



To: Huron City Council
Cc: Finance Committee, Department Heads
From: Matt Lasko, City Manager
Re: Recommended FY 2024 Budget
Date: November 30, 2023

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 2024 Budget. The 2024 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 2024 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 2024 budget was presented through an online interactive platform, called OpenGov¹, 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 2024, this budget additionally forecasts the impact of its adoption through 2033. Detailed plans have been analyzed and included for all City operations on an annual basis for 2024 through 2033. 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 2033. 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 an 18% reserve or higher through 2033. The City is requesting a one-time capital transfer for future projects planned for 2024 and beyond and a transfer to the payroll stabilization fund thereby reducing the General Fund balance to minimally, the required maximum. This reserve has a direct impact to the City's Bond Rating and spending plans and is trending in a positive direction. In 2023, the City received a positive outlook on the City's current AA3 rating. We are hopeful this will result in a rating upgrade in 2024.

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

¹ [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 2024 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 increasingly becoming necessary for operational needs in areas that are traditionally supported by other taxes and contributions. The City’s General Fund subsidized over \$225,000 of operations for the Parks and Recreation Department and Street Department in 2023. As shown in each department’s budget summary¹, this is not a sustainable practice. The 2024 budget book was recommended to Council by the Finance Committee with a request to explore other revenue sources in order to fiscally manage operational needs and fund major capital projects in the City’s the master plan.

Financial Performance – A Review 2023

General Fund Performance: Staff has projected that we will end FY 2023 with over \$1.9 million in unencumbered fund balance, a factor of 29%. 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 without additional revenue sources such as grants, low-interest loans, or increased income taxes will lower the General Fund reserve balance under 15% by 2029.

Revenues: The City’s major revenue sources, such as income taxes and utility charges, have seen inflationary increases over the past year. 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. 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.

Notable revenue increases in 2023 include interest earnings (+\$200,000 from 2022) and water sales (+\$400,000 from 2022). The City received federal and state grants during the year for the fish cleaning station and Sawmill Parkway improvements. The City also received contributions from the Townships for the joint recreation district and replacement of Fabens tennis courts.

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 7% increase in income tax collections for 2023. The reason for the 7% increase is mostly due to the annexation of the Sawmill Creek Resort (+\$60,000 in withholdings for 2023) and continued expansion and production at the Ardagh facility on Sawmill Parkway. Growth in existing commercial businesses such as Mucci Farms and Firelands Scientific also played a factor. The City is anticipating a 2% increase in income tax revenue 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 2023/2024: The City's Finance Committee and Council approved the first water rate increase in fifteen (15) years. Starting in 2023, annual water rates will increase 5% annually for ten (10) consecutive years – although these rates will be studied tri-annually to determine if additional measures (in the form of increases or decreases) are warranted. 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, Old Platt water line replacement, construction of a new 2-million gallon elevated water tank on the west side of town and the Superior Avenue water line replacement. 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.

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 will also begin 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, 3) aid in the City's strategic land acquisition efforts at Oster's mobile home park.

Finally, the City began work on various capital projects throughout the City. The South Main Street Corridor Plan was adopted in 2023 and the project is expected to begin construction in 2024/2025. 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 Showboat and Lakefront Park. Two other major capital projects are finishing the design process for construction in 2024 which include the S. Main Waterline replacement project (which includes road replacement for Valley View, Hickory and Forest Hills) and major road reconstruction work in the Chaska, Old Homestead I and Old Homestead II neighborhoods.

Budget 2024

The 2024 budget was built with a mindset of cautious optimism, especially with the uncertainty of current economic inflationary trends. The City is ending 2023 in a strong financial position to implement the 2024 budget. In 2023, income tax continues to grow with inflation. However, revenue shortfalls in other operational funds and rising healthcare costs require more subsidy from the General Fund in 2023 and 2024. Items of note in the 2024 budget include:

Property Tax Revenue: Real property valuations are anticipated to slightly increase in 2024. County Auditor estimates as of October 2023 do not show much of an increase in property tax revenues, therefore, the City is projecting a 2% increase in property tax proceeds for 2024 in the General Fund. Property tax revenue for the Fire Levy Fund is expected to remain the same. Property tax revenue for 2024 is expected to exceed \$1 million for all funds.

Income Tax Revenue: Staff conservatively forecasted this vitally important revenue stream for 2023. However, 2023 income tax revenue is projected at over 7% from 2022 actuals and the City is budgeting a 2% increase in 2024 from the 2023 projections, at \$4.1 million. Growing payroll at Mucci Farms and Ardagh along with annexation of Sawmill Creek Resort justified a 7% projection in 2023.

Personnel: The 2024 budget includes proposed additions to the City's workforce to strengthen City services, as follows:

- 1 FT Service Maintenance Foreman – Budget impact = +\$120,00 (General Fund and Service Funds). A similar position was included in the 2023 budget. The City will continue to monitor the need for this position throughout 2024 as we explore the creation of a unified maintenance department.
- 1 FT Administrative Assistant/Communication position – Budget impact = +\$80,00 (General Fund).
- 1 FT Patrolman – Budget impact = +\$100,00 (General Fund).
- Increase in part-time firefighter wages.

Parks and Recreation Revenue: Overall, Parks and Recreation budgeted revenue decreased from 2022 by \$50,000 in 2023. This is mostly 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 in the foreseeable future. . The 2024 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 2024. 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 2023 and continuing in 2024, 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 2024 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 2023, the City spent over \$1.2 million on new vehicles and equipment, including two new ambulances and a new City website. The recommended 2024 budget includes the purchase of one (1) new police cruiser, one (1) new water truck, and replacement of turnout gear for Fire, totaling over \$500,000 in capital asset expenditures. The City has applied for grant funds to mitigate the costs of the turnout gear however the budget currently conservatively assumes no grant award.

Capital Projects: The 2024 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 committed to spending over \$20 million on major capital improvements in 2024. Major 2024 capital expenses include a major local road resurfacing program, east side sidewalk extension, Berlin Rd. park improvements, S. Main Street streetscape engineering and construction, Rt. 6 Phase II design and \$14 million in various water projects (e.g. S. Main St. waterline replacement).

Debt Management: Starting in 2014, the City began a strategy to invest in critical capital infrastructure that had been under invested 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 2023, Moody's confirmed the City's current rating of AA3 with a positive outlook. With a positive outlook the City's credit rating could improve in 2024 if current financial factors remain consistent. Currently, the City 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. Debt planned for 2024 includes local street resurfacing and South Main St. improvements.

Future Policy Discussions: The staff also looks forward to engaging Council in 2024 on several larger, and impactful project and policy discussions including but not limited to the list below. The Finance Committee recommended the 2024 budget to Council and also recommended Council to further review and consider the first item 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 Rate (study in progress)
- City Organizational Structure
- Long-term dispatching strategy
- Conagra Redevelopment Service/Maintenance Facility Construction
- Capital Improvement Program Financing Plan (continued discussion)

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 Cory Swaisgood and his staff specifically. I also want to thank the Finance Committee who have been tremendous stewards of the 2024 budget process and have brought forth expertise and thought-provoking considerations and dialogue.