

THE CITY OF HURON, OHIO
Proceedings of the Huron City Council
Work Session of Tuesday, September 24, 2024 at 5:30pm

Call to Order

The Mayor called the Huron City Council work session to order at 5:30pm.

Roll Call

The Mayor directed the Clerk to call the roll for the meeting. The following members of Council answered present: **William Biddlecombe, Sam Artino, Mark Claus, Monty Tapp, Matt Grieves, and Joel Hagy.** Councilmember absent: **Joe Dike.**

Old Business

None.

New Business

Presentation on Income Tax Measure by City Manager Matt Lasko:

Welcome everyone. I want to start off with a brief presentation (14-15 slides, copies of which are attached hereto as Exhibit A). Some of this is a little redundant, but I know we haven't talked about the income tax for a couple of months and I wanted to do a really quick refresher. The idea of this conversation came out of when Council ultimately voted to put the measure on the ballot, the thought was to get together within 60 days to talk about the pros, the cons, the issues and the benefits, and trying to be a little bit more specific in how the funds may be used. I think there are pros and cons to that, but I hope this ends up being more conversational than everything. If anything is decided to be more formal in terms of how these funds will be used, that is always that could be done formally after the election, but it is good to discuss that now, before the election, as Council members and staff are talking to constituents.

Looking back to how we got here in the first place (why additional revenue is needed), as we know, there are several departments that are heavily subsidized and reliant on the General Fund, being Police (almost exclusively General Fund funded), Streets, stormwater, Parks & Recreation and Fire. We have seen the subsidies to those 4 departments continue to increase on an annual basis. I think that we continue to run very leanly and efficiently across our departments, both in terms of manpower and personnel, and how we spend our funding. We have tried to turn over every stone in terms of generating additional revenue for those departments, such as increasing the permissive tax, looking at things like facility rental fees, etc. Over the next 5 years, without some type of cut to service or capital projects or finding additional revenue, the General Fund will fall into a deficit. We would be in a challenging position, not just operationally, but certainly in implementing capital equipment purchases and capital projects.

(Referring to Slide 4) We have seen these graphs before. This is the Fire Department on the left, the Streets Department in the middle, and Parks & Recreation on the right, and this is assuming everything stays status quo with the exception of modest increases to the expense accounts. Without significant increased subsidy from the General Fund, all three of those funds are expected to run into a deficit by 2030. (Referring to Slide 5) This is a 7-year projection of the General Fund overlayed against those departmental subsidies that are required, and we see that the General Fund could be, without significant cuts or additional revenue, into the red by 2028 at the earliest. Mr. Hagy said the departments on Slide 4 can't spend negatively, so whatever year that is, 2028 or 2026, what will happen in 2028? Mr. Lasko answered

that they would have to start cutting before 2028. You have to either stop or delay big capital equipment purchases. The places where you can cut operationally is things such as smaller equipment purchases, fewer facility upgrades and contractual services. Those are all things that are in the operational budget that would likely have to take the initial cuts, which we would start doing as early as 2025/2026 if we had to. There are multiple ways to tackle it, and we would do it much earlier than 2028. Mr. Hagy said, from a constituent standpoint, how would they feel it? You might not buy a police car or a fire truck, but they might not even notice. How would the residents feel it when you get to 2027/2028 and you can't spend negative money? Mr. Lasko answered, I would say you feel it multiple ways. These things would add up over time. Right now, we are fortunate to be able to do things like clearing out all of the detention ponds throughout the City, which ultimately affect the ability of water to flow downstream. We have been in a position to do that, but there have been times over the last 10-15 years that we were not able to do that. There is a lot of preventative maintenance that we would not be able to do, whether that's our Parks, stormwater or streets. That's going to create a major issue 10/15/20 years down the road. We can get by and make cuts for 3-5 years, but at some time you are going to have to pay the piper and have a significant number of dollars that need to be spent to make up for years of not going preventative maintenance on things like vehicles, streets, park, stormwater, etc. I do think it would be felt, eventually.

(Referring to Slide 6) This is a follow-up to an email I sent to Council in April or May of this year. I want to be clear that we are not proposing or not advocating for an income tax increase to fund ill-advised spending habits or because our projects are historically locally funded. Over the last 5 years, we had our department heads look at their operations and how they have been trying to cost-cut. Those departments that I mentioned have been put on notice for years that they are having to be subsidized. Our department heads have shown that over the last 5 years, we have collectively saved \$450,000 in operating expenses. These are things such as renegotiating our dispatching contract with the Police Department. One of the big things that has been really positive is the Streets Department purchased a brush attachment to clear brush away from roadways, etc., vs. contracting it out, which we have done historically. We have also increased our employees' share of healthcare premiums so the General Fund is not having to absorb the entirety of our healthcare increases. What's really impressive is our grant proceeds, predominantly to offset capital projects, but also includes some equipment such as bodycams, used to only be 4% of how we paid for projects in 2019. That has been increased to 21% as of 2023. I do want to mention that our budget has increased by 20% in 5 years, but that has been offset by grants to the tune of 17% that have offset those increases in budgetary increases. It is amazing to show how we have been able to minimize the impact on our local residents. The local share of our entire annual expense has only gone up by 3% in 4 years. It would typically go up by 3-4% every year. For 4 years, our local contribution to everything in the City's budget has only gone up by 4%. This shows that we have tried to find ways to minimize local impact through cost-cutting measures and bringing in outside grant funding.

Mr. Hagy said he is asking things that he has been asked. What are some of the big increases that drove that? I remember healthcare being a huge one, modest increases to salary barely keeping up with inflation, where does that 20% come from. Mr. Lasko said, the main reason for going up 20% is capital projects. There have certainly been operational strains and constraints, but the majority of that is capital projects, but again, we have been able to offset that with grant funding. That's why there is such a big jump. That wouldn't have happened through organic, small increases.

(Referring to Slides 7 and 8) I know we touched on this again during our public presentations – the difference between an income tax and a levy, which were the two ways in which we thought we could address the issue in a way that would be impactful. We looked at these through the lens of 3 goals, which were to minimize the financial impact on residents, to ensure the long-term stability of the City operations, and not having to go to the voters every 3-5 years (I hate to use the term “silver bullet approach,” but that silver bullet that is going to create stabilization for 10/15/20 years). From a staff perspective, we want revenues that are flexible because we know the annual budget needs of our departments are constantly changing. An income tax impacts fewer residents and businesses, does not impact retirement wages, and typically increases with inflation every year (so we do see some organic revenue growth). We are proposing a credit in which some residents will actually see a decrease, I believe it is right around \$200,000 in total for our residents. Finally, it is unrestricted and can respond to every-changing budget needs. A levy, on the other hand, is going to impact anyone that owns real estate. You are talking about thousands of individuals compared to an income tax, and will cost our residents more, since 100% of the revenue has to come from property owners. A levy is a static amount; it does not increase in value or revenue stream. They are not flexible, and what I mean by that is that they are generally reserved for one city function (streets, parks & recreation, fire or police). It could require multiple levies given that we need to impact multiple departments.

(Referring to Slide 9) Looking at revenue projections during our public meetings, we anticipated that based on 2023 revenue, the income tax increase would bring in about \$1.8 million on top of the current \$4 million. I do want to note, and this has changed since the spring, that our income tax revenue in 2023 was higher than we ever should have anticipated. The reason for this is we had a couple of individual filers who paid significant income tax to the City that is not really sustainable on an annual basis. Once you take them out of the equation, we think that number is closer to \$1.65 million (not \$1.8 million).

(Referring to Slides 10-14) This is what I know we really want to talk about in more detail, because I know people always ask, what are you going to spend the money on? That’s a hard, loaded question with a lot of answers that can be suggested. What I want to talk about are the things the staff has talked about during our public presentations. We have always thought that there are 3 high-level categories that the City would spend those revenues on. The first would be stabilizing the General Fund, which will continue to be subjected to increased subsidies, which subsidies are outpacing the 2-3% income tax increases that we project in our budgets on an annual basis. The second is capital projects – roads, facilities, parks – these are the projects that are in our 10-year capital plan that we update every year. Third, there is capital equipment – vehicles such as police cruisers, lawnmowers and safety apparatus.

In 2024, we are subsidizing through the General Fund Parks & Recreation, Streets and Fire to the tune of approximately \$500,000. We also know the General Fund is the overwhelming funding source for our police operations. In our 2025 budget projections, we are anticipating those subsidies to go above and beyond the \$500,000 from 2024. This is just a rough projection from staff, but we anticipate about 50% of the new income tax to be deposited into the General Fund to offset continued operational increases, which are currently outpacing income tax increases. What does that mean? What are these going to offset that we are seeing from an inflationary perspective? Those are everything from small equipment purchases, material purchases, minor facility upgrades, healthcare and general infrastructure maintenance such as crack sealing or painting. I do want to make it very clear, because we got a lot of these questions in the public meetings, that we are not anticipating this new revenue to go to hire new staff that is not already in historical budgets. There are 1 or 2 unfilled positions that we have never filled,

but this doesn't mean that we are going to come on and hire 2 new people in our Parks Department, 4 new Police Officers, etc. We would not look to hire anyone that wasn't already in a previously approved budget.

The second use for these funds would be capital projects. As mentioned, we have a 10-year running capital plan of physical upgrades that are needed to infrastructure, parks and facilities. Though the budget process, we always reevaluate this 10-year capital plan and move projects up and down the calendar based on need and ability to fund the project. This weighed in by Council and the Finance Committee every fall. What are some of these projects in our capital plan? We desperately need new playgrounds at Nickel Plate Beach and Lake Front Park. We always need to have a robust street resurfacing and new curbing plan. Why this is really important is neighborhood streets are generally not eligible for any type of grant funding. We have been really successful at getting grant funding, but this funding has been for the State routes, etc. We have to rely on ourselves for our neighborhood streets. We talked about a Quiet Zone implementation, which is a significant expense, but we are hearing more and more from our residents and business owners that this is something they want prioritized. We talked about the idea of having the City absorb, after the first 4 years, and tree and sidewalk program, which we are in Year 2 of right now, as this now falls on the backs of our residents and property owners. Is that something the City could take over? Boat Basin renovations – we have about a \$4-6 million needs assessment for the Boat Basin that, at some point, we are going to have to address. We have talked about a new service complex construction, in addition to proactive stormwater upgrades. Right now, we are very, very reactionary in our ability to address stormwater throughout the City.

Finally, just like we have a capital plan for projects, we have a capital plan for major vehicle and equipment needs for each department. Through the budgetary process, we move vehicles and equipment up and down the list, depending on need and ability to fund. This includes police cruisers, lawnmowers, at some point we have a ladder truck that we are going to have to address, motors for police and fire boats, street truck replacements, and ambulances.

I know it's a tough question when people ask what the money is going to spent on. For that reason, we have tried to keep it high-level that we are looking at 3 major needs. First is subsidizing the General Fund to maintain operations so that we don't cut services or personnel. People move to Huron and keep their families in Huron because there is an expectation of level of service. We have to maintain what we have now and not go backwards. Second and third are capital projects and capital equipment, and again, we really rely on our department heads, Council and the Finance Committee, annually, to make those priorities. The question has been raised, and I just want to pass this on to Council, could you take it a step further? This is good information, but again, I feel that there are some people who want to specifically know where these dollars are going. Why that is so hard, is that every year the needs change. We may say we are going to buy an ambulance in 2025, but something comes up where we've got to push that back a year. The question has come up, could you codify how you spend the money? There are pros and cons. It does give more predictability to residents of how the money will be spent, but it makes it really hard to address the changing needs of our departments on an annual basis, particularly because you would have to amend the code after you have already approved the budget. I want to let Council know that I talked to legal representation from Bricker & Eckler. They have seen where cities have codified how income tax is spent. They did say it is more the exception than the rule, and where they have seen it codified, it's really been for one particular use, e.g., we are going to do an income tax increase for street resurfacing, or for parks improvements. They said it's been done, but again, it has been very rarely done and is

generally for one particular global use. At the end of this, I want to be sure that Council feels comfortable when they get asked the question, which is probably the most commonly asked. What are you going to spend the money on? I am not here to pitch anything or put my thumb on anything, but I want to make sure we have a conversation, and everyone feels they have the information they need when they are getting asked those questions over the next two months.

Mr. Artino asked, can I get a list of major projects, how much they cost, and what we have received in grants over the last 2-3 years. Mr. Lasko answered that he can provide that.

Mr. Claus asked, I don't know if you have it available to throw up on the screen, in the handout set to Council with Frequently Asked Questions, on the last page it talks about the neighboring communities and their income tax rates. It might be interesting to revisit that and at the same time explain, and make sure everyone is clear, how the credits work. That gets a little complicated and we have the calculator that works, but maybe we should reiterate that, and how lots of other communities have multiple levies in addition to income tax, etc. Mr. Lasko said, a good example, and I will pick on our neighbors to the west in Sandusky, if you work in Sandusky, you pay Sandusky 1.25%. You also pay Huron 1%, making the total 2.25%. If an income tax is passed in Huron to go up to 1.75% with the credit, that individual will now not pay more than 1.75% in total. You still have to pay Sandusky their 1.25%. You always have to pay the jurisdiction you work in, but instead of Huron 1%, you would go down to 0.5%, because you cannot pay more than 1.75% in total. As we discussed, anyone that is working in a taxing jurisdiction will see an increase will see a decrease, even if it's in another community that's only at 1%, because you would be at 2%, and you would save 0.25%. I will use Milan as example, I believe they are 1%. You will see a 0.25% credit reduction in what you owe Huron. That's really the make or break – whether you are working in a taxing jurisdiction. If you are not working in a taxing jurisdiction, such as Perkins Township, you would see the full increase, which is the same as if you lived and work in Huron.

Mayor Tapp said, my take on this through going to these meetings and discussions with staff, I am one of the people who lives here and works here, so it does affect me, but I am also in the smallest percentage of people that it affects, which is about 25% of our residents. Roughly 75% is being subsidized by other people. Mr. Lasko added, although I don't want to sound like I am minimizing it, of that 25% that is paying locally, 14% of that is individuals and 11% is local businesses. A lot of people believe that is going to impact our small businesses, and the reality is, that 11% is predominantly paid by Mucci, Firelands Scientific, Ardagh, etc. That's not to say that a local small business wouldn't be impacted, but a lot of times, they are able to show that there's not net profit. Of that 11%, it's predominantly not our local small businesses, but some of the larger companies throughout town that make up the majority of that 11%. Mayor Tapp said, not to misconstrue his next comment, and maybe it's my own understanding, we did a water rate increase because we hadn't had one, and that affects everybody in the City. We had less discussion on that increase that affected everyone, and with the income tax we are actually saving some people money. People tell me they don't want to pay more income tax, and then I ask them where they work. This person tells me, and I get to tell them they would be saving money, and they didn't know that. They just hear the word, "tax." If we had 100 people in here on an issue and we have 25 that said one thing and 75 that said something else, we are supposed to support our constituents and what the majority wants. That's where I am going with that. I am sure there are going to be other questions, but with everything that has been explained, even though it affects me, I think that in the big picture is helping a larger percentage of people. Mr. Lakso added, I don't think it's enough to say that most of the population is not impacted and you should vote yes. I think, and I know Mr. Artino brought this up, we still owe it to them to give them as

much predictability as we can in how we would spend the funds. Mayor Tapp said, I agree 100%. Mr. Lasko continued, I think there are limits to how specific we can be, because part of doing the income tax is to allow for that annual flexibility because we know things come up every year that we were not projecting. That's why our capital improvement and equipment plans change. I would love to be able to say it's not going to impact you, vote yes. Mayor Tapp said everyone is going to think it will impact them one way or another, some good, some bad, but it is the understanding that it is going to help a lot of people... if we just look at redoing streets, what we spent on 3 neighborhoods that I have not seen in years, I have never seen that much spent at one time – I know the headaches staff went through. I have never seen that kind of commitment made on streets. Now, with that done, there have been a lot of thank you's, whether staff gets them or not. People are happy. I also heard about when there were issues and the staff took care of it. That's another thing that probably hasn't happened in a long time – following up and getting stuff done. If we just do more streets, that cost alone would eat up much of the income tax proceeds.

Mr. Lasko said, had we and the department heads not secured the funding for Sawmill Parkway, I think we would have been very limited in what we were able to do in Chaska, Old Homestead, and to a lesser extent, what we are doing right now on Forest Hills, Hickory and Valley View. We are finding ways to stretch out our projects and get them done by bringing some of those grant dollars. At the end of the day, what we feel we are doing, if this passes, is we are protecting people's investment in choosing to live here, invest in their homes and raise their families here. They have an expectation of what the City is going to provide, and I feel like that is such an important part of the work. Mayor Tapp asked Mr. Artino if the City previously assessed property owners for certain improvements, which was based on the frontage of their property. Mr. Artino said, when I first came on Council, we had \$74,000 surplus money after we paid the bills. You don't even need a major water break, just a water break, to eat that up. There were many years where nothing got done because we just didn't have the money. I think through a lot of hard work and sacrifice by the staff and some increases in income, the Corporate Park finally took off and we filled that, so things changed. I think that I speak for all of Council – nobody on Council wants to raise taxes. At the same time, I don't want to go back to where we were back then. I think that we don't want to reduce services, equipment, water lines and streets. You are just avoiding the inevitable – it is going to happen, things are going to get worse, and it is going to cost you more down the road. I see capital improvement projects like Main Street and improvements to the parks – those would be the first things to go. This is a tough one. I know we talked about this for a few years now, and we told Matt when he first came on that we don't want to be in the position we were in back then. This is a tough one, but I think we have to take a look at educating people and make sure they understand what this is going to go to, where the money is going to go, and I think this helps. Mr. Lasko said, I wish we could reach every resident, although I know we can't. We've got another 4 public meetings scheduled, which they will start advertising for soon (all are in October). We also have a series of regular social media posts which won't be the entire presentation (available on our website) but will include important components of the proposed income tax increase. These postings will be sent regularly sent to folks on social media – it doesn't reach everybody but reaches a good portion of our population. These posts will just provide the information – cities aren't allowed to market or advocate, but we want to make sure we are doing anything and everything we can either in person, on social media, etc., to get information into the right hands so they can make an informed decision on what is best for themselves and their family.

Mr. Biddlecombe said, from my talking to different people, the three things that stood out to me were that they only see "tax increase" and don't realize that there is a credit on there or understand what it

would mean for them. Another thing I have heard is that there are a lot of people that still think that the City can tax their income from investments and their income from social security, which we can't. Finally, another thing I have heard is, why do you need income tax – why did you give those tax breaks to Mucci or whoever, and they don't realize that those are on the property tax, not the income tax. Also, there are people I have talked to that don't realize that we have kept the schools whole on some of those. I guess there are a lot of misconceptions, and I think we need to do more to educate on what's actually going on so that they understand better. Mr. Lasko said, that's a good point. A lot of folks don't know, which I don't blame them for, that we get such a small fraction of the real estate tax (7-8%, depending on the type of property), which is why it makes sense for municipalities to give real estate tax breaks. The income tax benefit is what's more important to taxing jurisdictions. I won't call it a policy, but over the last 2-3 years, there hasn't been a tax abatement approved in which the schools (both Huron and EHOVE) haven't been made whole from a tax abatement standpoint. We understand and we are sensitive to the financial constraints of our partners, and we have been fortunate that those companies still agreed to make the investments because, giving tax abatements has almost become commonplace or a baseline expectation. The fact that Ardagh, South Shore and Buckeye Sports all made their investments while keeping the schools whole has shown their commitment to the community. Our reliance on real estate taxes is miniscule compared to income taxes. Mr. Artino said, that's a good point, because I know a lot of people who think we are making a lot of money, especially now with the increase in real property taxes. They don't realize that that's all we get from property taxes. Can we get a list of major projects that are needed and are definitely going to be needed in the future – water lines, there are roads that are deteriorating – maybe if we could have a list of those that have to be done. Mr. Lasko answered, yes, I know we are in the process of slightly updating it since we're in budgets, but nonetheless, we can quickly get you the 2024 Capital Plan. Some things may move up and down and year over the next couple of months, but not much, so we can quickly circulate tonight or tomorrow both our Capital Equipment and Capital Project Plans.

Mr. Grieves asked if the total costs for projects are ever shown to people? When we are talking about the water lines and the resurfacing, do we tell them this is the total amount that is spent on it? I think one of the biggest things we talked about is the expectations of people moving to Huron with the quality of life. I don't think they realize any of the costs that go into some of these projects, and I think it is unrealistic with the amount of money and the price increases for the last 4 years... what it costs now to pave a road compared to what it was 4-5 years ago is crazy. Mr. Lasko said, it's funny that you asked that. Something we are going to start rolling out simultaneously with the income tax post, and will continue to do going forward, is Jen has been working on our first series of what I call, Did You Know? of not just capital projects, but some things that are equipment related. We are trying to accomplish a few things with those posts. One, we want to show people that we are continuing to make investments in things like bodycams, the K-9, the roads, playgrounds, tennis courts, fish cleaning stations, Sawmill Parkway, etc. Some of those are actually going to show how little, locally, we have had to contribute to some of those project so that, hopefully, people understand that we are not asking for money because we are being lazy and are not going for grants or talking to philanthropic partners, we are actually very soon, and hopefully it gets to what you are thinking, pushing out a flurry of Did You Knows as relates to projects and equipment purchases. We are also going to continue that in perpetuity to show people the investments we are making and what we are trying to do to leverage non-local resources. Mr. Grieves said, I think it's crazy to hear how much they complain about one project and then you do the project and it's not up to what they want and they think we owe them more.

Mayor Tapp said, I think I say almost every meeting, we welcome people to come here. We have meetings, we have outside meetings staff puts on, we are on social media, yet I still get, I didn't know that. I ask, how do you want us to get that information out there? I think we are doing a good job, although we can always do a little bit better, but I think Jen is doing is great job getting stuff out there. It was a big thing to have a meeting at River's Edge because everybody talks there – it goes by word of mouth. When I get people who come up and say, well I didn't know anything about it, I ask if they called to ask anybody and they answer is no. I don't know what we are supposed to do as far as what people expect on that front. Mr. Lasko said, what I think is tough is that while I do think we've done a tremendous job at getting information in people's hands; the problem is, we are not always there face-to-face with them to answer their questions, to help them interpret the information, with 6,800 residents. That's the hardest part. I think we are doing well with getting the information out, it's just how do you close the gap of having folks deduce their own... you almost have to walk through that with some folks. With the credit, you almost need to walk through that with some folks – I wouldn't have know what that was years ago. They have got to ask the question, you can't come and say you didn't know that when you didn't ask. Mr. Claus said, I know that this is what was discussed in Finance Committee and various staff discussions, but we want to continue to make the point that in doing this, part of this is so that we don't have to come back to the constituents in a couple of years and do another fire levy – that kind of thing. The last fire levy in 1999, and to make it clear that this is a fixed levy amount. There has been no increase in how much we collect from that levy based on cost increases or inflation, there is no inflation built into that. Where historically fire levies have been fairly popular, meaning people like to support the fire department, part of this is supporting the fire department, supporting the police department, all of our services, parks & recreation – everything that most people living in Huron are very positive about and supportive of, historically. Doing this would avoid us coming back over and over again. Some communities, Bellevue for example, has 4 levies plus a school district tax, plus a 2% income tax. Vermilion has 5 levies on top of 1.5% income tax. We are trying to avoid having to do that – that was one of the goals in deciding to set that rate. Instead of doing 1.25% or 1.5%, we went with 1.75% so that we wouldn't have to come back in 5 years to request more. Mr. Lasko said, you are right, police and fire levies, regardless of the communities they are being sought in, are typically supported. Do I think this is a community that would support a police levy and a fire levy? I absolutely do, but again, we steered away from that because (1) it is impacting a lot of people that own real estate versus an income tax, and (2) our streets are important, our parks & rec are important, our facilities are important, and our stormwater is a huge, growing need, so as much as it might stop the bleeding for a period of time because it would alleviate the General Fund in terms of the police and fire subsidies, at some point, we are going to have to revisit those other departments and that is something we are trying to stay away from. Secondly, we want to put the onus on department heads, Finance Committee and Council to have the ability to be flexible every year through the budgetary process to respond to those every-changing needs, which is why we view the income tax so much more favorably.

I want to make sure that, as you encounter questions in the community, or if there is information you feel like you need, just ask me and I will get it to you. There have been questions, and they are only going to be more prevalent the close we get to the election. Let us know anything and everything you may need to get back to folks you have conversations with.

Adjournment

Motion by Mr. Biddlecombe to adjourn the work session.

The Mayor asked if there were any questions on the motion. There being none, the Mayor directed the Clerk to call the roll on the motion. Members of Council voted as follows:

YEAS: **Biddlecombe, Artino, Claus, Tapp, Grieves, Hagy (6)**

NAYS: **None (0)**

There being a majority in favor, the motion passed and the work session of September 24, 2024 was adjourned at 6:17pm.



Terri S. Welkener, Clerk of Council
(minutes prepared from audio recording)

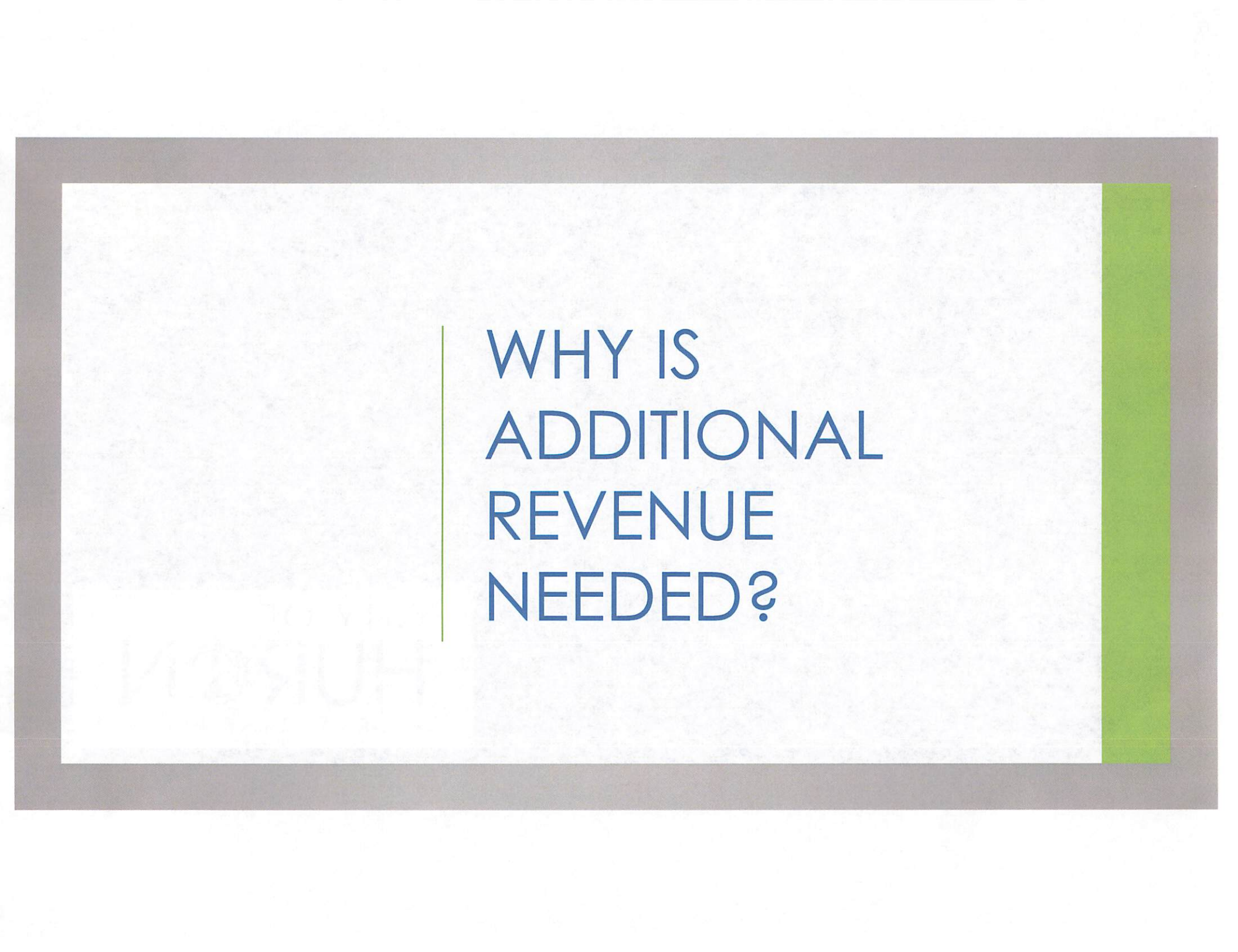
Adopted: 28 JAN 2025

INCOME TAX WORK SESSION

Huron City Council

Presented September 24, 2024



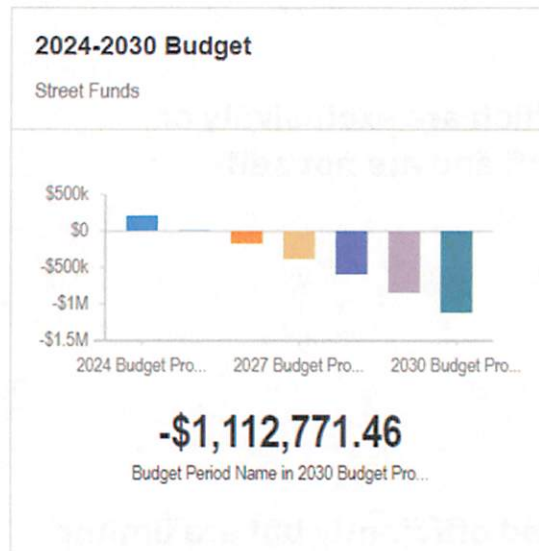
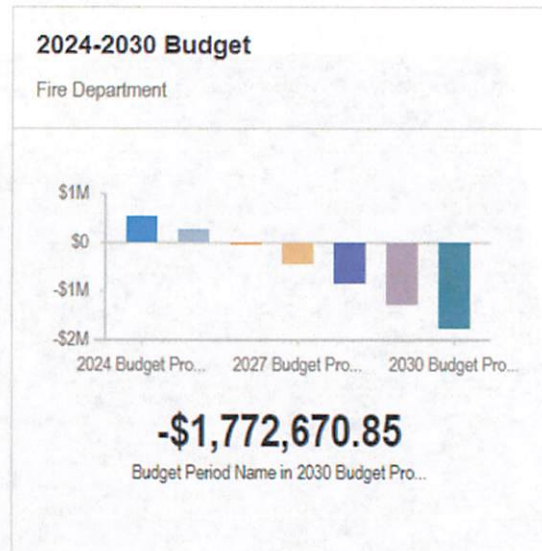


WHY IS
ADDITIONAL
REVENUE
NEEDED?

- The City has several departments which are exclusively or heavily subsidized by the general fund and are not self-sustaining, including:
 - Police
 - Streets
 - Stormwater
 - Parks and Recreation
 - Fire
- These departments run very leanly and efficiently but are limited in their ability to generate departmental specific revenue to cover operating expenses (i.e. permissive tax, facility rental fees, etc...)
- Over the next five (5) years, without cuts to service/capital projects or finding additional revenue, the General Fund will fall into a deficit due to continued and increasing subsidies to these departments.
- Additionally the City will be in a very challenging position in terms of implementing both its capital plan and capital equipment replacement plan.



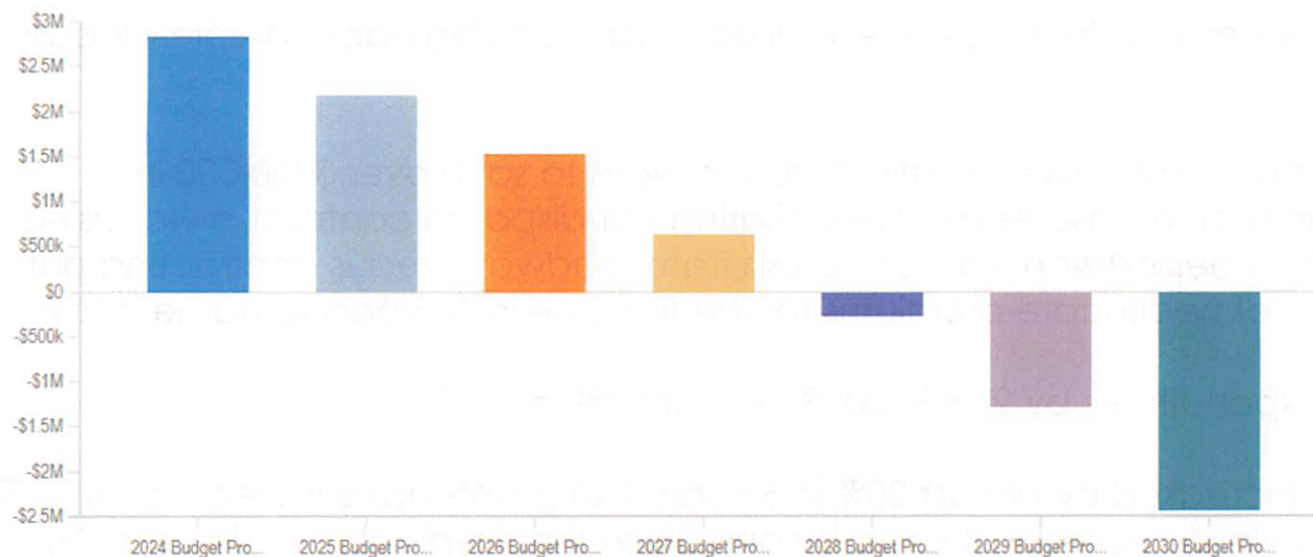
HISTORICAL OPERATIONS



The above graphs provides a 7-year fund balance projection for Fire, Streets, and Parks and Recreation. Without substantial General Fund subsidy and/or cuts to services, these funds will have a deficit fund balance as early as 2027.

FORECASTS

FORECASTS



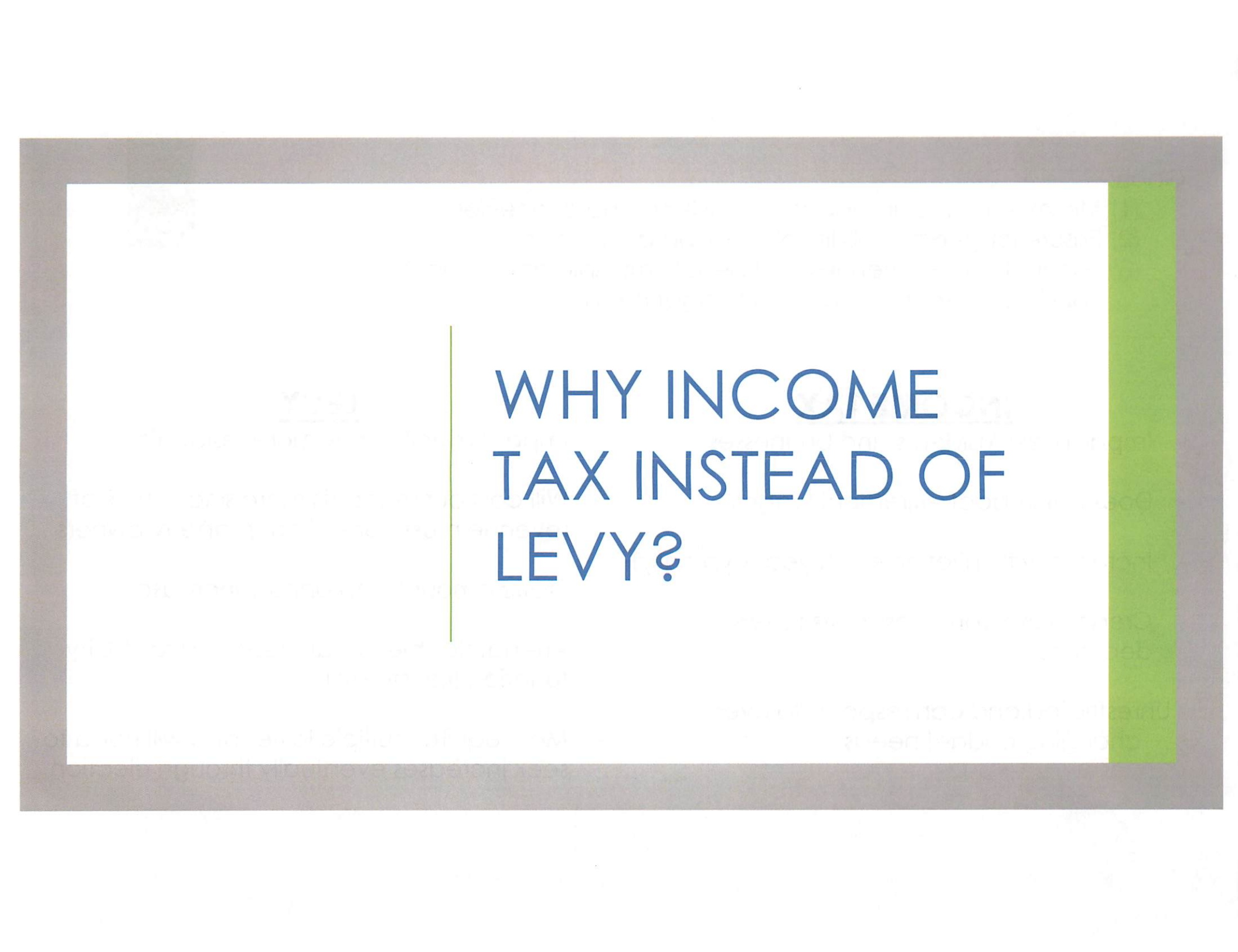
-\$2,436,122.43

Budget Period Name in 2030 Budget Pro...

The adjacent graph provides a 7-year fund balance projection with the General Fund subsidizing the deficit balances for Fire, Street, and Parks and Recreation. This shows current General Fund revenue, mostly funded through income tax, cannot sustain future operational expense.

COST CUTTING & GRANTS

- The City is not proposing an income tax increase due to ill advised spending habits or solely locally funded capital projects.
- Over the last 5 years, City departments have creatively found ways to save over \$450,000 in operational expenses through such measures as: renegotiating our dispatch contract, purchasing brush attachment for the streets department to clear brush from roadways versus contracting out and increase employee share of healthcare premiums for the first time in 10 years to name a few.
- Grant proceeds offset total expenditures by 21% in 2023, up from 4% in 2019.
- It is true our all-in budget has increased by almost 20% in 5 years, but grants have increased by 17%. Local share of expenses has only increased in 4 years by only 3% when it typically would raise 3% annually or 12% in total.



WHY INCOME TAX INSTEAD OF LEVY?

Goals:

- (1) Minimize financial impact on residents and businesses,
- (2) Ensure long-term stability of City operations, and
- (3) Secure flexible revenues that benefit multiple departments and can respond to annual budget needs



INCOME TAX

- Impacts less residents and businesses
- Does not impact retirement wages
- Increase with inflation each year (typically)
- Credit allows some residents to see decrease
- Unrestricted and can respond to ever changing budget needs

LEVY

- Impacts significantly more residents
- Will cost our residents more since 100% of revenue must come from property owners
- Static amount – no annual increase
- Are not flexible, usually reserved for 1 City function (i.e. streets)
- May require multiple levies and will need to seek increases eventually through election

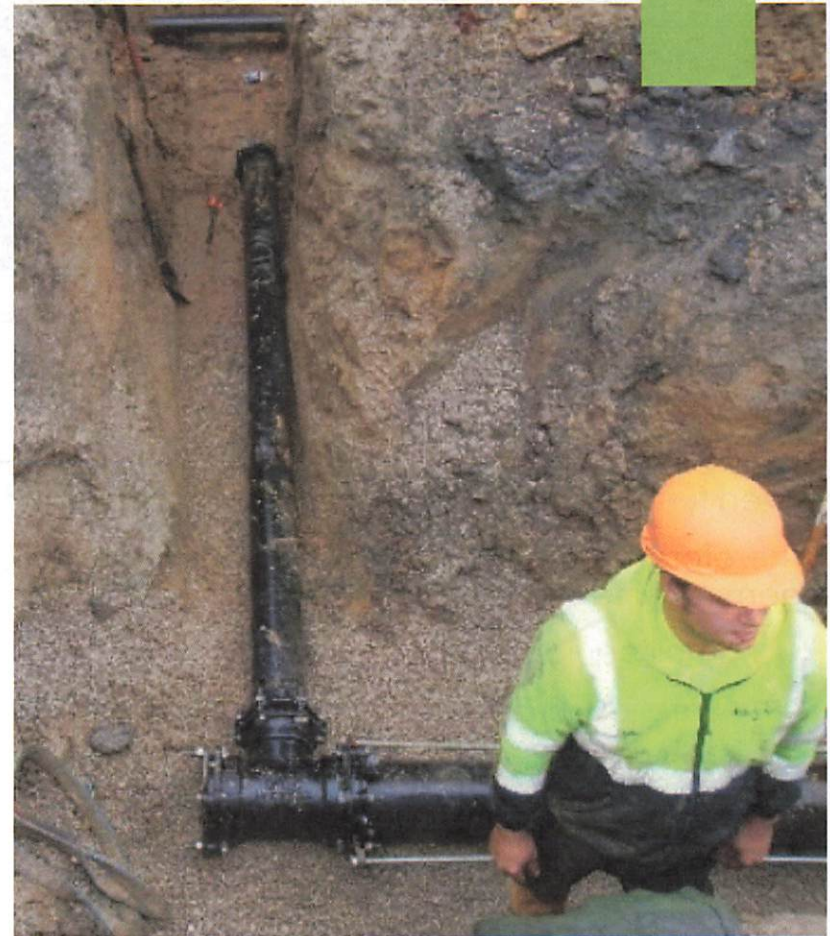
REVENUE PROJECTIONS

- ▶ Based on our public meetings from the Spring, we were anticipating \$1.8M in additional revenues.
- ▶ As we are learning now in September, 2023 was an outlier year and we are \$250,000 below 2023 revenues through August.
- ▶ Meaning, we anticipate the new revenues to be closer to \$1.65M



WHAT COULD
THE MONEY BE
SPENT ON?

- ▶ Stabilize the general fund which will continue to be subject to increased subsidies to departments – outpacing the 2-3% income tax increases
- ▶ Capital projects (roads, facilities, parks)
- ▶ Capital equipment (vehicles, lawnmowers, safety apparatus)



GENERAL FUND

- ▶ In 2024, the General Fund has subsidized the operations of Parks and Recreation, Streets and Fire at approximately \$500,000.
- ▶ The General Fund is the overwhelming funding source for Police operations.
- ▶ Early 2025 budget projections show that subsidies to all the above departments will increase even further and will outpace anticipated organic income tax growth projections.
- ▶ Therefore, we anticipate up to 50% of the additional revenue stream to be deposited into the general fund to offset continued operational increases to the above departments such as:
 - ▶ Small equipment purchases
 - ▶ Material purchases
 - ▶ Minor facility upgrades
 - ▶ Healthcare
 - ▶ General infrastructure maintenance

*** Additional revenues are not anticipated to be used on additional staff not already included in past budgets.**



CAPITAL PROJECTS

The City maintains a 10-year running capital plan of physical upgrades needed to infrastructure, parks, and facilities. Annually, through the budget process, projects are prioritized in terms of need and ability to fund by staff, finance committee and Council.

Examples of projects currently on the list include:

- ▶ New playgrounds at Nickel Plate Beach and Lake Front Park
- ▶ Continued neighborhood street resurfacing and new curbing
- ▶ Quiet Zone Implementation
- ▶ Implementation of City funded tree and sidewalk program (versus current owner funded program)
- ▶ Boat Basin renovations
- ▶ New service complex construction
- ▶ Proactive stormwater upgrades

CAPITAL EQUIPMENT

The City maintains a 10-year running capital plan of major vehicle and equipment needs of each department. Annually, through the budget process, purchases are prioritized in terms of need and ability to fund by staff, finance committee and Council.

Examples of equipment currently on the list include:

- ▶ Police cruisers (2 per year)
- ▶ Lawnmowers
- ▶ Ladder truck
- ▶ Motors for Police and Fire Boats
- ▶ Street truck replacements
- ▶ Ambulance

THANK YOU

CITY OF
HURON  **N**
A GREAT LAKE PLACE