

**Minutes of the Meeting of the Finance Committee of Council
Held in the Council Chambers of the Municipal Building
On Monday, July 12, 2021**

The Chairman, Ward 1 Councilman Bob Butkowski, called the meeting to order at 6:30 P.M.

Committee Members Present

Chairman, Ward 1 Councilman Bob Butkowski

Ward 2 Councilman Dennis McBride; Councilwoman-at-Large Tammy Holtzmeier

Others in Attendance:

Councilman-at-Large Craig Witherspoon; Ward 4 Councilman Scott Radcliffe; Mayor Bryan Jensen; Law Director John Gasior; Service Director Mike Farmer; Supt. of Utilities Brian Bruce; Finance Director Bill Logan; Kevin Martin, Morning Journal; Dylan Reynolds, Chronicle-Telegram; Planning/Economic Development Coordinator Pam Fechter; Clerk of Council Barb Brooks; Ward 3 Councilman Tony Moore; Council President Brian Fischer; City Engineer Ryan Cummins

Water Rates

Mr. Logan stated that Avon Lake Regional Water generally passes through rate increases to us every July. They did this July and the first attachment to the water/sewer summary which Mr. Logan passed out shows the different rates we pay Avon Lake Regional Water. We bring the water in through four intakes and we look at the gallons of water that we bring in every month. We average it out and the blended average works out to a price increase of 1.18% for this year. Where you see that 2022 price we are actually paying that now with these four intakes for the water. So with that in mind, in regard to water, we are suggesting we just pass that same amount right through. It would be 1.18%, a relatively small increase, and it would take our rate per 1,000 gallons from \$5.20 to \$5.26 per 1,000 gallons, and it would result roughly in an annual increase of about \$5.76 to an average household.

Mr. McBride stated that it is a really nominal increase and it might be the lowest increase in a number of years. Mr. Logan said, yes, on the water side, it has been about a 2% increase or a little under the last few years. Mr. Radcliffe asked if we anticipate any other large increases or do we have any planning from Avon Lake for the water going forward? Mr. Logan said he did not think there was anything with regard to water rates but he asked Mr. Bruce if he wanted to mention the ETL Line. Mr. Bruce agreed that there are no anticipated increases in water but there are anticipated upgrades to the ETL 1 Line, the discharge side along the railroad tracks which is mostly in Avon between Moore and Krebs. And then the suction line from the filtration plant to the main pump station at Moore Road and the railroad tracks. But we will not really have an idea of what our contribution to that is until later this year or next year. Construction would not be until next year and hopefully there will be all 0% loans available for that that Avon Lake will take the lead on getting that funding. Mr. Logan added that generally Avon Lake takes out that debt as Mr. Bruce said, and if it can be OWDA, it can be at 0% or very close to 0% interest. It would be a monthly debt service to pay our share of it. So it would not be passed through in the form of higher rates to residents. It would be a charge to us, we would have 20 years to pay it off, and it would be like debt amortization for us.

Mayor Jensen stated, as Mr. McBride said, the rate increase is not significant but we did not want to get caught up in a large increase a few years down the road so we had to increase it. With the ETL Line, there is that emergency funding that came from COVID and some of that goes to water. Also, funding will be available through the State and the County so we can ask for that to keep the residents from having to pay for that if that is possible. We are trying to do just the minimum for everything right now just so

someone is not shocked a few years down the line by having to pay something. It always seems if it is a little at a time, people are not as anxious about it.

Mr. Logan stated that the Operating Water Fund is about a \$4.5 million dollar budget each year. We should end up this year with about \$2.1 million dollars in that Fund and we actually paid about \$1.6 million on the notes for the water tower. And next year, this Fund will pay another \$1.6 million to the water tower notes. Those will complete in January; that will be the last payment. At the end of 2022, assuming no major volume increases, we would end up the year at about \$1.5 million. Now there are going to be some volume increases, because we have Ganzhorn Memory Care Center pretty much opening now and Bendix will more than likely be open by the end of this year. Also, the UH Cancer Center off from Healthway Drive, will be opening. He said he does not know how much water Bendix consumes but the health care facilities consume a lot of water so that just increases our reserves basically.

Mr. McBride noted that we have not done a lot of major water line replacements, and building up the reserves we hope will flatten out the increases in years to come. Mr. Logan stated that we do have a Capital Improvement Water Fund, Fund 303, and we have about \$600,000 right now in that Fund. We have used a little bit of that Fund for waterlines in the Elizabeth, Puth, Joseph project and we used some of those monies towards the Avon Road waterline project last year. And the Mayor is right, we will be getting American Rescue Plan money this year and next year, about \$2.4 million dollars, that we can use towards projects like any kind of water/sewer infrastructure projects.

Mr. Butkowski asked if there are any large capital expenditures for water or sewer in the next 5 -10 years that we can foresee? Mr. Bruce said probably not large expenditures. Our system in general is in really good shape. We are going to be looking at mostly maintenance and maybe some rehab of the ground storage tank at our main pump house and then probably around four years from now, some rehab of our older elevated tower. We had inspections done on both of those and two separate companies believe we can get a new paint job and 20 more years out of both of those. And then we are looking to upgrade the Miller Road pump house and are in the process of evaluating what that is going to be but we think we can double the capacity out of that with a reasonable investment and that investment will pay itself back pretty quickly. As you can see in the breakdown with the water rates, Miller Road and Rt. 83 are our cheapest sources; the ETLs cost more so we always try to pull as much as we can off from those two direct connects, as we consider them.

Sewer Rates

Mr. Logan stated that, on the sanitary sewer side, we pay for the disposition of the sewage through both Avon Lake and North Ridgeville, who owns the French Creek Wastewater Treatment Plant in Sheffield on Rt. 301. Right now about 75% of the City's sewage goes to the French Creek Wastewater Treatment Plant and the City of North Ridgeville bills us and about 25% of the City's sewage goes to Avon Lake. Historically, Avon Lake assesses increases in July of each year. This year, their increase is zero and we are kind of wondering what is going on but maybe they are getting some things in place. Mr. Logan knows that they have had some changeover with personnel and are doing a few different things, but in any event, Avon Lake is not increasing our sanitary sewer rates this year. North Ridgeville, on the other hand, increased rates at the beginning of the year by 4% and they are going to increase again in January, 2022, by 4%. That will be the fourth year of the last rate study that North Ridgeville did. For after 2022, we do not know what to expect but they will probably do another rate study of some kind and will come out with some information sometime later next year. At one of the last consortium meetings, Avon Lake had given us a little projection and, originally for this year, they had a projection in there of 8% or 9%, and now it is zero for this year.

Mr. Logan then asked Mr. Bruce if he had any idea of what Avon Lake was planning beyond this year and Mr. Bruce responded that he did not. He said that there have been some significant raises from Avon Lake of 12% - 15% but fortunately prior to that, North Ridgeville was not increasing. As with the water, we steadily kept the increases small and kept ourselves from needing to do one of those big jumps. He thought that Avon Lake realized that and probably more so for their own residents than for us, put the brakes on it this year. And they have had some changes in leadership so he was sure they are evaluating where they are. North Ridgeville has indicated they will do another rate study probably the early or middle of next year and then we will have an idea of the next 4 – 5 years with what they are anticipating.

Mr. Logan said, so their suggestion right now is to increase our sanitary sewer rate the 4%, again knowing that only 75% of the City is on that North Ridgeville sewer but just kind of getting ahead of the game, taking it up 4%. A 4% increase would increase the rate from \$7.60 per 1,000 gallons to \$7.90 per 1,000 gallons. An average household would see an increase of about \$28.80 annually. The budget for the Fund is close to \$5 million dollars a year - \$4.6 million. We anticipate at the end of this year, ending up with about \$2.5 million in the Fund balance. If we went to the \$7.90 per 1,000 gallons next year we would end up with about \$2.8 million. We have decent reserves in that Fund and we also have our Fund 406, which is the Sanitary Sewer Replacement and Depreciation Fund which currently has about \$684,000 in it. So all that money is available for projects, emergencies, etc.

Mr. McBride said as he understands from conversations with the Mayor and the Service Director, the infiltration cost charges have kind of leveled off. There seems to be less water infiltration in the sewer now and he asked if that was correct. Mr. Logan said that there is a lot less than there used to be. Five or six years ago we were probably looking at \$450,000 a year in infiltration cost and it is about half that right now. He supposed if we had the 100-year rain, something could change. Mr. Bruce said that North Ridgeville has done a few years of work on the Interceptor and Avon has gotten some attention over the last few years. So that combined with the sewer camera truck that we purchased about 5 or 6 years ago has made a difference where we can truly spot where the infiltration is coming from and take care of it. .

Mr. Logan stated so those were their recommendations and they would like to come to Council with an Ordinance in August proposing these rate changes, making the rates, if they are changed, effective on September 1st.

A motion was made by Mr. McBride and seconded by Mrs. Holtzmeier to accept the proposed rates from the Administration. Mr. Butkowski stated that they would call the vote 3 for and 0 against for the approval of these rates to give to Council and we will see an Ordinance in August.

Mr. Logan stated there is another Work Session in August and ideally Council would vote on the Ordinance on August 9th.

Stormwater Rates

Mr. Logan stated that, on the stormwater side, we have not changed our rate from the initial \$2.00 per ERU (Equivalent Residential Unit) which all became effective at the beginning of 2018. So that is the monthly rate that every household in Avon pays. Commercial and industrial pay based on their impervious area so they have different rates. Our current City-wide ERU total is about 17,000 now. That was before we just had Ganzhorn Suites come on and we will have a few other large entities coming on as well over the next few months. We took a look at nearby cities that have a stormwater utility rate (Elyria, North Ridgeville, Sheffield Village) and you can see what their rates are. We are thinking that we would take the \$2.00 ERU up to \$2.25 per month effective September 1st but then we tie it in each July to the change in the Cleveland Construction Cost Index, which we just finalized today with regard to stormwater

management fees, park development fee, and our water and sewer tap fees for the 2" and under taps. We took all those rates up based on that change in the Cleveland Construction Cost Index and those will all become effective tomorrow.

Mr. Logan stated that on the second page of the attachment he handed out, we said if we had increased the rate for the last three years' change in the CCCI we would have gone up to \$2.04. Since we got the real index today, that would be \$2.11. The CCCI went up today by 5.45% over a year ago. He clarified that when he put this together back in March, we were looking at \$2.04; now it would be \$2.11 had we made those changes each of the last three years. So we are proposing \$2.25 but then next July it would change with whatever the change is in the CCCI, and that would increase annual revenue by about \$50,000. If you took it up to \$2.50 and he does not think anybody is recommending that, but if you did do that, you would increase revenue by about \$100,000. Our current fund balance is about \$167,000 in that stormwater utility fund.

Mr. McBride said that \$2.25 a month is a minimal cost per year and to him, the fund balance is low. He does not know what everyone else thinks about taking it up by \$.50 a month; that would be \$6.00 for the whole year. Should we try and build that fund a bit? Do we need to have more stormwater projects? He noted that we have more and more heavy rain events.

Mayor Jensen stated that he thought that we will never really have a big fund balance there just because of the fact that there are still a lot of projects that need to move forward. He has been talking to Mr. Cummins about certain areas that do not have any stormwater; there are areas down Stoney Ridge that have always been an issue and a problem and we want to start looking at bigger projects for those areas. One thing we still need to do is prove to the residents that we are using that money wisely. Right now Streets Supt. Tim Loeser has been able to use every penny that we have in that fund to continue to do improvements of covering ditches. We need to put forward the projects that we would like to look at so people can see these. Up to now, we have not had really all that much in the fund to be able to do any big projects. By tying the rate in to the CCCI, it will continue to go up a little bit. But he thought that especially this year because we have increased a couple other things, we should just kind of keep it at a minimum and then show the proposed projects that we have to make people feel that this is a worthy cause.

Mr. Logan stated that this Fund really serves as kind of a supplement to our Street Dept. Fund before we had this stormwater utility in place. These projects that the Mayor is alluding to (the catch basin repairs, covering ditches, some other sort of small storm sewer connections, etc.) would all have been paid for more than likely out of the Street Dept. Fund which would have needed assistance, and did, from the General Fund so by instituting this stormwater utility, we are actually taking about 10% of all the operating expenses in that Street Dept. Fund and allocating those to this Fund. So it has routine operating expenses coming out of the Fund which is why if we just had the revenue going in we would be building a larger balance but we are also using those funds as the Mayor said for those necessary repairs and immediate sorts of projects. The major projects where storm sewer is involved, we are still obviously going to dip into other funds to help fund those things.

Mrs. Holtzmeier asked, so we have had this \$2.00 monthly fee in place since January of 2018? Mr. Logan answered, that is when we first started billing. Mrs. Holtzmeier said, so any changes to this would be effective in September of this year? Mr. Logan said, that is what he would suggest. We would have to put an Ordinance in front of Council. Mrs. Holtzmeier said that when we first initiated the stormwater utility fund, it was an experiment. It was clear that we had a lot of necessary repairs that needed to happen and we had to have funds with which to change that and she thought that over the last 3-1/2 years, it has shown a lot of value to our residents. We have been able to do repairs that have been

necessary and we are in a good financial position to do that. To raise the rate by \$.25 after what would be almost 3 years and 9 months is not unreasonable. She said that Mr. Logan showed them the comparison to some of the surrounding communities that started their stormwater utility after Avon and they are all significant percentages higher than where we are. She said that she would support that \$.25 increase as long as we continue to represent that it provides value and she thought that we will. The residents will continue to see that.

Mrs. Holtzmeier stated that whenever we have conversation about rates, especially rates the residents are paying, she always wants to check into the delinquency ratio and especially after this last year that we have had. Mr. Logan said that our delinquencies for water, sewer, and stormwater are all billed together on one bill and he thought that our delinquencies have actually improved somewhat over last year and our rate of shutting people off is reduced. Mr. Bruce said, yes, that rate is very low and last year in particular, kind of shockingly low. There were a lot of phone calls from the Utilities Dept. to residents asking if they were having problems. Mr. Logan noted, and last year we had to hold off for awhile by law; we could not shut people off. Mr. Bruce said when that was reinstated, there were communities shutting off hundreds and maybe thousands of people depending on the size of the community; we were talking about a dozen or two. The Utilities Dept. worked with everyone that needed help and reached out, and at this point, we are well caught up from last year and delinquencies have continued to stay low.

Mayor Jensen complimented Mr. Bruce's Department; his staff makes the extra phone calls to try and see if there is a way that we can help the residents and that had not been done in the past. Typically, a shut off notice was just sent. So his Department has gone the extra step and it has made all the difference in the world. And then also, if someone comes in right away and pays their bill, we turn the water back on immediately so it is not something that will go over the weekend or even go a day. It is a tribute to Mr. Bruce's Department in terms of trying to work with people.

Mr. McBride said that when we first went to the better meters, there were complaints about intruding on people's privacy but there has been some real education here. For instance, people did not realize how much water a running toilet wastes. Mr. Logan pointed out the free app that is available that shows a resident's water flow and compares it to the previous week and secondly, anyone that has continuous water flow for 24 hours or more gets a phone or an email from the Utilities Dept., telling them they have water running, whether it is a toilet running or outside water, whatever it might be. He thought that people truly appreciate that and maybe that is one of the reasons that we do not have as many delinquencies.

A motion was made by Mr. McBride and seconded by Mrs. Holtzmeier to accept the proposed stormwater rate increase of \$.25 per month and tie it to the Cleveland Construction Cost Index thereafter. Mr. Butkowski stated that he agreed and declared the vote to be 3 for and 0 against, and they would pass that on to City Council.

Mr. Logan stated that he would have Ordinances for Council in August on all three of the rate changes.

Mr. Butkowski adjourned the meeting at 7:07 P.M.

Transcribed by Gail Hayden, Assistant Clerk of Council