

**Minutes of the Meeting of the Finance Committee of Council  
Held in the Caucus Room of the Municipal Building  
On Monday, May 13, 2019**

Councilwoman-at-Large Tammy Holtzmeier, called the meeting to order at 6:32 P.M.

Committee Members Present:

Chairman, Ward 2 Councilman Dennis McBride

Ward 1 Councilman Bob Butkowski; Councilwoman-at-Large Tammy Holtzmeier

Others in Attendance:

Law Director John Gasior; Ward 3 Councilman Tony Moore; Resident Tom Smith; Councilman-at-Large Brian Fischer; Asst. Finance Director Beth Raicevich; Treasurer Megan Zeck; Finance Director Bill Logan; Council President Craig Witherspoon; Mayor Bryan Jensen; Ward 4 Councilman Scott Radcliffe; Service Director Mike Farmer

Introduction of Treasurer

Council President Craig Witherspoon stated that he thought it would be a good opportunity this evening to introduce Treasurer Megan Zeck to everyone as they may not have met her. He said that she does a great job for us and if anyone had any questions for her, now would be the time to ask. Mrs. Holtzmeier thanked Ms. Zeck for the reconciliations and keeping everything available and welcomed her to this meeting.

**Investment Policy Review**

Mr. Logan stated that, with the investment policy, the only thing he wanted to talk about right now was that he is proposing one change in it. We are permitted to invest in instruments of Ohio government agencies such as municipalities, counties, and different State agencies which have a Moody's rating of AA2 or better. He said that he is proposing to relax that a little and let the City invest in credit ratings down to the A3 level, which is still rated as upper medium grade and low credit risk as far as the Moody's rating goes. Again, we are only talking about Ohio government agencies. Interest rates are better now; we are earning a lot more interest than we have in the last couple years. He is just proposing this now and it is something we can talk about again in another meeting to go over investment policies in more depth.

Mr. Butkowski asked what type of interest rate we are looking at going from an AA2 down to an A3 and Mr. Logan said maybe a 2.75 to 3.50 or something like that. Mr. Radcliffe asked if there was any lack of finding investments that are currently the AA2 or better and Mr. Logan responded that there are more offerings when you can expand it down to the A3 level. Mr. Witherspoon asked what they would have to do to allow Mr. Logan to move forward with this proposal. Mr. Logan said that he would ask the Finance Committee to say whether they were in favor of it and then he would get together with the Law Director to create an Ordinance to amend the Code. Mayor Jensen added that, before it comes forward, we would make sure that the Committee gets a list of potential investments so you can compare them and make sure you are comfortable with it.

Mrs. Holtzmeier said that in looking at the A3, it does increase the risk but not exponentially. She stated that where she would want to put in a safeguard is to note how long have they had their A3 status, and that is if, in essence, they have changed maybe in the last fiscal year and have been downgraded.

Mr. Radcliffe stated that we may also want to quantify a percentage of how many investments we would want to see that would go below the AA2, perhaps as a percentage of the total number of investments that we have. Mr. Logan said, yes, and that is why he said he would like to schedule another meeting in a few weeks to go into the investments a little more. Mayor Jensen said that you may even want to limit the amount of money that could be invested at the lower ratings. Mr. Logan stated that right now our investments are mainly in federal agencies with bonds and notes. Out of the \$10 million that we currently have invested, we have \$1.5 million in two different Ohio government entities, both AA2 or better. So this is just something that would let us mix it up a little more, but we can set some parameters around it. He said he would follow up with some information on it and then we can combine another meeting about the investment policy with an audit update somewhere probably in the middle of June.

### **Water/Sewer/Storm Sewer – Rental Accounts**

Mr. Logan said that the only thing he wanted to mention for this item is that Mr. Gasior has reworked Ordinance No. 34-19 from a few weeks ago, when we were first thinking about taking on a deposit from a renter. We have done some research and talked to other cities, and we feel the better route to go is not to open a new account in a renter's name but only in the property owner's name. He said that he would like to present this Ordinance next week at the Work Session and if Council passes it, for new renters, we would only set the account up in the property owner's name. We will not go back and go through everybody who is currently renting. Again, this is single-family or duplex type of rentals, not the apartment buildings. We tend to get burned more frequently from renters than from property owners, who are ultimately responsible. This protects us a little better and in the long run, he thought that it is better for the property owners as they can incorporate the utilities into their rent. And the Ordinance cleans up a little language, too; we added the fact that we now have stormwater utility and are billing for that.

### **NOPEC Energized Community Grant**

Mr. Logan stated that we have a grant for \$84,000. and we would like to use it toward purchase and installation of street lighting for Detroit Road. Mr. Farmer has a quote for 4 units of the street lighting package for \$22,000. and Mr. Logan said that he and Mayor Jensen thought that they could submit our grant application, which has to be in by October, for 8 of those packages and then the installation part would take us up to the \$84,000. Mr. McBride asked what each of the lighting packages encompasses and Mayor Jensen said that it holds a banner and the hanging baskets. He said that what we are trying to do is transfer the look we have on the north side of Detroit Road to the south side, so there will be no electric lines over the top and will include everything that we put on. We are trying to give it more of a "downtown look". Mr. Radcliffe asked about the location of the lighting on Detroit Road and the Mayor said that they are finding the center point and going outward. When it is finished, it would go from Middleton all the way to French Creek Road, and then it would go a little bit down 611 up to where the library is; that is all in the French Creek District.

Mr. Butkowski asked if the packages allow Christmas lights to be put on the poles and Mr. Farmer answered that, as the Mayor said, they are going to be set up for banner arms, for flower pots, for flag holders and probably have an outlet in there so that we can do other things. Mayor Jensen added, and

wreaths will be able to be attached to them. Mr. McBride asked if we are going to select a style and a color so it will remain the same. Mr. Farmer said that it is going to be more of an antique type fixture and the height is 32 ft. so it is going to light up across the street, the sidewalk and Detroit Road. Mayor Jensen stated that before we do it, we are going to meet with the French Creek Foundation and have them choose something. We then will show Council what has been picked out to make sure that everybody is satisfied with the choice. And we can install this lighting other places if that is the way Council wants to go in the future.

### **Landmarks Preservation Commission Pay**

Mayor Jensen stated that when raises have been given in the past years, we have never done anything with the Landmarks Preservation Commission. He said that he is having difficulty in finding people to volunteer for this Commission but he is not sure that money has everything to do with it. Mr. Logan stated that the Chairman of the LPC receives \$975. a year and the other three members receive \$650. a year. The Mayor said that they can talk again at the next Finance Committee meeting but they were thinking the pay should be \$1,200. a year for the Chairman and \$700-\$800. a year for the other members. Also, we might want to start including a raise for the LPC along with everything else, where we give a percentage raise on a continual basis. Mr. McBride noted that makes sense to just put an escalator in it so it does not get left behind. Mayor Jensen said that in a couple weeks, they will have a formal proposal.

Mrs. Holtzmeier noted that the points about the water/sewer/storm water accounts, the NOPEC Energized Community Grant and the Landmarks Preservation Commission pay did not require a vote of this Committee but is there any reason not to forward those for recommendations to Council as a Whole? Mr. McBride responded that, yes, there is housekeeping to come back; there is information that needs to come back to us.

### **Sanitary Sewer Tap Fees**

Mr. Logan handed out a summary sheet and said that this kind of came about through the assessments for the 36 properties on French Creek Road. There was the overall public meeting and we met with a few of the residents individually and the whole talk was, "How can I afford this? How can I do this now?" They have to make the connection to the sewer, they have to disengage the septic tank, and they have the assessment for the project itself, which is approximately \$5,700. over a 20-year period. And then they have the tap fees and as everybody here knows, you have to pay a sanitary sewer tap fee to both the City of Avon and the City of North Ridgeville since North Ridgeville owns the interceptor and the treatment plant. The fees that are on this sheet are today's fees. The Avon fee may change in July based on the Cleveland Construction Cost Index but he said he does not think it will go up a lot. And North Ridgeville's fee most likely will change in December. So we talked about some different alternatives. We talked with our legal counsel, Calfee, Halter, about the idea of doing a voluntary assessment such as this. We need to talk about who would qualify but what he tried to show on this summary sheet is if you assessed the tap fees as they are today, over a 10 year period, with a 3% interest rate, then the semi-annual payment would be \$289.32 plus the County's service charge fee of \$5.79. Also shown is what it would be at a 2% interest rate, and a 1% interest rate, and over the 10 year period, what the total payment would be.

Mr. Logan said that they tried to model this somewhat after how we assess the sidewalks right now. Sidewalk assessments are mostly voluntary, although sometimes they are not. The last couple of years where the City has put in sidewalks and billed the residents, if the resident has not paid us, we would assess those. But in any event, that sidewalk assessment is a 10-year assessment and it works very much

this same way. So this is the idea that we talked about with some of the residents from French Creek Road as a way to try to alleviate all the money up front. Also, keep in mind, that the tap would not have to be paid until the homeowner is ready to tap in, meaning the entire project would be done. Mr. Logan then said that Tom Smith is here from Detroit Road. He lives on Detroit Road near the Avondale Development and he is in that same sort of boat, where the sewer was brought up there and he has been asked to connect. He asked Mr. Smith how long the County Health Department has given him until he has to connect and Mr. Smith said 90 days from receiving the letter from the Health Department and he received the letter in March. He said that he has had an estimate for the existing tanks, connecting, putting in the cleanouts and the backflow, etc. so he has that taken care of but he certainly has an interest in possibly deferring the cost of the tap fee over a 10 year period if he could to that.

Mayor Jensen said that they felt like this needed to be the model moving forward. Anybody that is on an old septic system should have the same opportunity and so if we get French Creek Road done and in place, that should be the model that we can use for Elizabeth, Puth, and Joseph, and then any other places that the EPA might mandate that should be changed or as Council might say that we need to add another section to the sanitary sewer. Mr. Butkowski asked if we had a number of how many septic tanks there are in the City of Avon right now and Mr. Logan said somewhere between 600 and 1,000, but we are going to narrow that down. Mayor Jensen said that the County Health Department should have that number because they have to inspect those. Mr. McBride said that obviously new development is not our issue but if someone is building a single home, they should have to pay everything; there should be no deferment. Mayor Jensen said, no, this would only be on an existing home that would be on a septic system. Mr. McBride stated that he thought that we need to make that expressly clear. Mr. Butkowski said that he would add the caveat that if this current homeowner was to sell their home, that whatever would be left on that assessment would be brought up to date at that time. Mr. McBride said that would be a lien so that would need to be paid. Mr. Logan stated that it would be disclosed as part of the transfer of that property and it would go over to the buyer. Mr. Butkowski noted that if there are 1,000 homes that have septic systems right now times \$5,000., that is \$5 million dollars that the City has out there at risk and all he is suggesting is that if you currently have a septic system, that system would stay in place up until the time that the house was sold and then whatever was left on that assessment would have to be paid off. Mr. Gasior stated that we will figure it all out. All we have focused on up to this point is getting an Ordinance passed where we simply give the person the opportunity to put it on their tax duplicate.

Mayor Jensen said he thought that Council needs to put a limit on the amount of money that we are willing to do. If you look at the projects that we have going, we have Elizabeth, Puth, and Joseph, we have French Creek Road, the possibility of Williams Ct. and maybe a couple other stragglers out there. We would only loan up to the limit that we set, then once money comes back in, maybe just keep putting that back out, but limit it so the City's risk is at a set amount. Mr. Logan stated that we can never have more than x number of dollars outstanding at any time so if all 36 people did it from French Creek Road and maybe Mr. Smith, maybe our limit is whatever that total is. We will want to go with the numbers and then come back to Council with those numbers and say Elizabeth, Puth, and Joseph, Williams Ct. and a couple other stragglers and then come back and say, is this too much to be stretched out? Mr. Logan said, and what we are really out is our tap but also the tap for North Ridgeville because if somebody takes advantage of this, the City is going to pay North Ridgeville. Mr. Gasior said, and that is another issue that we have to look into is whether North Ridgeville provides that lead for the assessment on their bill. Mr. Logan noted that their Ordinance reads that they are going to assess it 30 days after you have submitted your application if you have not paid. Mr. Gasior said that the problem is that we have Ordinances on our books that require us to notify North Ridgeville and collect the money for them. Contrary to our

Ordinance, we do not collect the money for them; we send them to North Ridgeville to pay it and then we get a receipt and then we issue ours. Our Ordinance does not mirror what we do in practice. We changed practices without changing the legislation. So what we are trying to do here is address the issue but we are also looking back at some old Ordinances on the books that have to be addressed as well.

Mr. Logan said that the other thing that we have to keep in mind, particularly when we get to the Elizabeth, Puth, and Joseph project, is that you can only assess up to one third of the total market value of the property and depending on what our assessments are going to end up being for Elizabeth, Puth, and Joseph, we may be pushing that limit.

Mrs. Holtzmeier asked Mr. Smith if he had anything to add about his own situation. Mr. Smith stated that his property is situated on the south side of Detroit Road across from Avondale, immediately east of the CEI substation. He said that he keeps his septic tanks maintained; they are inspected and he has them pumped out every 3 to 5 years. So the system is working fine and he does not have a problem protecting ground water. He has kind of adopted the section of Kline Ditch behind his house and cleans it because he likes to try to keep the environment and our waterways clean and so he does not have a problem with the sewer. He thinks it is important to be tied into a sewer system. He just wants to be able to defer some of the tap fee cost and maybe have some special assessment on his property tax and be able to pay it off over 10 years as opposed to coming up with the lump sum all at once along with what he is going to be paying for the construction, which is going to be about \$10,000.

Mr. Logan said that he thought, overall, that assessing the tap fees is something that we want to entertain but he agrees with the Mayor that we do have to set a limit. Mr. Gasior asked Mr. Logan if he would be appropriating the money at the end of the year in the budget because that way he could keep a running balance and would see how much money you have from the previous year and deal with it that way. Mr. Logan said that we would probably set up a sub-fund of the sanitary sewer; it would have to run through our sanitary sewer operations. Mayor Jensen stated that he would rather see it tied to the sanitary, to the Utilities Department side of it. Mr. Logan said, and we would be at least a year behind in all this because we would grant the assessment, make the payment and install the tap and then it is a year before we are collecting the taxes on the assessment itself, so we are already fronting a year so he thinks we do have to have a revolving kind of limit. Mr. Gasior added that he is hoping that we will not have to pay the North Ridgeville fee and that they will work with us on assessing their portion with the property owner.

It was agreed by Finance Committee to move forward with assessment for the sanitary sewer tap fees.

Mrs. Holtzmeier adjourned the meeting at 7:20 P.M.

Transcribed by Gail Hayden, Assistant Clerk of Council