

BUDGET REVIEW MEETING MINUTES

Monday, March 3, 2025 4:30pm

Council Chambers

The Newark City Budget Review Committee met at Newark City Council Chambers, located at 40 W Main Street, Newark, Ohio.

Present Members:

Mayor Jeff Hall	Member
Auditor Ryan Bubb	Member
Treasurer Brad Feightner	Member
Service Director David Rhodes	Member
Majority Leader Doug Marmie	Member
Minority Leader Bill Cost	Member
Mayor Admin Assist Jennifer Bubb	Secretary

Present:

HR Director Bill Spurgeon
Law Director Tricia Moore
Law Admin Assist Cindy Campbell
Councilman Spencer Barker
Councilwoman Beth Bline
Council President Jeff Harris
Deputy Auditor Jim Weisent
Aud Accounting Mgr Jackie Williams
Fire Chief Brandon Metzger
Fire Deputy Chief Doug Vermaaten
Water Administrator Brandon Fox
Safety Director Tim Hickman
Development Director Mark Mauter

CALL TO ORDER- 4:31 PM Mayor Jeff Hall called the meeting to order.

Discuss the 2025 City of Newark Budget.

Mayor Hall: The budget is something we do once a year, expense budgets are tied to revenue budgets. If your revenue budget is doing fine, that is one thing if it's down a little bit certainly you have to start investing on the expense side, or at least look at it. Everyone gets a monthly report and monthly is just throwing a dart at a date and time. You could have a huge deposit the day after the report or you could have a huge expense but it's the only way we can to do it. Certainly, from the administration down in to the departments they all work pretty hard and look at their budgets all the time and each of the line items. On revenue collections obviously, income tax is a big piece of our revenue although we have other methods too. Property taxes are twice a year we see revenue after that twice a year but we allocate those across the year. Income taxes are deposited every day. January was down a little bit and February has caught back up. I want everyone to think about the payroll side. Some months you have 3 payrolls sometimes you have two. Two months a year you have 3 payrolls. It's the timing and the flow. With that I appreciate the auditor's department working hard with that and watching our budgets all the time and putting flags up and sending alarms when something looks of a concern. They're projecting out farther and we're looking at that too. Obviously not just a year but a couple of years out. I want everyone to understand your budget is your budget what you don't spend in a year it's in the carryover to the next year that helps Being efficient is always good. We never know exactly what we're going to run in to a lot of times. We do anticipated expense budget based on anticipated revenue not actual revenue then we go back and adjust that accordingly.

Auditor Bubb: Six months ago, our office started looking a couple years out. Next year has been a concern of mine for a few reasons. Number one, we have a 27 payroll over a million dollars, that's huge. We are going to have raises that will come in to play, well deserved raises, not really the problem on the expense side, it's the revenue coming forth. Health insurance, that's another expense. We have 2 more complete rescue units that

will come in to play, add more to our capital improvements. Right now, with the carryover we're projecting about a 9million dollar deficit. As the custodian of the city's finances I wanted to get together with everybody. It's not my deal to implement what we do this year, how we save money to prepare for next year, although we can give ideas - I'll get in to that here in a couple of minutes, but we have a concern and I certainly don't want to wait until October, November and say here it is. We're getting way ahead of the game now as we did last fall. It's not an expense issue in my opinion, we have a revenue issue. It's easy for someone to say we need more taxes but that's not on the ballot this year. We've had a few discussions on some ways we can get thru this, there's always a carryover that occurs. Do we put that in the unappropriated balance now so if someone needs that they can come forth and get that? Do we watch the hiring practices? I have a calculation hand out to pass out. If we did a 10, 15% cut to each budget without personnel, just basic expenses, nothing to do with personnel. As the Mayor said, the income tax did get kind of back on track this month we are up 7% of our projected, where we are going to get to this year. We had a 29.5 million-dollar certification so we're up 7% from last year. Mr. Rhodes, I appreciate your efforts, I know you are looking on doing some more work in house. We are already starting to feel it this year, I mean in preparation. Mayor had to make some cuts from last year's budget that directly effects paving, there's no police cruisers. I don't want to sound doom and gloom. I hope everybody looks at this as a challenge, it's going to be a tough year. I guess we're happy we are working on this now. (passing out documents). Feel free, we're here to answer any questions. We are the custodians of the money, how the management implementation of city operations that would fall under the Mayor and or his administration. Council, there's always legislative power if you adversely think this effects what you've promised your constituents you have that power such as police raises that occurred last year. (passing out documents) in this document that shows this deficit, we have incorporated an arbitrated 4% raise in there for police fire afsmc have, again we're just putting a number in there to guess, whether it's more or whether it's less.

Councilman Marmie: I would just like to make a few comments. I'm going to agree with Auditor Bubb and his team has suggested. Last year, with the fire chief, we met about the problem with overtime. We had discussions and we talked about something similar. The longer we waited to do something the more it costs, as far as big chunks and also it could have cost us even more than if we started early and the chief saw that and made some decisions early to be proactive. I think that's where we are at right now, we need to do some things that are proactive in making sure that we do have some cost savings or making sure that we are preparing for the worst almost and anticipating the best. We don't know about revenue it seems like every month Intel people are pushing back their date and pushing it back, but other things are coming even without Intel.

Our economy is growing I believe around here and we're doing some of the positive things. As a legislator, you can't take back something that you already gave especially if there are things in contracts. We can give pay raises or do things but we can't take money back when it's contractually in place, so our hands are tied a little bit there. We also don't want to over step our bounds and tell the Mayor and his administration that you're going to have to live with a smaller budget or do this or that. we want to work with the administration and their priorities and support anything and collectively come up with solutions. I think it would be very difficult for us to be able to say that we just need to cut this amount or not appropriate any more funds for this or that, those might be priorities that need to be done and the administration knows because they see it first hand and they're on the ground actually doing the work and getting the work done. But I do believe we do need to take action and start doing things and making sure that, if better days come we'll be happy we made these steps. We don't want to be caught in October with no solutions because we waited too long.

Auditor Bubb: The 15% savings that I passed out to everyone, that brings just about 1.6 million back to the unappropriated balance.

Mayor: I'd like to make a comment on the enterprise fund. The cost of construction costs more whether it's stormwater or water. We watch that and that's always looking at potentially raising rates, it's like everything else everything is costing a lot more to fix and take care of. We just want everybody included and keep you updated. It's something we deal with every day. This isn't the end of this discussion at all, it's going to keep happening. But the sooner we make minor adjustments the better it is. Intel is going to cost us a little bit, anybody that lives in Newark and works at Intel, we're happy people will be doing that, pay some. We anticipate things to happen about a thousand apartments being built in Newark. Once people get in them, in a year something like that, they'll start paying some revenue. The hardest thing about Newark always is our five top employers are nonprofits and that is very complicated. They obviously do withholdings, people pay taxes as they work payroll taxes but they do not pay a net profit tax. And then there's cost that we have to do with development to pay ahead a little bit before we get the revenue. The Arcade comes up could have upwards to 80-100 employees in it that will be paying income tax. But they all need places to park so we don't have

shoppers come downtown and go I can't find a parking place so I'm not going to ever shop here again. There's projections we need to do in development. Other cities pay that other cities do tax breaks, we're not really doing that. We're certainly open to talk to anyone and appreciate everyone just being a little tighter a little leaner and as we get thru this and every month we look at this and see where we stand on revenue and expenses.

Councilman Barker: We have a tax credit that goes out to people who live in the city but work outside the city. Which projected through the Treasurer's office we have some number of if we were to repeal that about 2 million, 2.1 in additional revenue back in to the city. Is that something, I know there are some members of council who are for it and I know there are some who necessarily aren't, that's a real easy way to claw back some revenue, is that something you would support?

Mayor: I would not. The best place to look at municipal taxes across the state or a rate is to go in to the Columbus income tax site. it has a long list, it'll show you all the taxes and it'll show all the credits. And I would be challenged to find another city that charged over one percent that didn't have a credit. So we would stand us out I have always said not everybody looks at that in the weeds but for instance they're going to look in the next month or two when they pay their taxes. The hard thing with us a little bit it's not a slight for it but we have a one percent school tax. Heath does not. There are communities that do it communities that don't. but that's an extra one percent that you are paying that I call to local. You want to be sure, we have a fair amount of people that commute to Columbus or west here out of the community to work and if they had jobs in Newark that paid the same they'd work here, they pay wear and tear on their car, gas and if they're working in Columbus they pay two and a half income tax they pay point seven five her net and one percent school tax living here. When you add all of that together if you take that one percent credit out they're going to pay another one percent. Different people have different opinions on that. I just don't want to discourage people from wanting to live here and commute to Columbus for work. And don't forget the middle of the road, Pataskala, that you could move to too. That's my opinion. Do I think Newark should have a two percent income tax, probably, and if you look across other cities, I don't know that it could get passed because the citizens have to chime in on that and pay on that and usually unless you have potholes everywhere or default on your debt payments at times do people want to raise taxes? Of course, there's been property tax increases in the last year that are pretty tough. That's just my personal opinion. I just don't want to discourage living in Newark.

Auditor Bubb: Income tax levy would have to go to voters, a tax credit is a legislative action. Council has the ability to change that tax credit.

Councilman Marmie: I've talked to Brad, the Treasurer, do we have accurate numbers on how many individuals that impacts?

Treasurer Feightner: yes, we do and it's about 4500 citizens

Mayor: Heath for instance has a two percent tax rate they have a one and a half percent credit just as our neighboring city.

Councilman Marmie: A lot of the growth in the area, we don't have a whole lot of opportunity to grow geographically we can only grow from within and I know we are looking at the development of housing that is a less of a burden on the tax payers as far as the downtown housing and things like that. Where it does impact, the people who make the decisions the most when they see that credit or they don't see that credit are the higher income. If someone is making two hundred thousand dollars and they decide they want to live in the city of Newark or they want to live in the township it's a five thousand dollar a year difference over ten years that's fifty thousand dollars, that's something that's huge. And that's only on two hundred thousand income, we hope we can attract some folks that are making even more money than that. The purpose for that, like the Mayor said, if we want to be like other communities I think the two point four million dollars is a little bit of a band aid fix. I think that eventually that two point four million dollars in what it would cost us as far as attracting other citizens here it would be a wash in about five years. We need a true fix to the problem as far as generating income. I know that every dollar helps but I also look after what is the best way to generate revenue in the future.

Mayor: I think we're headed in the right direction. I just think it's taking longer to get there. When you've got a thousand apartments being built right now that's pretty good stuff. It takes developers they want an interest in Newark to want to do that those people if they live and work in Newark obviously it's 1.75 if they commute it's .75. of their income tax that they pay to us we got concessions off those developers for road development to offset some costs. We aren't giving them income tax breaks to achieve that development in the city. We want to be sure we are heading in the right direction and that we are a welcoming city. (gives examples)

Kevin: will the city get any revenue from the marijuana tax? When that might hit, how much it will be?

Mayor: if you have dispensaries, as of today, you get 36% of the 10% of that pot, but the state had something out the other day that they might want to yank that.

Councilman Marmie: the State Auditor came out and they started collecting that tax midway last year. Their fiscal year runs from July to June so nothing's actually due until June of 2025 and the Auditor has deemed that they can hold on to the money for awhile there's no timing of when it has to be released so it wasn't real clear but it indicated that there will be numbers provided as of December 31 for the January thru July basically so I read in to that that we would not see anything until 2026 and it's going to be 3.6% of whatever the sales are of the 3 dispensaries are in our area. Just for the recreational, not the medical, because that's the only portion that there's a 10% tax on that has been levied. It could be hundreds of thousands of dollars, it's not going to be millions. I just don't see that much revenue because from what I'm hearing of the three dispensaries none of them are killing it necessarily I don't think all three are generating a huge revenue. The good news is we don't have to earmark it, we don't have to use it for anything specific, it can literally go anywhere in our budget which is good. We haven't seen any kind of increased expense or need because we have those three dispensaries in our area so that's been another good thing. no additional law enforcement or ems for some reason, or whatever, nothing, we haven't seen anything that has triggered any kind of a spike.

Treasurer Feightner: On the income tax side, we are trying a lot of different things to increase that income tax revenue. Part of it's working with the water department getting lists of people of those having water turned on. Because the last statistic I heard that half of them are residents they rent they're tenants and so that's difficult for our office to know unless they tell us when they file that they're a resident and they owe us income tax. There's a lot of different ways we've been trying to increase the income tax revenue thru compliance thru the water department and things like that so we are working on it and it shows, we've had an increase year after year, we have to be conservative with those estimates we don't want to end up with a 25% shortfall towards the end of the year.

Mayor: Brad and his team are doing a great job of pursuing delinquencies. When people don't report or pay it's difficult to track that. We do collect for JEDZ1 and 2, we get a small percentage, but that does help us still. So growth in other parts, Etna and Pataskala, help us a little bit.

Director Mauter: speaking to Treasurer Feightner, in my experience in the building business, for me to build in Granville, everything starts with a zoning permit. Without a zoning permit I can't get a building permit to continue on. In order to get a zoning permit, every contractor has to fill out a form where they list every subcontractor that's going to be doing work on that site, with a name and an address and contact information and then a dollar figure associated with that contractor, excavation, abc company 50,000.00. ok so they're now on record and that's for every single project. That's probably somewhere where we can tighten things up because right now we're sort of on the honor system. I did a quick calculation the other day for a report to the Newark Development Partners I give them a figure of about three hundred million dollars that's going to be taking place here in the Newark area rule of thumb let's say half of that is delivered so one hundred fifty million dollars so do the numbers are we collecting our fair share of that. it's a really easy system I've got the forms that Granville uses really simple and you get that on record, unless George Carter has that paperwork, contractors don't get a permit. I can sit down with you if you like, let me get you those forms and let's get this thing in to place.

Councilman Marmie: yes, we're going to have to raise taxes or put something out there in the near future. We can't rely on short term fixes. We've done so many private public partnerships, we've merged with the county, we've cut a tremendous number of ways in the last ten years when the state took away our local funding we had to find ways to do that. We have pretty much gone almost the gamut with that, there's probably still a little bit more wiggle room but we're still not generating enough revenue. It's more a revenue issue, our expenses, we're not just wasting a ton of money. I still think we're going to need to do something to increase our revenue and we all have to be on board with that. No one likes raising taxes. You all know me and how conservative I am and you're probably shocked that I'm the one saying this is what needs to be done but it is. We've done cut, and we're growing, and that's the other problem, we're trying to get ahead of the growth but it costs money like the Mayor said. If we don't get ahead of it we're going to fall behind we're going to be a community of last choice instead of a community of choice. We need to do things, we need to make sure our safety forces are growing in line with the growth in the city and everything else that we want, we anticipate, but you've got to spend money

to make money. That's where we are at and that's where we're going to have to go in the near future. I'll also put out there it's going to rely on our safety forces, it's a safety levy, because our safety forces is over 50% of our budget and we only have half a percent as far as on our safety income tax. It's going to fall on that because that is, we may even want to consider splitting up the budgets in to a safety forces budget and the remainder of the general fund budget because that's how big our safety budget is and that's also our number one priority, it's the safety of our citizens. We need to make sure we protect that part of the budget. 50% of our budget being safety forces, the remainder is having a hard time struggling because we have to have the safety forces and we need to make sure that is taken care of. You're welcome to disagree with me and I don't mind that I'm just sharing my thoughts and opinions on where we have to go in the future.

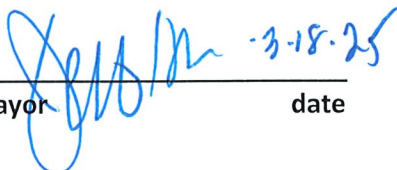
Mayor: one more thing, we are pretty lucky in Central Ohio here. There's a lot of jobs. Just so everyone knows over the next (inaudible) years the population of Ohio is supposed to decrease by more than 5% so you think about how much we of all the things we say we're going to grow in Central imagine all that outlying area of Ohio that is going to decline by another 5% so those cities have very hard financial times very tough things going on. Indiana is going to grow by about 5.5% during that same time. So, we're still working it trying all the different things we just want you to understand that tightening of the belt, if we don't do this we don't want to run in to the end of the year and have problems. I hate to be blunt but that's the only solution that is left how we going to do that we don't have a bunch of fat everybody's said that we work pretty lean appreciate all of you for doing that but it's early in the year we just want to see how this plays out a little bit work thru it a little bit appreciate everyone being conservative as we go thru this. It's the old story we all know what to do with extra money but when you run short that's very tough time and there aren't many solutions to it. Heads up the sooner we talk about it the sooner we do everybody does a little reaction it all adds together and works wonderful on our budget. We are kind of a tween city you know we are a unique city in this size if I work here and live in Heath I'm only paying .75 to Newark I'm having to commute to Heath so Mount Vernon doesn't have a suburb like that a lot of towns don't it's just a unique make up of the finances a little bit I think it's a benefit as people we move in to these areas but it's also a bit of a challenge on revenue sometimes.

Auditor Bubb: I don't think I have anything else I appreciate everyone's time I look at this as a challenge you're wanting to hold off on doing anything with the fifteen percent on department budgets at this point.

Mayor: I think we'll all talk a little bit I want everybody to look at it be really tight and look at it and see some departments can handle that some can't it just depends on where the flexibility is on that. We'll get out and talk to each of you thru the Directors and different things and see how we can tighten up just a little bit to make that carry over better we can sit here and do nothing and have a fine 2025 but when 2026 comes we're all going to take big cuts and let's not do that. Let's smooth it out a little bit starting now so that 2026 is just as fruitful as 2025.

Auditor Bubb: I certainly appreciate everyone's time and coming out. If anyone has any questions as we have been we will continue to stay on top of this and we're not going to let this issue go away we're very transparent this could be a very challenging year for the administration thank you.

ADJOURNMENT 5:13PM

 -3-18-25

Mayor date