

Cuyahoga Falls City Council
Minutes of the Finance Committee Meeting
May 19, 2008

Members: Don Walters, Chair
Debbie Ritzinger
Carol Klinger

Mr. Walters called the meeting to order at 7:00 p.m. All members were present.

The minutes from the April 21, 2008 and April 28, 2008 committee meetings were approved as submitted.

Legislation Considered

Sub. Temp. Ord. A-15 (dated 5-16-08)

Temp. Ord. A-39

Sub. Temp. Ord. A-55

Discussion:

Sub. Temp. Ord. A-15 (dated 5-16-08)

An ordinance authorizing a settlement in the cases of *City of Cuyahoga Falls v. State Road Associates, et al.*, and *State Road Associates v. City of Cuyahoga Falls*, and declaring an emergency.

Mr. Arrington stated this ordinance was first introduced back in February. Since then, he has had several discussions with owners and tenants. He believes the tenants are waiting to see what happens with the owners so the City feels that resolving the issues with the owners will put the City in a better position to settle with the tenants. The City is purchasing the Plaza for \$10.2 million. The six outlots will remain in business and the owners will continue to own them. There will be access easements, utility easements, etc. where needed for the outlots. There is resolution for some of the tenants including Goodwill and Firestone.

Mr. Walters stated the reason for the newest substitute is added language in line 33 regarding Firestone and Goodwill. Also, Section 2 is new. Mr. Arrington stated the new section authorizes additional settlements and clarifies that settlement offers do not involve paying money. However, should there be a settlement that would involve paying the tenants more money, it would need to come before Council for approval.

Mr. Walters added that the date has also been moved back if there is a delay from July 1 to August 4 with a contingency period to August 29. He also stated that certain details can change from day-to-day. Mr. Arrington added that he is still working on minor details but will make sure Council is kept apprised. He did not feel there would be anything substantial.

Mr. Barnhart stated this has been a long time coming and he is happy we are where we are now. He thanked Mr. Arrington for his hard work on the project.

Bill Rhines, 1868 Windsor Street, stated he is not totally against the project but is concerned about how the City was spending the money of its citizens. He said the property was appraised at \$8 million but the

City was paying \$10 million for it. He does not feel the City has a program in order to justify spending the additional \$2 million. He felt the City was not being smart by wasting that money. Mr. Walters stated the City needs to go through a process when it purchases the property. It cannot tell what will be developed there because it does not know. There are a lot of things that you cannot quantify but in the end, the City would not do this if it was going to lose money. The City is investing money and will get the balling rolling because there is nothing going on there now. Developing this property will increase tax revenue. People in this area would like to spend their money but there is nothing on that property they want to spend it on. If you go to the trip in Jackson and “restaurant row”, there is money to be spent. The only way that will happen on this property is if the City takes steps to develop it. He reassured Mr. Rhines that the City was not throwing taxpayer money away. Mayor Robart added that the City does not spend money frivolously. If nothing is done about the plaza, it will continue to go down hill and will spread to surrounding areas until it affects a large portion of the City. They are going to prevent that by investing in the property to make it better. He stated the City cannot let one negative voice in the community halt that progress.

Committee recommended bringing out Sub. Temp. Ord. No. A-15.

Temp. Ord. A-39

An ordinance providing for the issuance and sale of not to exceed \$11,000,000 principal amount of notes, in anticipation of the issuance of bonds, for the purpose of revitalizing the State Road Redevelopment Area by acquiring, clearing and improving certain properties in that area, and declaring an emergency.

Mr. Brodzinski stated this was the legislation required to purchase the State Road Shopping Center.

Mr. Walters stated the purchase price is \$10.2 million but the ordinance is \$11,000,000 to cover other costs associated with the purchase. He asked Mr. Brodzinski what the current interest rate was. Mr. Brodzinski stated they will be borrowing short-term to keep the project in notes for up to one year and the rate for that today would be approximately 3.5%.

Committee recommended bringing out Temp. Ord. A-39.

Sub. Temp. Ord. A-55

An ordinance authorizing the Director of Public Service to enter into a contract with Johnson Controls, and declaring an emergency.

Mr. Walters stated this ordinance was tabled and then brought out of committee in error. Council received the actual contract but it was hard to download due to its large size. Council has since had a chance to review the contract and has additional questions. The main question appeared to deal with the meter readers and whether they would still continue to work for the City. Mrs. Carr stated she has worked with the meter readers as well as the leadership in the unions. The contract affects more than just the meter readers but the focus has mainly been on them since their jobs will be affected the most. Water and electric are less of a concern because there is some cushion due to retirements and current vacancies. This process is difficult. They have been discussing moving toward automatic meter reading for ten years. She pointed out that in corporate America, they would probably be laid off but it is her intention to work with them.

Mr. Walters stated that there were questions handled through e-mail and stated he would cover them for the public’s benefit. He asked what the procedure would be for “hard to access” accounts. Mrs. Carr indicated she was not concerned about being able to obtain access but, should that occur, they would follow the procedure that is followed currently.

Mr. Walters asked about situations where residential meters may currently be registering less than actual usage and the large bill that will result when those meters are replaced with the more accurate automatic ones. Mrs. Carr stated that one of the reasons they want to move to AMR is to get as accurate a reading as possible. For accounts that currently have malfunctioning meters which would then result in larger bills, she said they would work with those residents. She added that the City would not back-bill its residents. These meters are for this point forward.

Mrs. Klinger asked with regard to the financials provided by Johnson Controls whether an analysis had been completed prior to the increase in water rates. Mrs. Carr stated the water increase is separate from this contract. The increase was to cover the infrastructure and not the meters. They are two separate issues. Mrs. Klinger stated she would like to see what the cash flow payback analysis would look like if the water increase was backed out.

Mrs. Hummel felt the community needed to be aware what was going on. This is the second largest expenditure this Council has approved, with the most expensive being the Natatorium. With regard to the meter readers, she wanted to confirm with Mrs. Carr that those positions could be absorbed elsewhere. Mrs. Carr agreed based on current vacancies and known retirements and added that there is more flexibility with the electric meter service.

Mrs. Hummel asked what the term of the contract was with Johnson Controls. Mrs. Carr stated it was ten years. Mr. Brodzinski added there were two months of service in 2009 and then the nine years start from 2010-2018. Mrs. Hummel asked if the total amount for that agreement was \$2,350,000. Mr. Brodzinski stated it was. This amount is in addition to the \$17,425,000 which is the total amount of the whole project. There would be \$113,000 paid in cash and then \$17.3 million is the amount the City would enter into for an energy conservation lease.

Mrs. Hummel asked how many people from Johnson Controls would be on-site for the service portion of the agreement. Brian Flipinger of Johnson Controls stated they would not be providing a person at all times. Since the technology is web-accessible, they can do a lot off-site. They will be working with the Utility Department to get an understanding of how to effectively better understand the department. There will also be multiple people coming out to test meters and do physical inspections of all of the equipment. Also, if a problem pops up, they would be out to fix it. Mrs. Hummel stated the service portion of the agreement is \$256,000 and wanted to know what kind of manpower the City is getting for that amount. Mr. Flipinger stated they would be monitoring the infrastructure to make sure it is working properly, they will be pulling all information and making sure that works properly, and they also have field maintenance. Mrs. Carr stated she has references from Middleton who has been pleased with the program. Mrs. Hummel stated she has already talked with Middleton and said she just wanted to know what the City is getting for the additional \$2 million. She felt the City needed to be cognizant of what the payback is if five meter readers will lose their job and there is a service contract of \$256,000 a year. That is something that must be weighed.

Mrs. Hummel asked whether Mrs. Carr knew how many residential meters were misreading right now. Mrs. Carr did not know. Mark Haven of Johnson Controls stated when the legislation was approved in November, they removed 250 of the City's 42,000 meters and tested them. The average accuracy of those meters came back at 86.4%. That is in the middle of other cities—it's not bad but it's not great. Mrs. Hummel asked whether electric meters were more accurate. Mr. Haven stated they were. Mrs. Hummel asked what the life of the new meters was. Mr. Haven stated it was 10 to 20 years and that it depended on the usage. He added that he could get Mrs. Hummel the information she was looking for in terms of man hours. Mrs. Hummel stated the meter readers were not only employees but most were residents and taxpayers. She asked whether the meter readers could be trained to perform any of the duties in regard to the agreement. Mrs. Carr stated they looked at that but did not think that was feasible at this time,

however, after ten years, she hoped the City would be self-sufficient enough to handle things going forward.

With regard to project cost and payback, Mrs. Hummel stated Council had a total figure of \$14,727,199 and asked how much of that was attributable to water and sewer and how much to electric. Mrs. Carr stated electric is \$86,775, water is \$217,278 and sewer is \$573,794. She stated there would be additional savings from utility theft. They will know immediately if someone is tampering with the meter.

Mrs. Hummel stated that Council approved a 17 percent increase and recognized that Mrs. Carr assured Council it is separate from this, however, as a resident opening their utility bill and seeing an increase due to larger consumption because the meter is now reading correctly, that resident is going to see it more as yet another increase. She asked about the remote disconnect meters. Mrs. Carr stated they would be installing those in areas where they are continually sending crews out to disconnect service. They would go strictly to problem accounts.

Mrs. Hummel asked about situations where there is faulty plumbing and a new meter cannot be installed until the resident replaces the plumbing. Mrs. Carr indicated there will be some of those instances and that they would figure it out at that time. They have worked with residents in the past. Most understand that they have to update the infrastructure as well.

Mrs. Hummel commented on language in the contract in Schedule 2, Exhibit 3 wherein it mentions the inclusion of reducing the water meter reading staff pursuant to this project. She felt it was part of the payback that there are five less people and did not feel language specifically mentioning the meter readers were necessary in a service contract. Mrs. Carr stated she would discuss alternate language with Johnson Controls. Mrs. Hummel mentioned that Exhibit 4 indicates the rate of 14 per mcf was used in calculations. Mr. Brodzinski stated it is 9.85 per mcf and includes the transportation fee also. Mrs. Hummel stated that the "per mcf" is misleading then. Mrs. Carr understood and stated she would discuss alternate wording for that with Johnson Controls.

Mrs. Hummel asked about the 25%, or \$4,356,397, that was due at the contract signing. Mr. Brodzinski stated if Council passes this ordinance, the agreement will be signed. He will get the lease in place and pay the 25% and then get the monthly payments in place. There would be \$42,667 due for November and December. Mrs. Hummel asked what the dollar amount for interest would be over the life of the contract. Mr. Brodzinski stated it was \$3,300,000.

Mr. Rubino asked if any personal information on customers would be shared with Johnson Controls. Mrs. Carr stated it would not. The City owns the server and controls the software.

Mrs. Pyke asked if vacant homes would be a problem. Mrs. Carr stated she was not concerned about them. Mrs. Pyke asked if the current employees could be used to install the new meters. Mrs. Carr stated they are not putting in the same type of meter. It is a different technology so she would say probably not.

Mrs. Pyke requested that any e-mails that took place after the legislation was introduced be attached to the committee minutes.

Mrs. Klinger asked with regard to the two percent, what the proration would be per fund. Mr. Brodzinski stated he would have to run the numbers but it would be about 5% water and 8% sewer. Mrs. Klinger asked if Administration saw a need to continue with Johnson Controls after ten years. Mrs. Carr stated she hoped the City would be self-sufficient and able to utilize City personnel who would be trained by then to handle service going forward. There is a possibility of having to hire people back to do that or do another contract but she felt they should be able to train. Mrs. Klinger stated getting people trained has

probably not been factored into the cash flow. Mr. Brodzinski stated they would have to evaluate that as they come up on the ten years. City meter people will be doing installation of these meters for new construction only. They will need to evaluate a change-out of meters and the cost of staff needed based on any service agreement they could get. Mrs. Klinger felt it needed to be factored into the cash flow.

Chuck Schaetzle, 1533 18th Street, saw an article about this project and wanted to volunteer his services to help figure out the data so everyone could understand it. He offered to provide an understanding of the equipment and the cost involved. Mrs. Hummel indicated she would appreciate Mr. Schaetzle's help.

Angela Price stated the Akron Beacon Journal article made it sound like there would still not be any accuracy.

Mrs. Hummel stated she was not sure she would be supporting this. She is concerned about the amount of payback.

Mr. Walters stated there would be a huge public relations campaign and there is a guarantee of savings to the City which is a return on the investment. It appears it is a good deal for the City and its residents.

Committee recommended bringing out Sub. Temp. Ord. No. A-55.

The meeting adjourned at 8:30 p.m.

1. How many current employees are affected? Obviously 5 meter readers.

- (5) meter readers
- (3) electric meter repair specialists
- (1) water meter repair specialist
- (1) utility billing manager (assistant)

The downsizing is detailed under Schedule 2 / Exhibit 2 of the Performance Contract. In addition, the staffs have been addressed regarding the downsizing. More specifically we have begun the labor-management process with the UB staff, and are working very closely with the union leadership. Two Meter readers are already working on additional training such as CDLs and water licenses to assist in future placement. In the Electric and Water Departments some downsizing will come through attrition, through retirements, some in the UB staff are reviewing retirement options as well.

2. What is the term of the service contract with JCI for maintenance? What is the cost of the annual maintenance? Could any of our current employees be trained to provide this maintenance?

10-year service contract
\$255,945 annually (note the first year will only be 2 months)

We reviewed that option as a possibility. However, that does not give us the overall turn-key operation that includes other items, such as meter testing and meter replacement. In addition, based upon current staffing levels, expertise, and system complexity it would be difficult to take all of that on.

3. You commented that the water meters mis-read with usage. Do the electric meters do this?

The electric meters lose 0.25% of accuracy over time, which is a considerably less percentage than water meters. Please refer to Schedule 2 / Exhibit 2. Remember electric meters are electronic which have less moving parts as water meters.

4. Will the newly installed water meters need to be replaced within a 15 year period to keep them accurate?

A typical residential meter will lose accuracy and need to be replaced based more so on total consumption rather than years of age. The business review services in our annual service contract will help the City identify meters that are potentially losing accuracy and should be replaced. According to published literature, a typical residential meter should be on a replacement schedule from as little as once every 10 years to as much as once every 20 years.

5. Of the increased utility billing amount listed for each of the 10 years, how much is water; how much is electric? Is there an increase in the sewer amount based on more accurate water readings?

The following is a break-down of annual savings for each utility:

Electric: \$86,775

Water: \$217,278

Sewer: \$573,794; yes this tied to water usage.

Additional savings will come from avoided utility theft – approximately \$435,000 (see Sch.2/ Exh. 2 #9).

6. What is the expected APR for the amount borrowed? What is the actual amount of interest paid over the term of the payback?

APR: 3.25%

Interest paid over the term: \$3,300,227

Total Savings at the end of the term over and above all lease payments: \$2,805,412

1) We are eventually responsible for hard to access accounts after JCI failed attempts. How do we get in vacant homes? Will we end up having to do a lot of installations on our own due to lack of access?

The City is responsible for scheduling only of hard to access accounts. JCI will replace all meters and those hard to access meters, with the City's assistance to get JCI in the premise. This may come to a turn-off situation as a last resort, as we do now in similar situations.

2) The 28 data collection units will be spotted around the city. What do we do in areas with all underground utilities. There are no poles.

Existing utility poles have been discussed for placement of data collection units. Other options are to use rooftops of City-owned buildings or other tall City-owned assets. Additionally, the City (electric department) has agreed to assist JCI by setting new utility poles for mounting of the AMR equipment if necessary. Initial studies show little need for this, but field adjustments may need to be made.

3) Are there only 3 tower sites? We are responsible for tower infrastructure(?) and equipment buildings. What is the cost of these items?

Yes, there are three tower sites that have been maintained by the City and will continue to be maintained by the City. JCI will be responsible for maintaining the installed equipment. The towers and building structures already exists so there are no additional costs.

4) Some of our listed commercial water meters are horribly inaccurate. Portage Towers will see a 60% increase in water and sewer billing. Studio city will take a huge hit, Hospital etc. I would think we need to notify them to tell them they have been undercharged and to prepare for a huge bill from now on.

The marketing campaign we have planned will help address the communication path to the customers, particularly those large meter accounts. We currently also have procedures for when we locate an inaccurate meter now. We work with the customer personally to devise an acceptable future plan.

5) Is there an estimated inaccuracy of water meters due to age we can expect at the end of the ten year period? At what age does the typical 5/8 residential meter need to be replaced due to low readings?

A typical residential meter will lose accuracy and need to be replaced based more so on total consumption rather than years of age. The business review services in JCI's annual service contract will help us identify meters that are potentially losing accuracy and should be replaced. According to published literature, a typical residential meter should be on a replacement schedule from as little as once every 10 years to as much as once every 20 years. In addition, in Schedule 2, Exh. 10 the year ten accuracy is guaranteed to be 95.8%

6) Why are there some exclusions on some of our larger meters?
(Schedule 2 Exhibit 9)

There are exclusions for an accuracy guarantee only on particular large meters. This means that during JCI's development, they were not able to perform an accuracy test on every large meter due to access. This does not mean, however, that JCI will not be replacing those meters. Those meters excluded from the accuracy guarantee will be replaced in the same manner as all others. There is potential for the City to see an increase in accuracy benefit with those excluded meters.