this, and we have to do it before July 15th each year; it has to be filed with the county auditor on or before July 20th; we have to have one public hearing on the tax budget; the tax budget concentrates on revenue; I know you have all heard me say this for a few years now – we do look at appropriations as part of this; we have to set a limit, basically, of appropriations for next year; this is all to allow the county budget commission to adjust tax levies, as they are required to do by law; we do not have any voted debt, so our millage never changes regardless; unfortunately, we still have to do the tax budget; maybe someday, if we ever have voted debt, this will change; for right now, we're just doing this because the revised code says everyone has to.

Jackson: We're going to concentrate mostly on the general fund, because it is our least restrictive and our largest fund, and it is also the one that requires the most detail to be submitted to the county auditor; it accounts for basically everything that happens in the city, unless there is a specific source of revenues that are restricted by law; the revenue in the general fund is derived from taxes, licenses fees, permits, charges for services and state funding; you've heard me say this time and time again – income tax revenue is our largest single source of revenue for the city; here I have 2018 actual, versus the 2020 budget, showing you our income tax revenue; everything else in the general fund, you can see, how significant these income taxes are to us; I think there is a big misconception that we rely on property taxes to operate – this graph shows you that is not true; here is a breakdown between the individuals, the businesses, and the withholdings from employers; 80% is coming from our withholding, this is based on 2018 data – it doesn't vary significantly from year to year; this is an actual dollar breakdown of where we get our funds from; one thing to note is that our top 3 business taxpayers equate to 20% of our income tax revenue; that's huge, if you think about it; if one of those 3 were to go out, that would have a severe impact on us, where we are currently; however, we have a fund balance that has been built up for such emergencies; I don't want to scare you by saying that, but I think it is an important thing to point out; Jarvis: Is that why your projections are a little bit less than what actuals were? To me, it wouldn't go down unless something like that happened; Jackson: My projection for tax revenue is actually projected to increase over this year – not by a lot; Jarvis: I misread; Jackson: In 2018, our income tax made up 69% of our total revenue in the general fund; in 2020, it's currently projected to contribute to 74% of our revenue; keep in mind, when you're using actual versus budget, things happen in the

actual that may not have originally been accounted for, or they're one-off – land sales are a good example, we don't always know when that is going to happen, and that can have an impact on the "other" in the general fund, making the income tax portion a little bit less; it is projected to increase to \$7.2 million, which is only \$300,000 over what we are budgeted for in 2019; this is very conservative, we have always been very conservative on our income tax revenue, and we will continue to do that; we are on track to exceed our 2019 projection – I don't think it's going to be like what we have seen in the last few years; I don't have an explanation as to why just yet, but we are still going up.

Jackson: Here is a comparison to look at where we have been with these income tax collections – back in 2012, we were not even at \$4.5 million, or right at \$4.5 million; now we are talking about income tax revenue of over \$7 million; we have come a long way, and I think you can all see that in all of the development that has happened within Canal Winchester.

Jackson: Here are our other large revenue sources in the general fund – the building/development permits and fees; permits, inspection fees, etcetera; in 2018 we had a fantastic year; property taxes – like I was mentioning before, there is this misconception that we rely heavily on that; these are dollar amounts that are actually estimated by the county auditor, based on our property valuation; special assessments – those have gone down, because we have had some kind of roll off where they have been paid off, but still a pretty good source of revenue for us; the pool, believe it or not, is in our top 5 here; cable TV franchise fees – the many different options that our residents have for cable television, they have to pay us a fee; we usually get that quarterly, and it's a pretty good amount of money for us; most of these are going to stay very consistent, as you can see; there is not going to be a huge change – there is nothing that we know of right now that's going to change from '19-'20 significantly; this could change later on in the year, but currently where we are at, we are not seeing anything.

Bennett: One question – I know on the last page, we have our largest revenue sources, but especially when we see the pool creeping in here – you're projecting the revenue, but there is also expenses that aren't shown that offset some of those revenues, correct? Jackson: Correct, right now I'm just looking at the cash that comes in; we will talk about expenditures here in a minute; they are not broken down by department just yet; we will get into the departmental stuff in the Fall, when we have to do our final appropriations; also in the Fall, we will have a better idea of perhaps where we see ourselves going in 2020; I realize it's mid-way through June, but a lot can change in a short period of time; keep that in mind – this is all subject to change, including the revenues; if something comes up, and we know the revenue is going to significantly increase or decrease, I can change this before the end of the year; they prefer I do that; this everything else that goes into the general fund – a couple of things I want to point out, this is a summary of everything else; I tried to break this down in categories that would make sense to everyone; if there is something on there that you don't understand, let me know; I will get into more detail about some of these that have increased significantly in just a minute; our total budgeted revenue for 2020 is \$9.7 million and change; this shows you where we were at in '18, where we're budgeted for in '19, and where we are budgeted for in '20; again, '19's budget is lower than '18's actual; we would rather have more money come in than we project; between '19 and '20, it's an 11% increase, that's pretty huge; it's just under a million dollars, and here are the 4 reasons why – we have already talked about the income taxes, and the \$300,000 increase there; Bed Taxes – with the opening of an additional hotel, and the continued popularity of the BrewDog Hotel, we will see an increase in that revenue; our interest, I've changed around some of the ways we've been investing, so we have seen an increase in interest, and we will continue to see that – the big thing is advances in, which we briefly talked about at the last meeting; this is related to McGill Park, where we are at with the conditionally approved grant

that we got from ODNR; it is a reimbursement-based grant, which means that we have to expend the funds before we get the money in, so I have to advance the money to the appropriate fund.

Jackson: Let's talk about expenditures – the majority of our city expenses are paid from the city fund, just like the majority of our revenue comes into the fund; there is various types of expenditures – salaries and benefits, contracted services, operation maintenance – the little things we have to go out and buy to do our jobs on a day-to-day basis, and capital outlay; in the general fund, capital outlay usually equates to the street program, tree planting, vehicle purchases, things along those lines; typically our expenditures equal our revenues, keeping our fund balance steady -not next year, because of McGill Park Phase I; as I mentioned, we were conditionally awarded a half million dollar grant, because it's a reimbursement grant, we have to pay for that up front; once the reimbursement is received, we will send the money back to the general fund to make it whole; the money coming back in has been accounted for in the revenues; this is more just an FYI for when you look at the tax budget and trying to figure out who is paid from where and what activities are classified under these headings.

Jackson: Let's talk staffing – right now, salaries are budgeted for a 3.5% increase; this doesn't mean we are giving everyone a 3.5% raise, we do that so that we have a little bit of fluff, because you never know what's going to go on; we will come to you with a raise based on our merit way later in the year; this includes a full-time HR and administrative assistant – those are both part-time positions right now, and they're both subject to needs, so it doesn't mean they're going full-time; 5 seasonals, which is typical, and an intern in the development department; benefits – this is where we usually see a huge increase, because healthcare premiums keep going up, up, up; we have accounted for that with a 10% increase in our benefits; overall, salaries and benefits are 23% of our general fund, this actually went down from last year; in 2018, we spent 24%; it is staying somewhere in-between that 23%-25% range every year; across all of our funds, it's 20% of our 2020 budget; that number went down – I believe it was 23% last year.

Amos: I have a question – at one point, we talked about adding an intern to the water department?

Jackson: We'll talk about that when we get to the water department; here are some things that we pay for out of the general fund – these are things where we have accounted for increases in contract costs; we have the sheriff, the pool management company, the development department – everything that they contract out, such as inspection services, engineering reviews, those types of things; construction-related contracts – again, mostly engineering-type things, and just general contracting – someone comes in to look at our HVAC system, things like that; Jarvis: Could you provide us specifics on the sheriff department increases? Jackson: It's built into our contract that if they have union increases, we absorb that; there is also I believe – I have to go back and look at this, don't quote me just yet – money in there for perhaps an additional deputy, going forward; it is not in our current contract to have one, but it also includes jailing services; they have been utilizing the jail down at Fairfield County quite a bit, especially in recent weeks; I have accounted for an increase in that; I would look at Sarge to see if that's really helping or hurting how things are happening in Canal Winchester, that we are actually putting people in jail – I know we have sentenced at least 2 people to 30 days in jail in the last couple of months, based on the crimes they have committed in our community; I would like to see more of that, so we have included that in the budget; we always pay for Labor Day security – that's the city's contribution, that is also included in the sheriff costs; Jarvis: I'm very happy to hear that a wedge is being put into the budget for an additional deputy; at the end of this, it was the one thing I was going to ask about; Amos: Ms. Jackson, you said that it was a sheriff as-needed – is it more of a call-in, or? Jackson: It would be something that we'd have to negotiate with Fairfield County, because it's not in our contract currently to have one; the money is there if we see fit to add an addendum to the contract; Amos: I believe I saw

\$44,000 for a new SUV? Jackson: Yes, also in the general fund – these are the planned projects from a capital outlay perspective – the street tree planning, the street program and sidewalk program go hand-in-hand; every year, we have to do pool maintenance; we’ve already talked about McGill Park Phase I, the sheriff SUV, and then every year we have to do some type of IT replacement or upgrade, so we make sure that we have that in our budget as well.

Jackson: Total expenditures for 2020 – just over \$10 million; kind of the ‘why’ this went up so much over 2019 – McGill Park; we have to account for all the expenditure activity of what we are doing with McGill Park in a separate fund, so that I can show that we are using the grant proceeds appropriately; the total project related to the grant is just about \$1.1 million; that entire \$1.1 million has to go to the capital projects fund, so that I can account for the expenditures, and then \$500,000 will come back after I get the money from the state; that makes up the bulk of why our budgeted expenditures have increased; this is more of an FYI of where we think our fund balance is going to be; I think Mr. Jarvis had asked at the last meeting about us actually decreasing the fund balance at the end of 2020; right now, it’s sitting at about negative \$250,000; I’m not worried about it because that can be easily made up by some of those things that we discussed earlier that are kind of one-offs, and because we are very conservative in our revenue estimate; hopefully that will number will actually become a positive number by the end of 2020; this is a list of all of our special revenue funds; occasionally we will come to you if we have to establish a new one; this tells you where the revenue is coming from for each of these, and what makes it a special revenue fund; this is a high overview of revenue and expenditure changes; revenue increases in the street maintenance and state highway funds with the passage of the gasoline tax increase – we are going to see a benefit from that; the Bed Tax fund, which we discussed in the general fund, with the additional hotel; the Gender Road TIF fund – we are expecting an increase in that fund with the addition of some parcels that are going to be paying into that TIF; from an expenditure standpoint, everything is pretty consistent with what it has been over the last 3-4 years now; the only exception to that is the Bed Tax Fund – as the Bed Tax revenue increases, so does our liability to Destination: Canal Winchester; that is the way our code is written, that half of the revenue that goes into that fund must go to Destination; you will see that our revenues equal our expense in that fund, but it is much higher than it has been in previous years; I just want to touch on the street maintenance fund really quickly, because it is our largest, most used special revenue fund, because we pay salaries out of this fund; this shows you where our money comes from – it’s coming from the gasoline tax, mostly, followed by the auto licensing tax and motor vehicle tax; when this money – both of those come in, there is a percentage set by statute that tells me how much has to go into the street maintenance fund, and how much goes into the state highway fund; 92.5% into the street maintenance, and 7.5% into state highway; this is a breakdown of our expenditures – basically the office, the admin side of things is going to take up the majority of what we pay out of this fund, which is the salaries, benefits, a few other little things – training kind of expenses – you can see how we breakdown between snow and ice removal, maintenance and fleet.

Jackson: This shows you that some of these funds are not large funds, and they will probably never be large funds; because of their revenue source, we have to keep them separate; debt fund – here is a listing of what we pay out of the general obligation fund, we don’t pay anything water or sewer related out of this fund, we pay those out of their respective funds; this also does not include the McGill Park agreement or any vehicle leases; the vehicle leases are spread across funds, and McGill Park is coming out of the general fund; as I mentioned earlier, we have no voted debt, so the sole source of this fund are transfers from the general fund; in 2020, that is \$885,000; I will say in 2019, we were at \$1,059,000; I think we’ve mentioned this before – we had one debt that had particularly large debt payments up

through the end of 2019, and now we are going to reap the benefits of that decreasing by less money coming out of the general fund to pay for our debt, which then puts us in a nice position to issue some debt for some of these larger projects that we have been discussing over the last few months; here you can see the decline as we have refunded debt when interest rates were low, to see some savings as we've just started paying debt off, and not issuing new debt.

Jackson: Water and sewer funds – we do have a projected increase, we usually have an increase in usage, also from development; we are not doing any rate increases in 2020, that was passed by council last year – we will not see a rate increase until 2021; I did increase the projection in the water meter fees; that is usually collected when a building permit is issued, it just goes into the water fund for what they need to do on their side as far as inspections go; an increase in expenditures – here is where we talk about the intern in the water fund, I did include that in the salaries; chemical and utility costs keep going up, up, up; debt payments, which is pretty typical that debt payments go up, it may not be a significant increase, but it's enough to have an effect on their budgets each year; here is showing you our utility charges for both water and sewer; I bet you could probably guess why the sewer keeps going up, and will continue to go up thanks to BrewDog; so long as that continues, our sewer fund is going to stay nice and healthy; water is finally getting to a point where we are comfortable with where we are at with the fund balance; hopefully we will be able to build that up a little bit for future projects; here is utility expenditures – utility expenditures have been kind of crazy; this year, I can tell you that at least the sewer fund is already out of money; my assistant Stacey and I have sat down and looked at those bills, and we are trying to figure out what is happening that has caused their usage to increase so significantly that we are only halfway through the year and they're out of money, especially since there was an increase in the budget from '18 to '19; to be continued on this, but we have accounted for an increase again in 2020; storm water – just a small increase in the user charges, nothing major there; the water and sewer connections fees – this comes from when someone actually wants to tap into our utilities, and all we do is plan for some capital outlay expenditures, and this is where we leave some money in case of emergency; in storm water, we are actually going to see an increase in this fund balance – this fund balance has taken a hit in the last couple of years from paying off debt; the NPDES inspection fees that – it used to go into the general fund, but we account for the rest of that activity in the storm water fund; I'm not sure why we had never moved those fees before, so we started doing that; it was never included in revenue projections, even though we were putting revenue into that fund the last 2 years.

Jarvis: On the water and sewer connection funds – the budgeted revenue there doesn't really equal the budgeted expenditures; isn't that set aside for the next plan expansion, or something like that? It's not directly related to the consumption of the service, that's always been my understanding; Jackson: Yes, I'm not sure about the revenues not equaling the expenditures – Jarvis: The first bullet says that the budgeted revenue equals budgeted expenditures under the connection funds; my understanding is that the connection fund is what we would charge someone to come onto the system, a tap fee; Jackson: Correct; Jarvis: Once you've done that, that money goes into that fund for the next planned expansion – it's not related to directly providing the service; Jackson: Let's say we had a water-main break – knock on wood – we would typically go to the funds as an emergency, that's why we budget for these types of things out of this fund, it is infrastructure related; that's what we use the money for, is infrastructure – whether that's the plants, or the pipe in the ground; Jarvis: I guess it balances out eventually, but not necessarily the year it was collected; those are not the fund balances, those are what you anticipate to bring in in 2020; Jackson: Correct – I would say that it's very rare that we use all of those funds from an expenditure side in that year as well, those balances are growing.

Jackson: Last but not least, these next 2 slides are where we see our fund balances – I didn't put the general fund on here because we talked about that earlier; you can see over here – positive, positive, positive; they are all in the positives with the exception of the water fund, which we had some capital projects planned in that fund for the last couple of years, we have the intern, and we have debt; debt is always a big thing in the water fund; I don't anticipate that increase being as large by the end of the year; with that said, if you have any questions, please let me know – whether it's tonight, tomorrow, next week, it doesn't matter.

Clark: Just so I understand – McGill Phase I – the \$1.1 million, you said \$500,000 is in grants? So that leaves you \$600,000 left of the \$1.1 million – is that coming out of the general fund, or is that additional grants? Jackson: No, that is coming out of the general fund, that is our local share; there actually is a phase I, part 2 – I don't know if we officially have a name for it yet – that we have not yet discussed the financing, so that is not included in this budget; we came up with a grant application that was just around \$2 million; ODNR came back and asked us to reduce that cost for the grant application; we decided that the whole project was so intertwined that it wasn't going to be easy to whittle that down to \$1 million; we split it into 2 parts – one that will be done with grant money, and our local match for that grant money, and the rest that the city will be covering; we're still after other grants, so perhaps that city-covered part will go down, but we have not discussed the financing plan specifically for that other million dollars or so.

D. Staff Report

E. Public Comments - Five Minute Limit Per Person

F. Council Discussion and Recommendation

G. Adjournment @ 7:18 p.m.

A motion was made to adjourn by Bennett, seconded by Clark. The motion carried with the following vote:

Yes 6 – Bennett, Clark, Amos, Coolman, Jarvis, Lynch