

**Cuyahoga Falls City Council
Minutes of the Finance Committee Meeting
July 21, 2008**

Members: Don Walters, Chair
Debbie Ritzinger
Carol Klinger

Mr. Walters called the meeting to order at 8:45 p.m. All members were present.

The minutes from the May 5, 2008, June 2, 2008, June 16, 2008, July 7, 2008 and July 14, 2008 committee meetings were approved as submitted.

Legislation Discussed

Temp. Ord. A-77
Temp. Ord. A-78
Temp. Ord. A-80
Temp. Ord. A-81
Sub. Temp. Ord. A-55

Discussion

Temp. Ord. A-77

An ordinance authorizing the Director of Public Service to enter into a contract and/or contracts for tree services for a period of two years, and declaring an emergency.

Mr. Bye stated this is the normal two-year contract which is coming up at the end of the month. Bid opening is Wednesday at noon. They sent out seven bids—four to companies who have bid before and three to others who asked to be included. Mr. Walters asked if the bid would be awarded to a primary and secondary company or would it just be one contractor. Mr. Bye stated it would be one contractor.

Committee recommended bringing out A-77.

Temp. Ord. A-78

An ordinance increasing appropriations in the Capital Projects Fund, and declaring an emergency.

Mr. Arrington stated the City will be closing on its agreement to purchase the State Road shopping center. Before the City can issue a check, it needs to increase appropriations in the Capital Projects Fund.

Committee recommended bringing out A-78.

Temp. Ord. A-80

An ordinance amending Ordinance 10-2008 and declaring an emergency.

Mr. Fitzsimmons stated this legislation corrects the language regarding the fund expense category in 10-2008 regarding the S. Prospect property. Mr. Walters added it was correcting a typo.

Committee recommended bringing out A-80.

Temp. Ord. A-81

An ordinance amending Ordinance 11-2008 and declaring an emergency.

Mr. Fitzsimmons stated this legislation was similar to A-80 except that the funding was from CDBG funds which was left out of the ordinance. It relates to the same project as A-80.

Committee recommended bringing out A-81.

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 a Special Council meeting has been called for tonight. Should this legislation be brought out of committee, Council will vote on it at that meeting. This was introduced in April and Council has been discussing and researching it since that time. He indicated there has been a proposal to add a new Section 3 which can be handled by moving to amend by substitution at the appropriate time.

Mrs. Klinger stated she requested the new section because with the time, money and magnitude of the project, it is important that Council has ongoing reports. She stated she appreciated the time Council has spent discussing this project and added that is important because it involves spending a lot of money which will be borrowed. One of the items Administration felt was a big benefit is that this project is able to be funded under H.B. 300 so the amount borrowed would not affect the City's debt limitations. Actually, only \$600,000 of this project would affect the City's debt, the rest is debt for utility services which does not get applied to debt limitations. She feels the biggest point is a ten-year payback on technology. She is very concerned about that because technology is constantly changing and evolving. Also, at the end of 2003, the City's debt was \$53.9 million. That is being increased by \$11 million for State Road and, should this legislation pass, another \$17 million will be added bringing the City's debt to \$83.7 million. That will be a 53% increase. With regard to the service agreement, the City will be paying \$256,000 for services that are necessary but at the end of the contract, those go away and there is no cost to the City. She also has concerns about Johnson Controls' 5% profit on the project. That 5% is on every dollar of the project.

Mrs. Hummel stated she shared many of Mrs. Klinger's concerns and offered a little different perspective: \$17.3 million will be for AMR. The financed cost will be \$20,612,000, which is \$3.3 million in interest. The service agreement portion is \$2.3 million bringing the total amount of the project to \$22,959,000—almost \$23 million. She appreciated everyone's cooperation in getting Council the information. Council diligently debated the pros and cons. The pros include the customer service portion and the potential monetary savings. Another portion of the pros is listed in Mrs. Carr's July 11 memo which states the project will allow the City to build a robust network and communication system. While those are great things, the component breakdown of that portion of the project is in excess of \$7 million. She is not sure the City can afford that. Administration feels the City cannot afford to let this opportunity pass by. Mrs. Hummel disagrees. A savings of \$2.8 million of an almost \$23 million expenditure is not justified. The City just purchased the State Road shopping center and Administration has also hired a consultant to help with the financing of the Natatorium. She feels that adding almost \$23 million with Sub. A-55 is not a good move for the City at this time. She stated she will not be supporting this legislation and instructed Administration to bring a more cost effective proposal to Council for meter reading.

Regarding meter testing, Mrs. Hummel stated that in 2006, 42 meters 2" and larger were tested with 29 of those being repaired. Johnson Controls also later tested 28 meters and found 17 to be significantly below performance standards. Prior to 2003, all commercial and industrial meters were tested annually. Half were tested in the spring and the other half in the fall. It appears there was a policy change regarding the timeframe to test these meters. These meters are where the City is losing the most money. Whether this legislation passes or not, she feels this testing is important and must be done to be fair to all of the rate payers. If the City is having commercial and industrial users not pay their fair share, it is not fair to those with residential meters who are not having failure problems. She recognizes the AMR system will be able to detect failure problems but she personally does not think the City should do it at this time.

Mr. Mader stated he appreciated the comments made. He agreed that the finance is the heaviest part of this package, however, he feels the new section is a good idea for Council to keep abreast of things. He is in support of passing this because, in his opinion, the technological improvements and benefits to the community far outweigh any other issue.

Mrs. Carr stated she still feels this is an important project. She appreciated all of Council's comments and wanted to point out that the difference in this project that makes her so comfortable is that it is a performance contract with a guaranty so the risk is lower than others the City has done. If the savings do not meet the goals, Johnson Controls will write the City a check. She indicated she will look at the City's policies regarding meter testing but pointed out that, with testing done the way it is now, the City still falls within AWWA standards.

Mayor Robart stated Administration has no problem with the amendment and added that Council has never been denied any information it has ever asked for. He stated that if a company or city is never reinvesting in itself, it will go downhill. If this legislation does not pass, the City will not recoup the \$2.8 million of lost revenue. This would result in more rate increases sooner. Voting this down would be turning away \$288,000 a year.

Chuck Schaetzle, 1533 18th Street, stated he has reviewed the numbers. He believes the City would be replacing the technological portion of the system before the project ever turns a profit. The savings of \$877,000 is due to new meters which would provide additional income because they will read more accurately, and higher, than the old meters. This means that the average resident will pay ten percent more for water. The recent rate increase was based on old meters. If this legislation passes, Council will be telling residents it has passed a ten percent increase. Since these increases are compounded, 17% plus 10% works out to 29%.

Committee recommended bringing out Sub. Temp. Ord. A-55 dated 7-21-08.

Mr. Schaetzle asked to bring up one more point. He stated that Mrs. Carr mentioned that the cost is guaranteed but he believes it is guaranteed by non-measurable items. The only guarantee is that the calculations are correct and is not based on future measurements. Mrs. Carr stated an independent lab verifies testing to make sure it is done properly. Mr. Walters added that is both previous and future. Mr. Schaetzle stated testing involves a small sample of meters each year and if they are not working properly, they will replace them. There is no monetary reimbursement involved. Mrs. Carr stated monetary reimbursement is addressed in the contract. She added that she can continue to debate this legislation or ask Johnson Controls to give another presentation, but, actually, she just wanted a vote at this point. She stated it was unfortunate that Mr. Schaetzle was not at all of the meetings when this was discussed.

The meeting adjourned at 9:20 p.m.