

Cuyahoga Falls City Council
Minutes of the Finance Committee Meeting
February 22, 2011

Members: Kathy Hummel, Chair
Don Walters
Carol Klinger

Mrs. Hummel called the meeting to order at 6:37 p.m. All members were present.

The minutes from the February 7, 2011 Committee meeting were approved as submitted.

Legislation Discussed:

Temp. Ord. B-9
Temp. Ord. B-10
Temp. Ord. B-11
Temp. Ord. B-12
Temp. Ord. B-13

Discussion

Mayor Robart gave his State of the City address to members of Council.

Mrs. Hummel stated that Mrs. Carr would be giving a scheduled presentation regarding the high pressure water district and free water. Mrs. Carr started when Cuyahoga Falls merged with Northampton Twp. in 1986, it was decided that the existing Falls residents would not be responsible for the extension of utilities into Northampton Twp. In April, 1996, Cuyahoga Falls entered into a Memorandum of Understanding with the County to purchase the existing water lines and a tower to service the Ward 8 area. The high pressure district was set up in 1996 which means payment on the 20-year bonds ends in 2016. Residents in the district were charged an initial lump sum surcharge to connect to the system. They were then billed for their monthly usage plus a service charge, which is the monthly fee associated with their usage. The revenue from the surcharge payments and service charges is used to pay down the debt. As more developments come on line, more tap-in fees (surcharge payments) and service charges would be collected, and the debt would be paid down faster. Of the 649 available sites for tapping into the system, 108 have not yet tapped in. If those 108 accounts tapped into the system, at today's rate, an additional \$483,527.88 would be generated and applied toward the debt. Based upon an analysis of future development potential, it is possible that approximately 300 taps could be expected within the next ten years assuming there is a turnaround in the current state of the economy. Therefore, an average annual build out could be as high as 30 homes, which could produce an estimated \$1,343,133 in additional revenue to pay towards the debt. As far as who pays the tap-in fees in the new developments, in most cases it is usually the developer or home builder. They pay the fees up front and then pass it along with the purchase of the house. Apartment buildings are not popular but they are a huge contributor towards paying down the debt. Mrs. Carr stated that Cuyahoga Falls has the lowest water rate in the Summit County area without the high pressure fee added in. Even with it added in, the City is still lower than Munroe Falls (approx. \$42) Tallmadge (approx. \$40), and Green and Barberton (approx. \$39). A typical household of four in the high pressure district would be billed for \$20.64 (1,000 cu. ft. usage) plus the service charge of \$17.21 for a total bill of \$37.81. Eventually, that service charge will drop off. She stated the City could begin to mandate tap-ins or they could raise the high pressure service charge in order to pay the debt off faster. Based on the 2010 numbers, if everything stays the same, the debt will be totally paid off in 2015. However, they feel that development will increase and, if that occurs, the debt would be paid off closer to 2013 or 2014. Mrs. Carr stated that the bonds were actually not taken out

until 1997 so 2017 is where the 20 years end, however, the City uses 2016 because that is when the ordinance was passed. Mr. Brodzinski pointed out that not all of the bonds were issued at the same time. The 1997 and 1998 bonds were rolled over in 2009 because the City had a great interest rate. If Hidden Lakes and Nikki's Walk move forward, that would generate additional revenue so the debt would be paid off sooner. 2006 generated the highest amount of surcharge payments which was over \$900,000 due to the apartment development. The lowest year was 1997, which generated only \$301,000. Mrs. Carr added that the schools that are located in the high pressure district, such as Walsh, still pay the high pressure fee. Mrs. Hummel thanked both Mrs. Carr and Mr. Brodzinski for preparing all of this information for Council.

Mrs. Colavecchio asked whether the 108 that have not yet tapped in were existing residences or commercial properties or both. Mrs. Carr believed there may be 4 or 5 vacant lots but the rest have an existing house or business at the tap. Mrs. Colavecchio asked for a list of those properties. Mrs. Carr stated she would put them into a spreadsheet. Mrs. Colavecchio asked whether any of the 1,547 accounts that pay the high pressure service charge were located outside of the district. Mrs. Carr believed there were three accounts that are located off North Hampton Road in Boston Township who pay the City's rate plus 50% plus the high pressure service charge. Overall, there are not more than ten. The City serves outside its borders and, if any of those accounts are attached to the high pressure area, they are charged the service charge. She stated she would get a list of those to Council as well. Mrs. Colavecchio asked how the \$4,400 tap-in fee was arrived at and the last time was that it was adjusted. Mr. Brodzinski stated it was \$2,500 in 1996, and went up 6% annually. It was based on future taps and what it would take to recoup the bond money over a 20-year period of time. Mrs. Colavecchio asked if the tap-in fee is the same throughout the City. Mr. Brodzinski stated that amount is just for the high pressure district. Mrs. Carr stated a 1996 ordinance established the high pressure surcharge fee and service charge fee. Other ordinances establish fees for other areas. The City wanted to make sure it recovered its costs. When the County deal came along, the City decided to create one district and came up with a service charge to pay off that debt. The older part of the City has a different, lower tap-in fee because those lines have been paid off. Mrs. Colavecchio remarked that there appeared to be an incentive to not tap in until after the 20 years. Mr. Brodzinski agreed. If the debt is completely paid off, they would look at state law and calculate a new charge to tie someone into the system. Mrs. Carr added that the City offered incentives in the beginning. Residents knew the tap-in fee would go up after the first year. Also, during the first 18 months, the residents were offered the opportunity to sign up for a payment plan. After that 18 months, anyone tying into the system was required to pay the tap-in fee in one lump sum. Mrs. Colavecchio pointed out that some of the homes may have switched ownership. Mrs. Carr stated they have had that situation and they have a committee for those individuals who can take advantage of that. Mrs. Colavecchio asked if the user fee is charged uniformly. Mrs. Carr stated it is based on water usage. \$17.21 is based on 1,000 cu. ft. If a household uses more than 1,000 cu. ft., the service charge would be higher. If they use less, it would be lower. Mr. Mader stated he appreciated this exercise. There has been a lot of confusion on this matter. He thanked Mrs. Carr and Mr. Brodzinski for the work they put into the presentation. There has been clarification on many questions he had.

Mike Mehalik, 507 Keyser Parkway, was glad he came tonight because a lot of his questions have been answered. He asked once the debt goes away, would the charge go away also. Mr. Brodzinski stated the high pressure service charge based on \$17.21 per 1,000 cu. ft. would cease to exist. Mr. Mehalik stated that based on lines built today, if more developments are built in different areas and the high pressure district is expanded, would there be more charges. Mr. Brodzinski stated they cannot foresee that happening. If something comes in, they would have to discuss it with Council and bring it back. Mrs. Hummel stated the scenario that Mr. Mehalik was describing is what happened when the merger took place and the City determined that existing residents would not have to pay to service the new customers. It would be her feeling that the current residents in the high pressure district have already paid their share.

Mrs. Klinger requested that the Administration circulate a copy of the map depicting the high pressure district to the audience.

Kim Wiley, 408 Middlestone Way, appreciated all the work that was put into this presentation. She asked whether the 108 homes that are holding out on tapping in would be allowed to tap in once the debt is paid off. Mrs. Carr stated that is something the City needs to consider. Not all 108 are residential homes. Some are businesses. The City has a policy that it does not force anyone to tap in. Ms. Wiley stated she did not remember having a choice to tap in or not. Mr. Brodzinski stated that North Hampton had wells so when the City built lines and decided not to force tap-ins. The incentive was that the tap-in fee would increase each year. Ms. Wiley lived in a development where there were already water lines. Mrs. Carr stated that water is different. They have seen greater tap-ins on the sewer side because there are laws that force people to tap-in. There is nothing on the water side. The City could always pass an ordinance to not allow people to tap into a well. Ms. Wiley asked if there was a way the residents could pay a lump sum. Mr. Brodzinski stated he would have to look at that but felt it would be much higher than if it were paid over the 20 years.

Sandy Immec asked why some people pay the high pressure fee and some do not. She has neighbors who do not pay the high pressure rate. Mrs. Carr stated there is a dividing line and one area is a little confusing. When the Dales were being built, some properties had paid the tap-in fee before the high pressure district was established, but if someone is living in the high pressure district, they should be paying the fee. She asked to speak with Ms. Immec after the meeting. Ms. Immec stated there were also people who had tapped in and were receiving free water. Mrs. Carr stated at one time that was occurring, however, the City did an audit and those people were back-charged. If there were properties that are still not paying for water, she wanted to know about those.

Rich Brown, 3410 Kaiser Parkway, wanted to confirm that the cost of running the high pressure lines to Ward 8 is being assumed by the residents of Ward 8. He asked if there was anything in the merger that said any revenue generated by those same residents from income tax and property tax could be used to offset the debt of the water lines. He stated the expense of the high pressure water lines is allocated to everyone in the district yet the income generated from those properties goes to the entire city. Mr. Brodzinski stated you cannot take general revenue money and commingle it with regular tax money. Users of the district are paying for the cost of the lines out there. He cannot take income tax money from a business and put it towards water. Residents who work outside of the City pay income tax to their work city so Cuyahoga Falls does not receive income tax dollars from those residents. He pointed out that a business may not have even come out there until there were water lines available. Mrs. Carr stated that GO-JO is the City's highest water user. They are paying significantly more towards the debt than anyone else because of their water usage. Mr. Brown commented on the older lines in the rest of the City and asked if his bill reflected a charge to replace those lines. Mr. Brodzinski stated that with the water fund being an enterprise fund, water related items are the only kind that can go into the water fund.

Mrs. Hummel thanked the Administration for providing the information and thanked those who came to hear about the high pressure district issue. She hoped everyone received the information they came for. She felt some interesting points were brought up about the 108 properties who have not yet tapped in. She would be in favor of not allowing them to tap-in for nothing. The City needs to have some kind of plan in place on the matter.

Ms. Immec asked why they had to pay the 15% water increase to replace infrastructure if they had newer lines. Mrs. Hummel stated it is an increase for all water users. Mrs. Carr added it is to treat the water as well. It is not just for infrastructure.

Mrs. Klinger stated that on July 24, 2009, she had asked when the high pressure district would be finished. Mr. Brodzinski stated at that time that if development picked up, it would be 2015. This evening showed that he has been consistent with a date all along.

The committee took a brief recess at 8:15 p.m. and reconvened at 8:30 p.m.

Mrs. Hummel stated that the discussion will proceed regarding free accounts. Mrs. Carr stated they could not find the original date of the ordinance that established Section 923.03 of the Codified Ordinances but, basically, it gave authorization for the City to provide free water to certain entities. She believed it was established around the 1930s and it addresses who gets free water, which are the public and private schools as well as the library. The City's public and private schools have now been metered. There were six meters left over from AMR and they decided to install those meters at the schools. The usage history they got on the schools was based on the past six months because (1) their water usage is often estimated, and (2) they did not have meters until recently. This helps the schools and the City to know what their usage actually is and also gives a more accurate sewer bill because sewer is based on water usage. Mrs. Klinger asked if the high pressure rates were included on the sheet. Mrs. Carr stated they were not. She stated that Walsh has a main meter. They wanted to determine whether the fields were being watered by the main meter because, if so, the school would have been charged for sewer usage. Water used for the fields should not be used in calculating sewer charges. They discovered that the school had a well for watering the fields. Mrs. Hummel asked if the figures on the chart were annual figures. Mrs. Carr stated they were. There are two columns. One is based on the minimum they would pay if they used no water and the other is based on their actual usage. Everyone is charged a minimum because the lines still have to be maintained and the water treated. Cuyahoga Falls Library has the ability to get free water under the ordinance but they have been paying. They do not know why this is but they are billed and pay their bill on time. City accounts also receive free water. It is her suggestion that she gather data for six months to get real data before anything is changed. Mrs. Hummel was surprised. She thought the usage would be higher, in particular with the schools. She stated Redeemer was not on the list and the explanation she was given was that the Church has a main meter so they do not get the free water. There are a lot of anomalies in the City. Mrs. Carr stated it is the same with the Islamic center. They have one meter. There are 83 students at that school. Mrs. Colavecchio agreed about waiting six months. She felt it would be a good approach. Even though these numbers are not as significant as they thought they would be, it would be a huge impact on the schools and their budget. Her only question is whether the schools do anything to conserve water. Mrs. Carr stated that having the schools on AMR allowed them to catch a huge spike on Newberry's meter. They investigated and found that the school had the toilets on automatic flush. They have since changed that because they were using water that may or may not have been needed. Mr. Walters asked whether the schools were provided with any discounts on sewer, electric or sanitation. Mrs. Carr stated that electric is discounted at 5%, the City no longer services commercial accounts on sanitation, and there is no discount given on sewers. Mrs. Klinger asked how the minimum was determined. Mrs. Carr stated it is determined by meter size based on an ordinance passed by Council. John Christopher stated that a 5/8" meter is charged 400 cu. ft., 3/4" meter is charged 900 c.f. and a 1" meter is charged 1,900 cu. ft. Mrs. Carr stated that they are all set by Section 923.02 in the Codified Ordinances. It shows all meter minimum charges. Most residential meters are 5/8" so the minimum charge to a resident is \$7.18. Mrs. Hummel asked how they arrived at that figure. Mrs. Carr stated there was a cost of service study done at some point in time which established the minimum charges so whenever rates were increased, this has been increased as well. She corrected herself that a 5/8" meter is actually \$8.26 based on the recent 15% increase. She stated she could do a study to see if she could find where the minimums were originally established. She reminded Council that the EPA feels the City's minimum charge should be a lot higher. Out of 493 total districts in the state, 465 are higher than Cuyahoga Falls. The EPA wonders how the City can run its system based on such low numbers.

Mrs. Hummel agreed with Mrs. Colavecchio and Mrs. Carr. It is a good idea to wait to see what we get with six months of accurate data. She also stated she had asked people to call her to let her know what they thought about entities receiving free water. She received around 25 calls. Approximately one-third thought private schools should pay for their water. The issue was more difficult for public schools because the residents are paying to support those through levies. The opinion on the enterprise funds paying for water was evenly divided. Mrs. Klinger commented on the one line servicing the City complex and asked about segregating user funds. Mr. Brodzinski stated they would have to reconfigure the meter. That complex also includes Garage, Street, and Sanitation. The cost to do all that would far exceed the \$1,300 they use. Mrs. Klinger suggested prorating based on square footage or number of water outlets. She clarified that she was referring to water, sewer and electric funds. Not all use that service area.

Karen Nelsch, North Haven Blvd., asked for an example of the amount of free water the schools are receiving. Mrs. Hummel asked whether the schools have seen the list that was distributed to Council. Mrs. Carr stated she was being cautious because they need to get more accurate data. Mrs. Hummel asked her to use the high school as an example. Mrs. Carr stated over a three-year period, the annual average was \$11,016.51. Mrs. Nelsch stated if the City were to begin charging Parks & Recreation for water, it would create a nightmare. It is a City department and should not have to pay. Mrs. Carr agreed it would be difficult because they do not have meters on the restrooms or wading pools. They need to evaluate those things. Mrs. Hummel stated that the Natatorium is metered and that amount is approximately \$12,000.

Glenn Bowers, 818 Tallmadge Rd., stated he had been looking at free water from a household perspective. Minimum billing contains costs for maintaining the system. Senior citizens or small households are paying for services they are not receiving. He thinks about someone like the schools and Natatorium getting their water for free and believes nothing is free. It is being paid for somewhere. Schools have the option of paying the minimum or actual usage. He does not have that option. Mrs. Hummel stated Mr. Bowers' points are valid in terms of the minimum. However, she did not think she would be in favor of a \$30,000 study on how the minimum was arrived at.

Bill Lohan, Superintendent for Parks & Recreation, stated they provide things at a reasonable cost to residents. The Natatorium needs to meet its own costs. They are the only one he found in Northeast Ohio charged with that task. They are currently able to cover their costs but would not be able to if they had to pay for water. They charge nonresidents a higher rate. If they are required to begin paying for water, they would have to pass that on to the residents in increased rates. Recreational services are very important as far as people choosing to locate to a community. They gave over \$60,000 in free memberships back to City employees. If this body deliberates conversely, it would be unfair for Natatorium members to pay for employee memberships. The Natatorium supports the general fund more than the general fund supports the water fund. However, he will live with whatever is decided. The Natatorium may be receiving \$12,000 in free water, but it gives back \$60,000 for police and fire employees.

Mike Penta, 23rd Street, asked when the six month period would begin. Mrs. Carr stated it began January 25. She was aware that summer usage will change for the schools. She wanted to get a good chunk of the school year.

Daniel Horak, 431 Thomas Court, asked what brought this discussion about and why it is an issue after having been in practice for so long. Mrs. Hummel stated she appreciated everyone's patience tonight. She felt it was important that this issue be discussed. She was aware that the public schools had free water but not the private schools. She also did not know who in the City received free water as well. When the recent rate increase was passed, she felt it was important to hold a public discussion on this

matter. She feels the data has shown that the numbers were not as significant as she had thought they would be. This was basically just to gather information. They will look at this again in July, before Council's break in August, to see if they feel any changes need to be made. If so, they would make sure anyone affected would have an opportunity to set their budget for the following year. She does not anticipate anything happening in 2011. Part of the issue was that a lot of these accounts were not even metered. That is not good business to have a commodity going out where you do not know what is being used. Mr. Horak believed in giving schools free water. The private schools also. It is a good thing for the City to do.

Pauline Larson, 431 Thomas Ct., stated in her opinion, the schools should get free water and sewer, and also electric. The residents pay for the schools through property taxes. If they were charged for water, the schools would pass it on through a levy to the taxpayers. Either way, it is coming out of our pockets. She agreed that everyone should be metered.

Mrs. Pyke wanted to make sure Mrs. Carr gave a copy of the spreadsheet to the schools. Mrs. Carr stated she would prefer to work with them individually. Mrs. Pyke wanted them to have a copy of the spreadsheet that Council has been basing its comments on this evening. She added that she, too, was surprised at how low the usage was.

Mrs. Hummel stated this was not an exercise in futility. She appreciated everyone who came from the schools. Council plans to revisit this again in July and will talk about whether any changes should be made.

Mr. Mader stated one facet to remember is the population going to these private schools would be in the public schools if the private school did not exist. This would put a burden on the City school system. He feels it is an attribute to have the private schools in the area. Some of them even charge tuition that is as high as college tuition. Mrs. Pyke pointed out that a lot of the private schools are Cuyahoga Falls residents and feels they should be treated equally.

Temp. Ord. B-9

An ordinance authorizing the Director of Public Safety to enter into a contract or contracts, without competitive bidding, with Sprint Solutions, Inc., to provide wireless data communication services for Police and Fire in-car data modems, and declaring an emergency.

John Konich stated this was for the modems in the police and fire vehicles. It will provide communication between the Dispatch Center and the cars, and the cars between each other. The annual amount is split proportionally by the number of vehicles. Mrs. Hummel commented on the language in the ordinance stating "without competitive bidding". She asked if there was more than one provider. Mr. Konich indicated there was, however, Sprint is on a state contract so they went with them.

Mrs. Klinger moved to bring B-9 out with a favorable recommendation, second by Mr. Walters. Motion passed (3-0).

Temp. Ord. B-10

An ordinance authorizing the Director of Public Safety to enter into a contract or contracts, without competitive bidding, with One Communications Corp., to provide telephone services, and declaring an emergency.

John Konich stated this was for all voice communications in and out of the City building, and individual lines outside the City. One Communications is a voice provider similar to AT&T. They are both on the state bid but it will save \$2,600 by going with One Communications.

Mr. Walters moved to bring out B-10 with a favorable recommendation, second by Mrs. Klinger. Motion passed (3-0).

Temp. Ord. B-11

An ordinance levying special assessments for the repair or replacement of sidewalks and drive approaches in the district known and designated by this Council as a Sidewalk Repair District for the year 2010 containing all necessary streets, alleys or public roadways within the corporate limits of the City of Cuyahoga Falls, and declaring an emergency.

Mr. Demasi stated this is the annual ordinance allowing the City to send out the invoices for repairs made to sidewalks and drive approaches in 2010. The cost was \$12.00 per foot for sidewalks and \$5.00 for drive approaches. There were 195 locations which generated \$58,000 of revenue. There were 27 drive approaches for a total of \$13,000. Mrs. Pyke stated she had requested a list of the sidewalks. She may have questions before next week, but she will just e-mail those to Mr. Demasi. She asked whether any sidewalks were done for the good of the public this year. Mr. Demasi stated there were not. Mrs. Pyke stated the list showed a lot of 9 and 10 foot lengths. Mr. Demasi stated the average slab is 5 feet long. Mrs. Pyke asked if the City did someone's sidewalk once because of a tree, would they be charged again if the same thing happened. Mrs. Carr stated they are working with some residents and also the arborists. Mrs. Pyke felt when the street projects are done, people are choosing to not put a tree on their tree lawn because they don't want to have to pay again for sidewalk repairs. Mrs. Carr stated if the correct tree is planted, it would not be a problem. They are working on this issue. Mrs. Pyke stated if the people in a reconstruction were told they would not have to pay to redo the sidewalk again, they may start getting trees on the tree lawns.

Mrs. Klinger moved to bring out B-11 with a favorable recommendation, second by Mr. Walters. Motion passed (3-0).

Temp. Ord. B-12

An ordinance authorizing the Director of Public Service to enter into a contract or contracts, according to law, for the replacement or adjustment of concrete sidewalks, drive approaches and curbs at various locations in the City of Cuyahoga Falls, and declaring an emergency.

Mr. Demasi stated this is the annual ordinance to enter into a contract for the repair and replacement of sidewalks, drive approaches and curbs for 2011. Bids will be opened on March 15.

Mr. Walters moved to bring out B-12 with a favorable recommendation, second by Mrs. Klinger. Motion passed (3-0).

Temp. Ord. B-13

An ordinance authorizing the Director of Public Safety to enter into a contract or contracts, without competitive bidding, with Paragrid, Inc., for the professional services, hardware and software necessary to upgrade the City's data network servers, and declaring an emergency.

John Konich stated this is different from previous upgrades. They have completed their research on virtualization, which is where you take multiple servers and merge them to share information. The City currently has 22 servers supporting City business. Each has its own hardware, software and memory disk. The average life is 2 – 10 years. The City would need to replace all of the servers, which would cost between \$250,000 and \$300,000 plus ongoing maintenance. Also, they would be unable to share resources if they are replaced. With virtualization, they will purchase three larger servers that will absorb all 22 current servers. If one of the servers needs more memory, it would get it from one of the others. There will be a cost savings because there would be a reduction in hardware, software and license fees.

The cost is \$150,000. Of that, \$110,000 is hardware, software, license fees and maintenance. The remaining amount is for professional services, implementation and training. It will save \$150,000 over three years. After the three years there will be additional savings because the ongoing maintenance is on three servers instead of 22. If we need to add servers in the future, they can be added without having to purchase all new ones. Mrs. Klinger asked if the computers have redundancy built into the virtualization. Mr. Konich stated they act as one so if work is performed on one, the other two will take over. Testing data recovery is part of the plan because they are trying to get a data communication link either with a cloud or a fiber connection. Right now they do it by tape. They had a product once that was similar but they could never get it working properly.

Frank Tompkins, 124 Chart Road, asked what architecture will it exploit. Mr. Konich stated it was Windows. Mrs. Hummel stated this ordinance also indicated it was without competitive bidding and asked whether it was the only provider. Mr. Konich stated there were other providers, however, this price is lower than state bid. They had also looked at two other vendors but Paragrid had the lower price and had more to offer.

Mrs. Klinger moved to bring out B-13 with a favorable recommendation, second by Mr. Walters. Motion passed (3-0).

Mrs. Hummel again thanked Council members and the Administration for the time spent on the important issues that were aired tonight.

The Committee meeting adjourned at 9:50 p.m.