



**o:** Huron City Council  
**Cc:** Finance Committee, Department Heads  
**From:** Matt Lasko, City Manager  
**Re:** Recommended FY 2025 Budget  
**Date:** November 30, 2024

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In accordance with Section 6.05 of the Huron City Charter it is my pleasure to present you with the City Manager's Recommended FY 2025 Budget. The 2025 budget document aims to blend realistic revenue and expense projections for next year in a manner that seeks to provide a high level of services to our residents, businesses, and property owners. The 2025 budget, coupled with the Capital Improvement Plan and the updated Vision 2020 Action Plan, also serves to make recommended capital investments throughout the City.

This 2025 budget was presented through an online interactive platform, called OpenGov<sup>1</sup>, intended to provide the reader with multiple levels of information including: a user guide, defined city policies, the budget process, fund breakdown, debt obligations, capital equipment summary, and capital improvement plan (CIP). While establishing a plan for 2025, this budget additionally forecasts the impact of its adoption through 2034. Detailed plans have been analyzed and included for all City operations on an annual basis for 2025 through 2034. Inflationary cost and revenue adjustments have been made for all departmental activities as well as inclusion of capital investment expenses over the next ten (10) years. Council went through a master plan update (included in the budget book), termed the Vision 2020 Action Plan in 2021. The CIP references various initiatives that were prioritized in the master plan to be undertaken in the next 3-5 years. We also incorporated a new column in the CIP. The CIP now labels each project as "new" or "maintenance". "New" meaning the project is more of an addition or a wish list item and "maintenance" is more of a necessity in the sense that the City already owns a project or facility that must be maintained.

The City's adopted General Fund Balance reserve policy is reflected on an annual basis through 2034. The policy requires a minimum available surplus of 15% (a maximum of 25%) of operating expenditures. Based on year-to-date activity, the City's General Fund is expected to exceed this minimum and be at or exceed 25% at year end. Without fully funding major capital projects over the next three years, the General Fund is expected to maintain a 15%+ reserve or higher through 2034. The City historically has made year end transfers from the general fund to the Capital and payroll stabilization funds (for example) but with the volatility in income tax receipts in 2024, the administration is still determining if these similar transfers can be made at year end. This reserve has a direct impact to the City's Bond Rating and spending plans and is trending in a positive direction. The City received an upgraded rating upgrade to AA2 which is the highest in the City's history.

Since the COVID-19 pandemic, fiscal controls were put into place to both protect the fiscal solvency of the City and ensure our employees and community at large were insulated from as much as harm from the pandemic as possible. Based on those measures and in combination with various aid programs and economic development activities, the City has improved its annual fiscal position while also ensuring stability during the pandemic. A great deal of this financial activity and benefit has been rooted in economic development projects - years in planning - that are beginning to positively impact the City's

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<sup>1</sup> [Online Budget Book Link](#)

budget – and therefore operations. The City will continue to monitor these projects and related revenue streams to determine how and when additional investments can be recommended and planned for – while simultaneously exploring additional economic development projects that will benefit the community and enhance quality of life for all.

The FY 2025 Budget provides an opportunity to continue that dialogue and exploration with the ultimate goal of strong and reliable service delivery. As resources increase above the minimum General Fund reserve, the City has had the opportunity to consider additional investments in areas such as parks and recreation, economic and community development, fleet and facilities, and infrastructure. However, additional investments with General Fund reserves are becoming increasingly necessary for operational needs in areas that are traditionally supported by other taxes and contributions. The City's General Fund subsidized nearly \$500,000 of operations for the Parks and Recreation Department, Fire Department and Street Department in 2024. Additionally, with the failed income tax levy, the City has an even greater sense of urgency to either search for alternative revenue streams such as income tax or departmentally focused levies, or must develop a plan to eliminate or defer capital projects and capital equipment purchases. As shown in each department's budget summary<sup>1</sup>, continuous increases to departmental operations is not a sustainable practice. The 2025 budget book was recommended to Council by the Finance Committee with a request to undertake a detailed review of our capital projects and capital equipment plans in order to make recommendations to the Finance Committee and Council about suggested cuts, reductions or deferred purchases.

#### **Financial Performance – A Review 2024**

*General Fund Performance:* Staff has projected that we will end FY 2024 with over \$1.8 million in unencumbered fund balance, a factor of 28%. Budgeting conservatively for the next ten years, the General Fund is expected to maintain an 18% or higher fund balance reserve. However, potential debt liabilities for planned capital projects, along with increased subsidies to departmental operations without additional revenue sources such as grants, low-interest loans, or increased income taxes will lower the General Fund reserve balance under 15% by 2028.

*Revenues:* The City's major revenue sources, such as income taxes and utility charges, have seen inflationary increases over the past few years. However, in 2024, the City's income tax is actually expected to be less than 2023 receipts and through November of 2024, is nearly 5% lower than last year (equating to approximately \$125,000). In 2021, the City was awarded with over \$700,000 in federal stimulus funds to be used on the local economy. These funds are mostly committed to downtown improvements and future economic development investments and will be fully expended by 2026. City property taxes and state states (e.g., gas tax) have remained consistent over the last 3 years, resulting in additional General Fund subsidies to various operational funds such as the Street Maintenance Fund and Parks and Recreation Fund. There is a possibility that property taxes will increase significantly due to the tri-annual property re-evaluations, but for 2025 budgetary purposes, the City is only budgeting a 3% increase to this revenue source.

Notable revenue increases in 2024 include interest earnings (+\$70,000 from 2023 and +\$275,000 from 2022) and water sales (+\$400,000 from 2022). The City also will benefit from the new tax being placed on the sale of recreational marijuana (estimated at 3% of sales) but has not yet received any revenue and the State has not yet provided guidance on how these funds will be distributed to local jurisdictions. As such, this revenue source has not been included in the 2025 budget projections.

The main source of revenue within the General Fund is the collection of an income tax on all withholdings and corporate net profits. Staff is forecasting a 3% increase in income tax collections for 2025 above our 2022 receipts. We are not assuming an increase above 2023 receipts as we are currently projected to collect over \$100,000 less this year than last. The City will need to monitor income collections closely in 2025, as the last 2 years have proven volatile and varied greatly from our projections (in a positive way in 2023 and a negative way in 2024).

Staff conservatively budgeted increases for all other revenue sources at 1-2% unless historical trends show consistency in annual revenue.

*New initiatives/Revenue in 2024/2025:* Two years ago, the City's Finance Committee and Council approved the first water rate increase in fifteen (15) years. Starting in 2023, water rates will increase 5% annually for ten (10) consecutive years. These rates will be studied tri-annually to determine if additional measures (in the form of increases or decreases) are warranted, with the next rate study to be undertaken in 2025. The rate increase is critical for ensuring the City's ability to maintain water security for our customers as well as undertake a series of major capital projects to ensure the long-term viability of our system. These projects include, but are not limited to, creation of a secondary water intake on the Huron River, South Main Street watermain replacement, various water line replacements, and construction of a new 2-million gallon elevated water tank on the west side of town. The City did receive a \$5 million grant from the State of Ohio to help construct a new elevated water tank and continues to aggressively seek federal, state or county funds to reduce local costs. The City was successful in receiving low interest loans for the South Main Watermain Replacement project, which was substantially completed this year.

Additionally, the Sawmill Creek Resort annexation and related development began providing new income tax revenue to the City in 2023. The City is anticipating approximately \$60,000 per year in income tax. Beginning in 2024, the City began receiving the minimum service payment of approximately \$330,000 (once reduced per compensation agreements with Huron Schools and EHOVE Career Center). These funds will be utilized to pay the debt service for 1) reimbursement to Cedar Fair for renovations to the resort, 2) serve as Huron's local contribution to the US 6 transformation, and 3) aid in the City's strategic land acquisition efforts at Oster's mobile home park. All three disbursements have been made to the appropriate projects via a debt issuance and debt repayments also commenced in 2024.

Finally, the City began work on various capital projects throughout the City. The South Main Street Corridor Streetscape is expected to begin construction in 2025 – as detailed design and engineering is ongoing. The City has been awarded over \$630,000 in grants from various agencies, including ARPA funds, to subsidize design and construction costs. The City also is expected to begin work on the Cleveland Rd. E sidewalk project which was awarded over \$775,000 in grants from the Ohio Department of Transportation, Erie County and Huron Township. The City was also awarded a grant from the Ohio Department of Natural Resources (CMAG) for design work on improvements along the lakeshore near the former Showboat property and Lake Front Park. The design process is expected to wrap up in the next 2-3 months. The City is also in the design process for Route 6 – Phase II, the 2.0M gallon elevated water tower and the secondary intake – the latter two projects are to be paid out of the water fund and low interest loans or grants and do not impact the general fund or our direct debt limits. Finally, the City will be undertaking the first major expansion of Huron Public Power (HPP), which will extend our electric utility to the base of Sawmill Parkway in order to be available to customers of the corporate park should they desire to move to HPP.

## **Budget 2025**

The 2025 budget was built with a mindset of caution, especially with the uncertainty of current economic inflationary trends and the volatility of income tax receipts and healthcare premiums. The City is ending 2024 in a positive financial position to implement the 2025 budget, however, a great deal of work will be needed to investigate long-term sustainability of operations and capital projects due to the above-mentioned volatility. In 2024, income tax is actually projected to be lower than the previous year, which is cause for concern after years of steady growth. This is in addition to continued revenue shortfalls in other operational funds and rising healthcare costs requiring more subsidy from the General Fund in 2024 and 2025. Items of note in the 2025 budget include:

**Property Tax Revenue:** Real property valuations are anticipated to significantly increase in 2025. County Auditor estimates as of October 2024 however do not show much of an increase in property tax revenues to local municipalities, therefore, the City is projecting only a 3% increase in property tax proceeds for 2025 in the General Fund. Property tax revenue for the Fire Levy Fund is expected to remain generally the same. Property tax revenue for 2025 is expected to exceed \$1 million for all funds. Comments about amending revenue estimates by Budget Commission around Jan 1, 2025?

**Income Tax Revenue:** Staff conservatively forecasted this vitally important revenue stream for 2024 as 2024 income tax revenue is projected to be 5% less than 2023 actuals and, therefore, the City is budgeting a 3% increase in 2025 from the 2022 projections, at \$4.1 million. This is due to both 2023 and 2024 potentially being outliers in overall receipts. Staff will be monitoring income tax receipts very closely in 2025 as we make projections for 2026 and beyond.

**Personnel:** The 2025 budget includes no proposed additions to the City's workforce.

**Parks and Recreation Revenue:** Overall, Parks and Recreation budgeted revenue decreased from 2022 by \$50,000 in 2023. This is primarily due to the reduction in contributions from the Huron Joint Recreation District (HJRD) - more specifically, due to the Huron School District voting to forego its regular 10% contribution that has historically been received by HJRD. Total revenue is anticipated to remain at this level into the foreseeable future. The 2025 budget does not include the School District's contribution. Maintaining the operations of the Parks and Recreation Department is mostly dependent on the Huron Joint Recreation District's annual contribution, making up 71% of the total budget in 2025. Any net impact on HJRD contributions could result in budget cuts directly related to services provided to residents. Although parking fee revenues at Nickel Plate Beach have increased the last two years, the Parks and Recreation budget cannot financially maintain the current operational budget without additional revenues. In 2024 and continuing in 2025, the City's general fund is subsidizing personnel costs. Based on current projections, the fund balance in the Parks and Recreation Fund is expected to decrease by \$50,000 per year and fall into a deficit balance in 2029.

**Capital Assets:** The 2025 budget book includes the City's capital asset replacement schedule. The schedule shows the City's commitment to purchasing and maintaining adequate vehicles and equipment for City services. In 2024, the City spent close to \$250,000 on new vehicles and equipment and a new City website. The recommended 2025 budget includes the purchase of two (2) new police cruisers, one (1) new water truck, one (1) front end loader, and replacement of lifepacks (which the Township pays half) for Fire, totaling over \$300,000 in capital asset expenditures.

**Capital Projects:** The 2025 budget book also includes the City's current capital improvement plan.

Although the City's current capital improvement plan (totaling over \$72 million) includes over \$28 million in unfunded projects over the next ten (10) years, the City is tentatively committed to spending over \$20 million on major capital improvements in 2025 if budget permits. Major 2025 capital expenses include the east side sidewalk extension, S. Main Street streetscape engineering and construction, Rt. 6 Phase II design and commencement of construction, secondary intake design and construction commencement, and elevated water tower design and construction commencement. As previously mentioned, due to the failure of the income tax levy in 2024, the City will be evaluating its ability to undertake capital projects beyond minor maintenance in 2026 and beyond.

*Debt Management:* Starting in 2014, the City began a strategy to invest in critical capital infrastructure that had been underinvested in as the City recovered from the Great Recession. Utilizing historically low interest rates, close to \$15 million worth of capital was invested in critical infrastructure projects. In 2024, Moody's upgraded the City's current rating of Aa3 to Aa2. The City currently has over \$12 million in outstanding bonded debt, not inclusive of programmatic loans. As we plan for future years of investment, 2023 was the first major milestone to consider as a substantial portion of the City's debt was retired, freeing up additional resources available for debt service as well as capacity. The City took fiscally responsible steps in 2023 to develop a debt strategy for future capital needs and wants, including projects related to the Sawmill Creek Resort TIF, ConAgra redevelopment, comprehensive local street resurfacing, Huron Public Power Expansion, and Main Street redevelopment. In 2023, the City issued long-term bonds on public improvements funded through the Sawmill Creek Resort TIF and issued GO bonds in 2024 to cover the local street reconstruction of the Chaska and Old Homestead I and II neighborhoods.

*Future Policy Discussions:* The staff also looks forward to engaging Council in 2025 on several larger and impactful project and policy discussions including, but not limited to, the list below. The Finance Committee recommended the 2025 budget to Council and also recommended Council to further review and consider several items on the list below.

- *New taxes and or levies to support essential services and public improvements in the master plan*
- Storm Water Management Fee
- Electric Rates (study in progress)
- Water Rates (tri-annual review)
- Long-term dispatching strategy
- Conagra Redevelopment Service/Maintenance Facility Construction
- Capital Improvement Program Financing Plan (continued discussion)

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**This budget is the work product of countless hours of preparation, analysis and input from a wide variety of personnel. I appreciate the time, effort, and input of all department heads and staff members who have been instrumental in providing information, feedback and capital projections for their respective departments - and the coordination and leadership displayed by the Finance and Service Departments. I also want to thank the Finance Committee who have been tremendous stewards of the 2025 budget process and have brought forth expertise and thought-provoking considerations and dialogue.**