

Brookville City Council
Special Meeting - Budget Work Session
February 5, 2019

The Special Meeting for a Budget Work Session of the Brookville City Council was called to order by Mayor Seagraves at 6:30 p.m. on February 5, 2019 in the Brookville Council Chambers. The Pledge of Allegiance was recited. Members Fowler, Kirklin, Letner, Schreier, Wilder and Zimmerlin; City Manager Burkholder, Law Director Stephan, Finance Director Keaton, and Clerk Wheeler were present. Police Chief Jerome and Fire Chief Fletcher were absent.

Roll Call by Clerk Wheeler.

Motion by Kirklin, second by Zimmerlin to approve the Agenda as presented. All yeas, motion carried.

Mayor Seagraves stated a lot of information will be presented to Council tonight. He stated this information is for review only right now, Council can think on it and discuss again at a future meeting.

Manager Burkholder thanked everyone for attending tonight's Work Session. He stated one objective Council Members wanted was for Staff to bring some figures for various options on revenue. He informed Finance Director Keaton has put together some information as Council previously requested on revenue options and if anyone has any questions to please ask.

Finance Director Keaton provided Council with a packet of information including the Moody's report, which assigned an A1 rating for our 2016 GO Bonds for the new fire station; revenue losses over the last few years including inheritance tax, loss of income tax revenues; credit challenges; an overview of House Bill 5 and how it affects us.

Finance Director Keaton provided a list of options to increase our revenue stream:

1. Property tax levies - requires vote by citizens. She provided a spreadsheet of our current value, millage from .25 to 10.00 and what that would generate. Examples would be Police, Fire and EMS, Streets, or Parks.
2. Increase Income Tax rate - requires vote by citizens. She informed increasing the Income Tax rate .25% would result in an additional \$426,489.
3. Income Tax Credit Reduction - can be voted on by Council. She informed the City of Vandalia is still gathering figures for us on an income tax credit reduction and she should have this information by the next Council Meeting.

Finance Director Keaton provided Council with a copy of a Levy Process Quick Reference Guide from the County Auditor. She recommended beginning the process a few months before the filing deadline to allow enough time to hold two Council Meetings. She informed local issues for the November 5 General Election must be certified to or filed with the Board of Elections by 4:00 p.m. on August 7, 2019.

Mayor Seagraves advised if when reviewing over the material, if Council has any questions, not to hesitate contacting the City Manager or Finance Director.

Member Schreier asked since the carry forward for businesses didn't start until 2017 and they have up to five years to start, does that mean we could have two more years before we know what the impact really is?

Finance Director Keaton informed there is also a phase in approach, so for 2017 they could only do 50% and then it gradually increases until they can do the entire loss. She informed she is awaiting information from Vandalia on our 10 top businesses, but they have all asked for extensions and because everyone is on different fiscal years, it can be a challenge.

Further discussion on net operating losses.

Member Kirklin stated that in looking over the list Finance Director Keaton provided of other municipalities and their Income Tax and levies, it seems most communities have some type of additional levies, credit reduction or bonds in place.

Finance Director Keaton stated there seems to be a big push right now because the state has taken away so much revenue from municipalities that they are having to look at other funding sources and a lot are going with income tax credit reductions.

Mayor Seagraves stated Council needs a plan to approach the citizens. He stated Council needs to be looking for ideas of the best way possible to help the citizens understand the financial process for Brookville because just looking at the numbers and reports can be very confusing. He stated most people do not understand the Water and Sewer Funds are completely separate funds and have to maintain themselves.

Member Schreier stated it needs to be determined what is required, what is the carryover, what is the needed capital expenses to expect and a list of priorities. He stated he thinks if the carryover is good, people will think we do not need the money and if the carryover starts to get depleted then people may start to understand we need additional funds.

Mayor Seagraves asked the minimum amount the City has to maintain in a carryover amount?

Finance Director Keaton advised three months, but she would prefer six months. She stated we have debt that has to be covered and transfers out of the General Fund continue to get larger.

Member Kirklin stated the City works hard to keep the carryover in check and there are things not done to try to keep the carryover there. She stated the list of needs need to be prioritized and then determined what did we need last year that we didn't do just to keep the carryover balance. She stated we can continue to not make improvements the City needs just to maintain a carryover balance, but that's not the correct answer because then we will just end up with even larger expenses.

Mayor Seagraves stated there will also always be unexpected expenses. He reminded the last few weeks of winter weather have caused excessive hours of overtime and it's those unexpected expenses that we have to ask, where does that money come from. He informed he can remember several years ago when the carryover balance was down to \$600,000, which was a bad situation. He stated he does not want to see that happen again. Mayor Seagraves stated expenditures continue to grow, but the revenue does not and we cannot kick the can, we are at a cross roads and need to make decision. He stated Council must go to the community. He stated maybe a levy isn't the best idea this year, but if people could truly understand what is going on and the need, then maybe next year would be better.

Member Fowler what are we doing to attract new businesses?

Member Schreier stated we have been working to improve our infrastructure.

Mayor Seagraves informed Zoning Officer Snedeker, Law Director Stephan and City Manager Burkholder actively work on Economic Development. He reminded the City had to build the new water tower in order to keep Payless. He stated now we can sustain and grow the Industrial Park.

Member Schreier informed the City now has a developed process to handle Site Seekers and with Site Seekers, we have to be able to provide information incredibly quick or we will lose out.

Manager Burkholder informed Zoning Officer Snedeker has Site Seekers requesting information all of the time. He stated Brookville also has close relationships with the Montgomery County Economic Development Department, Jobs Ohio, the Dayton Development Coalition and Business First. All of these relationships are a big help when working on Economic Development for new businesses as well as helping to grow our existing businesses because a lot of jobs are also created by business retention and expansion. He stated we have seen a positive growth of Payless and Green Tokai who have both had an increase of employees over the last few years. He stated one of the biggest challenges is work force and work force development and with the current economy everyone is competing for work force. He stated the City is also working with Jobs Ohio to help our local businesses find employees. He described our infrastructure pieces are really falling into place.

Mayor Seagraves stated some challenges are just out of our hands, for example, hourly pay or businesses retaining employees in a very competitive market.

Member Schreier stated the timeline of August as a deadline to have anything prepared to go on the ballot seems too soon. He suggested taking this year to communicate to citizens and utilizing the Blue Ribbon Committee to help share information. He stated the City seems to have enough carryover as a reserve for this year.

Member Zimmerlin asked if any transfers are made from the General Fund to the Water or Sewer Funds?

Finance Director Keaton advised no, she phased that out in the early 1990's because the Water and Sewer Funds are to sustain themselves.

Mayor Seagraves stated for many years in the past, Dayton would pass on a rate increase to the City of Brookville and the City did not pass it on to the citizens. He stated we have no control over the rates Dayton passes onto us and now, we need to give ourselves time to communicate this type of information to residents.

Member Schreier stated it is natural that rates will increase from Dayton and we need to pass that onto the residents with smaller maybe annual rate increases in order to keep increases small and not have large increases all at once.

Manager Burkholder informed along with rate increases from Dayton, we have to take into account inflation, increasing wages and benefits, electrical costs and cost of chemicals and then roll into capital improvements. He reminded Finance Director Keaton has provided Council with a copy of the Moody Report dated January 10, 2019, which is the annual comment on Brookville and is an index statistical financial overview of our entire City including our strengths and weaknesses. He informed unfolding retirement pensions is an example of a surprise that can hit a City and if there isn't a reserve to cover the costs, then we could be in trouble. For example, new mandates could come out on how much we have to contribute to our employees retirement accounts, which would be an unforeseen hit and we need to consider how to plan for possible future state mandates.

Manager Burkholder provided Council Member with a Fix Ohio Roads handout. He stated this is another unfortunate indication that there is not enough revenue coming in nation wide to fix our roads and bridges, which obviously has a trickle down effect on local governments. He stated the question of where funding comes from for infrastructure is not just in Brookville, but for communities all across Ohio.

Manager Burkholder provided updated cash flow projections from Paul Rennick, CPA from BHM CPA Group. He informed he agrees with Finance Director Keaton on a minimum reserve of three months, but preferably six. He reminded we are not in the full circle of our debt payments and need to be aware of what is coming down the pipes and plan for it.

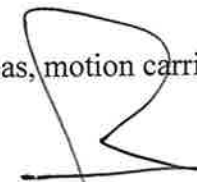
Manager Burkholder stated communicating our challenges to the public is critical. He informed a lot of the past cushions we have had from the state have been taken away and a lot more burdens are being pushed down to the local governments.

Manager Burkholder advised there are other options to consider in addition to what the Finance Director previously mentioned. He suggested creating a Storm Water Management Fund. He informed expenditures currently come from the Street Fund to fix catch basins, but that expense could come out of a Storm Water Management Fund, which would take relief off of the General Fund because major transfers have to come from the General Fund to be made into the Street Fund. He informed a Storm Water Manager Fund would sustain itself.

Mayor Seagraves thanked Manager Burkholder and Finance Director Keaton for the information tonight. He recommended Council review the information provided and plan to have another future discussion.

Motion by Zimmerlin, second by Kirklin to adjourn. All yeas, motion carried.



Meghan Wheeler, Clerk

David E. Seagraves, Mayor