

**THE CITY OF KENT, OHIO  
FINANCE COMMITTEE  
WED., DECEMBER 2, 2009**

This meeting of the Finance Committee of Kent City Council was called to order on Wed., Dec. 2, 2009 at 8:00 p.m. by Wayne Wilson, Chair.

**PRESENT:** MR. AMRHEIN, MR. DELEONE, MR. FERRARA, MR. HAWKSLEY, MR. KUHAR, MS. SHAFFER, MR. TURNER, MS. WALLACH AND MR. WILSON

**ALSO PRESENT:** J. FENDER, MAYOR; D. RULLER, CITY MANAGER; J. SILVER, LAW DIRECTOR; L. COPLEY, CLERK OF COUNCIL; G. ROBERTS, SERVICE DIR.; D. COFFEE, DIR. OF BUDGET & FINANCE; W. LILLICH, SERVICE DIRECTOR; D. SMITH, DIR. OF ECONOMIC DEVELOPMENT; & J. IDONE, DIR. OF PARKS AND RECREATION.

Chair Wilson said they would be moving discussion on the DKC line of credit to the beginning of the agenda, as they had people present to speak to the issue.

**Dave Ruller, City Manager**, said that prior to this meeting, he distributed the West River retrospective. He said he hoped they reflected on it, adding that most of them can remember when that work was in high gear. He said it surprised him they were entering their eighteenth year of the redevelopment effort. Mr. Ruller said it reminds them that redevelopment requires patience. He said the West River Neighborhood does seem to be one of their more prominent success stories, which is part of the reason they shared the photos.

Mr. Ruller said that there are a fair number of jobs that were not there before. He said the jobs have added about \$75,000 to their income tax base, or \$750,000 over ten years. He said time goes by fast, and the revenues are important as they wrestle with their tax revenues.

Mr. Ruller said he thought it was a good time to see what the project accomplished. He said they want the Council, staff, and DKC to be empowered with the same financial instruments. He said the line of credit fits well with the economic development capital needs and/or land banking. Mr. Ruller said the first line of credit will be paid off in about twenty to twenty-two months. He said they closed on that loan about ten years ago, and are paying it off.

Mr. Ruller said they are knee deep in a lot of other initiatives. He said the BTECH concept will give them more incubator space, and they have downtown projects also. He said they are asking Council's permission to allow a new line of credit. He said they would just be accepting the terms and conditions that will be described by Dan Smith, Brian Bialik, and Dave Williams. He said it is modeled after what they did the first time, and is largely a repeat of the West River process.

**Dan Smith, Econ. Dev. Dir.:** Mr. Smith said the photos tell the story with the West River recap. He said this line of credit is another tool they will use to leverage private, state, and federal financing. He said they have to be ready to act, and this gives them the ability to make a deal happen.

Mr. Smith said the West River neighborhood cost \$3.4 million, and they leveraged \$18 million for a 6:1 ratio. He said that 104 jobs moved into that area. Mr. Smith acknowledged that it was debated that some moved from other parts of Kent, adding that is partly true, but the old spots got filled with new jobs.

Mr. Smith said the Fairchild Bridge project cost the City \$4 million, and they leveraged \$25 million. He said they have replaced blighted buildings with new buildings, and questioned what dollar they place on aesthetics. He said if everything is neat and orderly, people will want to invest. He said that everyone is trying to make things happen.

Mr. Smith said three local banks have agreed to sponsor the line of credit. He said those three banks are

Home Savings, Huntington, and the Portage Community Bank. He said they will provide a \$2.25 million line of credit. He said if they need monies, they do not have to spend four to five months putting it in place. He said this is the most flexible of all of their tolls. Mr. Smith said there is a five-year draw, of interest only, with a fifteen-year amortization schedule. He said the deed goes to the DKC, with the City holding the first mortgage. He said that Council has the total authority and decision making on every transaction, and nothing happens without Council. Mr. Smith said there is a greater flexibility, as compared to using General funds or issuing bonds. He said it gives them the opportunity to negotiate deals that make sense. Mr. Smith said it could be used in a myriad of ways.

Mr. Smith said this is a quick option for a deal closer. He said they can act at the speed of business, not the speed of government. He said if the monies are not needed, warranted, or desired, it will stay unutilized.

Mr. Smith said there is a one time initiation fee of \$18,000, with no addition fees, no maintenance fees, no transaction fees, etc. He said the one time fee can be rolled into a draw as well and be amortized over time.

Mr. Smith said they never know when deals may present themselves. He said they are in constant negotiations with various developers. He said it is not unusual for a community to want to get behind an effort, adding he hoped most felt that West River is better today. He said it is a success story, and gives Council the authority. Mr. Smith said that the DKC makes no monies on these properties, and in the past, some purchases have paid for themselves. He said one example was the hardware store.

Mr. Smith introduced **Dave Williams** and **Brian Bialik**.

Mr. Williams explained he represented the DKC, adding some of them were there in 1995 when they adopted the original line of credit. Mr. Wilson said he was the only present, as well as Mayor-Elect Fiala.

Mr. Williams said the DKC is a corporation, not for profit, formed in 1983 with Council's blessing. He said a law came into effect that allowed urban redevelopment, and when the law permitted this to occur, the organization was formed.

Mr. Williams said there is no compensation and is purely volunteer. He said local business members want to see the downtown improve. He said they have the authority to enter into a financial agreement, promote the expansion of business, and the redevelopment of property. Mr. Williams said he prepared the original draft and all counsel for the banks and the City weighed in on the agreement. He said they have a final version of all of those comments.

Mr. Williams said this is an unsecured line of credit, adding the banks have agreed to lend the DKC up to \$2.25 million unsecured. He said approval of this package is not indebting the City nor the DKC. He said they are locking the banks into a five-year commitment.

Mr. Williams introduced John Ryan, Huntington Bank and Brian Bialik, Home Savings. He said all banks have spent a lot of time on this, adding they started working on this in February 2008. He said it has taken one year and ten months to get everyone together. He said they have three local institutions willing to step up to the plate to extend the line of credit for the downtown.

Mr. Williams said the DKC does not have the ability to repay the line of credit, and the City would be required to pay those payments. He said they may ask what safeguards the City has for how, when, and where the money is used. Mr. Williams said in 1995, they developed an operating agreement between the DKC, the City, and the banks. He said the banks require the agreement. Mr. Williams said if DKC wants to use any part of the loan, they are required to come to Council with a plan.

Mr. Williams said that Section 3 of the agreement says they cannot acquire a piece of property unless they bring in a purchase agreement, with a plan, costs, expenses of operating, and any lease income. He said they have to show why it is beneficial to acquire the property, and must have Council's approval.

Mr. Williams said that the DKC owns property at that point. He said there may be some cost to operate the process, or they may have demolition costs. He said the hardware store paid for itself for a while, adding the operating monies reduced the loan. He said if they want to sell a piece of property, they must come to Council.

Mr. Williams said if a piece of property is sold, all proceeds pay down the loan. He said if there are more proceeds than the loan balance, the balance is held by DKC, subject to Council's approval. He said the reason the line of credit is unsecured is because the banks will have no control with respect to the property. He said the mortgages are given to the City, and the banks cannot control the sale nor do they get any proceeds.

Mr. Ferrara asked about the interest-bearing account at Huntington, and Mr. Williams said it is not secured by real estate. He said Mr. Ferrara was correct regarding the pledge of funds. Mr. Bialik said it is equal to one year of debt service. Mr. Williams said it is an interest-bearing account, adding they get all of the interest. Mr. Smith said there is no penalty to retire the debt, and Mr. Williams said they can cancel this program at any time, by writing a letter.

Ms. Shaffer asked why the City cannot get the loans, and why they need another institution, and Mr. Ruller said they can get loans. He said this is more flexible. Mr. Ruller said they can go to the bond market, but the cost to get in will exceed this cost. He said this is just another instrument they would like to have available.

Mr. Silver said it is a little quicker to do it this way, as they do not have a bank holding a mortgage on the property. He said they have found, over time, that people will talk to the DKC while they will not talk to representatives from the City. He said he cannot explain it, but there are some benefits to having the DKC involved.

Ms. Wallach asked what happens if the City has a buyer for property owned by the DKC, and Mr. Williams said the City tells them to sell. He said Council approves the sale, and they transfer the property. He said the DKC cannot do anything without their instruction and/or approval.

Mr. Turner asked if they are constrained by the DKC only functioning in the downtown area. He noted that Mr. Smith indicated they might do something with the high tech industrial park. Mr. Williams said they are not limited to the downtown.

Mr. Kuhar said that three banks are involved in the line of credit, and asked if any principals of the DKC are principals at any bank. Mr. Williams said Howard Boyle is the President of Home Savings and sits on the board for the DKC for about 20 years.

Mr. Kuhar asked the current prime rate, and Mr. Bialik said it is 3.25%. Mr. Kuhar said if they pay 4% over prime, it would be 8.25%, and Mr. Ferrara said it is a minimum of 5% or a maximum of ½% over prime. Mr. Kuhar asked what they would pay now, and Mr. Bialik said they would pay no more than 5%.

Mr. Kuhar said he understood the control issue. He said that it was indicated they spent \$3.4 million on the West River neighborhood, but got back \$75,000. Mr. Smith noted that was \$75,000 per year. Mr. Kuhar asked how many years it takes to recoup monies, and Mr. Williams said that some pieces of property were purchased for a mass, similar to the hotel and convention center. He said if they have a mass, then they control development. He said they could have this available to buy a piece of property, although there is no immediate return.

Mr. Kuhar said they have done land banking in the downtown, and asked if there are any figures on how much was invested, and Mr. Ruller said it is about \$3 to \$3.5 million. Mr. Kuhar asked if there is any money coming in, and Mr. Ruller said this was part of Council's directive to do a hotel and conference center. He said land is needed for the deal. Mr. Kuhar commented that \$3.4 million in property is not very productive.

Mr. Fender said he has attended a number of DKC meetings. He said that he does not see any drawbacks. Mr. Smith agreed, adding it is another tool in the tool box. He said it is a reasonable program.

Mr. Ruller said the decision is whether to authorize the line, if and when a project comes before them. He said they could use their undesignated reserve funds, adding it depends on how much they borrow, as to how much they will tie up with respect to savings. He said this request is more procedural than anything else.

Mr. Williams said that with the properties purchased, the DKC did not go out and shop them. He said they were told to see how many properties they could get under contract, which is the DKC's role. He said there may have been one property where the DKC was approached. He said for the most part, the City told them what to do. He said they are the facilitator, not the decision maker.

Mr. Ferrara asked if the City can secure a loan with its assets, and Mr. Coffee said yes, in terms of being a guarantor. Mr. Ferrara asked if they could back a line of credit, and Mr. Coffee said the ORC has a provision that deals with blighted areas and allows their participation as a guarantor. He said it is somewhat restrictive, based on his understanding of the ORC.

Mr. Ferrara said the present rates on a secured line of credit are significantly lower, and asked if that has been a consideration, and Mr. Coffee said he has not explored that alternative. He said the line of credit is a unique credit instrument that gives them the option.

Mr. Ferrara said they could still have a secured line, and Mr. Coffee agreed, adding he was unsure of the legalities. Mr. Bialik said they can get secured money for less than 5% but would pay more. Mr. Ferrara said on \$2.5 million, it costs 180 basis points. He said he was not arguing, but was just asking if it was an option. He asked about the downside if they pledged collateral at Home Savings, and Mr. Bialik said that was their decision. He said this was a tool, and Mr. Ferrara said he supports the tool, but wanted to know if all options were reviewed. He said everyone has done a great job, but they have to find the best cost effective way.

Mr. Bialik said based on the banking definition of collateral, this is an unsecured transaction. He said the DKC makes no money nor generates revenue. He said they rely on the financial stability of the City. Mr. Bialik said they have ownership of the property and total control, and never have to use the line.

Mr. Ruller said that tying up their general fund is a down side. He said they have forecasts showing it disappearing quickly over the next few years. He said he did not want to tie it up if it pushed the cliff that much closer.

Mr. Coffee said this could limit their investment portfolio. He said they are already struggling to get the return they are accustomed to. Mr. Bialik said he would rely on Mr. Ruller and Mr. Coffee to make the determination on what is legal. He said what they are getting for an unsecured transaction is a lot of flexibility. Mr. Coffee noted there is no prepayment penalty, adding if it is more advantageous to pay off a portion or all of the draws, that would be their option.

Mr. Bialik said they did this the last time, and one year of money was held. He said there were no problems, and credited that to good fiscal management.

Ms. Wallach asked how they decided on 5%, and Mr. Bialik said they are a for-profit corporation, and that figure can achieve some meaningful gain. He said if it was less than 5%, they would have zero sum gain. Mr. Bialik said they want to make a little money, but incorporated a lot of flexibility. He invited them to go out and find the pricing on an unsecured line of credit. He suggested they look at their credit card rates.

Mr. Williams said if he remembered correctly, a direct line is a direct debt. He said this is not a direct debt, so their commitment was only to the interest. He said they are only obligated for the interest. Mr. Coffee said the terms provide for five years, interest free, and after that, a principal reduction is required for fifteen years.

Mr. Williams said that their only financial commitment was the interest amount, and Mr. Coffee agreed.

There was no audience comment at this time.

**MOTION TO AUTHORIZE THE LINE OF CREDIT.**

Motion made by Mr. Ferrara, seconded by Ms. Shaffer.

Mr. Kuhar said he fully understood the purpose of the line of credit, its flexibility, and Council's ability to make the decision. He said his biggest concern is whenever they come up with money, whether it is savings or a windfall, it appears to disappear. He said they have several millions of dollars for their plans of things to accomplish, and their revenues are low. He said he did not know how long ago they started buying property downtown, but questioned how they can continue to be land banking poor when spending money without the revenues to cover it. He said no one knew the recession was coming, adding the land is sitting and they are receiving no rent. He said their income tax revenues are down, and now they want to grab another \$2.5 million. He said he does not keep buying when his paycheck is cut. Mr. Kuhar said a responsible politician should not spend monies the same way. He said if he went to Home Savings to borrow money for good ideas, they would chase him out the door. He said the line of credit is nice and flexible, but given the big picture, they need to make something happen and then make changes.

Ms. Shaffer disagreed, adding she would support the motion. She said there are a lot of negotiations, and there are still a few parcels they may need. Ms. Shaffer said they will debate each and everyone that comes before Council to be sure it is consistent. She said it is wise to have options, adding that she is satisfied that this is an option they can use. She said it is wise if they need to move in a hurry, and concluded with her support of the idea.

Mr. Hawksley said it is imperative that they do this, and agreed with Mr. Smith that the public sector has to make strategic investments. He told Mr. Kuhar there is a segment of people in Kent who think that they are not moving fast enough. He said their tax structure encourages tax speculation. He said people with property who have done nothing with their property are waiting for a windfall from Kent. He said they could have \$100 million in the downtown in five years. He said they need to give themselves this tool.

Mr. Turner said he understood where Mr. Kuhar was coming from, adding they are held accountable for their judgments. He said if they make bad judgments about using this line of credit, they will be held accountable. He said the reality is that it is a tool, and judgments will be made down the road. He said if the community benefits, the reckoning will be positive for them. He said if they do not do that, the people will make a determination. He said it is one more tool, and an opportunity to the City. Mr. Turner said that sound judgments allow businesses to move, and at the end, the City will benefit from this opportunity. He concluded that he would be supporting the motion.

Mr. Ferrara said it would be irresponsible to not renew the line of credit, adding it is part of the planning process, with a strategic plan of what to do with the property. He said they cannot stop now, and are building to the point of a critical mass. He said it would be fiscally irresponsible to not do it.

The motion carried by a voice vote of 7-1-1, with Mr. Kuhar dissenting and Mr. Wilson abstaining.

Mr. Wilson said the next item would be the lease arrangement for the City's bucket truck with the city of Aurora

Mr. Ruller said they had a lot of discussions in the last eighteen months on regionalism and partnering. He said it does not make much sense to duplicate things, adding it always sounds great on paper but they have a hard time making it happen. He said it happens a little bit in public safety, adding they have heard some of it as they discussed the joint fire study. Mr. Ruller said they feel there are other opportunities, adding that Mr. Roberts was part of a similar effort about eighteen months ago. He said there could be partnering opportunities, and noted the City pays a private company to grind their leaves, while others have a tub grinder that sits for months.

Mr. Ruller said that recently, Mr. Roberts was approached by Aurora. He said they wanted to lease the City's bucket truck. Mr. Ruller said he is optimistic that down the road, they will see a lot more of this type of discussion. He said he felt it does have merit.

Gene Roberts, Service Director, explained that the City's arborist, Mr. Shanley, was speaking to Aurora's arborist, who told them that Aurora rents a bucket truck from Toledo. He said there were a lot of issues, including how they explain to Kent residents that a Kent truck is in Aurora. He said other ideas included breakdowns. Mr. Roberts said that Aurora has done similar rentals with Remindersville and Garrettsville.

Mr. Roberts said if they did this, their people would be trained, and the equipment would be taken to Aurora and used for one week. He said they would pay less than market. Mr. Roberts said that the long term gain is when it comes time to buy this piece of equipment, stored in Kent for 1/3 or 1/2 of the year, they could talk to Aurora about sharing the cost. He said they can wrestle with maintenance and repair issues, adding they are asking for the ability to sign an agreement with Aurora.

Ms. Shaffer asked Mr. Roberts how comfortable he was, and Mr. Roberts said he would defer to Mr. Shanley. He said Mr. Shanley knows them, has said they are quality people, and some have long careers in tree trimming. He said these are properly trained people, who are licensed arborists in Aurora.

Ms. Shaffer asked if they have some understanding if it is broken, and Mr. Roberts said they would need language to defend themselves. He suggested 1% of the total cost of repair, for the time Aurora used the truck.

There were no comments from the audience at this time.

#### **MOTION TO APPROVE THE LEASE OF THE BUCKET TRUCK TO AURORA.**

Motion made by Mr. DeLeone, seconded by Mr. Ferrara, and carried by a voice vote of 8-0-1, with Mr. Wilson abstaining.

Mr. Wilson said the next item on the agenda dealt with the final amendment to the 2009 appropriations ordinance.

Mr. Coffee said it is an annual practice to look at the final budget cleanup. He said it is considered to be a housekeeping item. Mr. Coffee said he recruited other department heads to review an updated version of their budget reports, so they could determine areas with negative variances or look at areas where they will be negative without corrective action. Mr. Coffee said that within the bounds of his administrative ability, he has addressed many of those items. He said there are some items that need Council's approval. Mr. Coffee said the plan at this point is to continue a clean up effort, adding the deadline is Dec. 4 for all purchase orders to be in the Finance Department, so they can encumber the funds. He said they will then run another trial on their budget. He said the intent is to compile a listing of appropriation amendments.

Mr. Coffee said they have two items listed already, with one being an appropriation for the Parks and Recreation Department for the grant they will review shortly.

Mr. Coffee said that Fund 108 is a License Tax Fund. He said they plan to zero it out and close it out. He said they tried to research the genesis of that item. Mr. Coffee said it was a little problematic with the issuance of their single audit report. He said the Auditor had a question about the transfers from that fund to the S.C.M.R. fund, which has been the practice. Mr. Coffee said that new eyes were on it this year, questions were raised, and final approval was held up. He said they have had discussions internally and with the external auditors, and this fund serves no useful purpose. He said they probably could accomplish the same thing, in a better fashion, by adding the line item within S.C.M.R. to segregate those revenues.

Mr. Coffee said they are seeking Council's authorization and latitude to allow them to continue to compile the budgetary items for their review and approval.

There were no questions nor audience comments at this time.

**MOTION TO AUTHORIZE THE AMENDMENTS TO THE 2009 APPROPRIATIONS ORDINANCE.**

Motion made by Mr. Ferrara, seconded by Mr. DeLeone, and carried by a voice vote of 8-0-1, with Mr. Wilson abstaining.

Mr. Wilson said the next item was the application for stimulus funds for fire operations. Mr. Ruller said they met in early spring about stimulus funds for the Police Department. He said it appeared that stimulus funds would be coming available for the Fire Department. Mr. Ruller said they are seeking their approval to apply, adding it is not a final commitment. He said they still have the opportunity to accept or reject the funds, adding they do not want to jinx themselves. He said they were not successful with the Police stimulus funds, and this is likely to be the same.

**William Lillich, Safety Director**, explained that the grant is known by the acronym of SAFERS, and is to assist local agencies to increase their staffing level to recommended levels for activities. He said this has a different perspective, adding that they have the chance for stimulus funds and the desire of the feds to improve employment or reduce unemployment. He said the fairly high focus is on the retention of people who would be laid off otherwise. Mr. Lillich said they are a little skeptical about their ability to get the grant, adding it is different from the last application

Mr. Lillich said the police grant was a five-year grant, with a matching fund requirement. He said this would be a three-year grant, with the feds paying 100% of the qualifying expenses for the first two years, and the Agency assuming the full responsibility for the third year.

Mr. Lillich explained that qualifying expenses include the basic salary and benefits, such as Workers Comp, Fica, Health Care costs, and pension costs. He explained it does not cover supplemental equipment or uniforms, but does cover protective equipment in the first year. Mr. Lillich said it does not cover time and related costs, uniforms and training costs. Mr. Lillich said the time for training is covered, but not the cost of training.

Mr. Lillich said they would pay \$10,300 for each firefighter the first year, and \$9,300 for each firefighter for the second year. He said they would pay all costs in the third year for a cost of \$89904. He said they would like to apply for four firefighters, adding there would be one per shift, with another who would assume more administrative duties, such as community service, fire prevention, and developmental work that fits into the fire study program.

Mr. Lillich said they are looking for a total of \$586,000 in federal funding, with the City's share being \$438,000. He said they would like Council's authorization to give this a try.

Mr. Amrhein asked how many years they would get funding, and Mr. Lillich said it was a three-year commitment. Mr. Lillich asked if they got funding whether those four would stay on after the three years, and Mr. Lillich said that was one of the issues they were looking at. He said there was a program started a few years ago, where there is a drop program. He said it is a deferred retirement option program. Mr. Lillich said it enabled those qualified for retirement to apply, but continue to work, with additional funds going into their pension system. He said those who applied had to stay a minimum of three years, and a maximum of eight years. Mr. Lillich said that several in the Police Department are doing that. He said one benefit is that the timing may be close to some who are leaving.

Mr. Kuhar asked if this was \$586,000 per firefighter, and Mr. Lillich said that amount was for four of them. Mr. Kuhar said it was almost an even match, and Mr. Lillich said it was a 57%/43% grant.

Ms. Shaffer asked if this would reduce overtime, and Mr. Lillich said it would have that effect.

Mr. Hawksley asked the target on overtime reduction, and Mr. Lillich said they have not done that type of analysis. He said they are about 7% behind in terms of calls through the end of October, adding there has been a noteworthy reduction in payroll.

Ms. Wallach asked if they apply and receive the funds, if he would return for further discussion, and Mr. Lillich said they would return for formal authorization.

Ms. Wallach expressed her concern with paying for these firefighters in three years.

**MOTION TO AUTHORIZE THE APPLICATION FOR THE SAFERS GRANT.**

Motion made by Mr. Kuhar, seconded by Mr. Amrhein, and carried by a voice vote of 8-0-1, with Mr. Wilson abstaining.

Mr. Wilson called for a recess at 9:15 p.m. He reconvened this meeting at 9:22 p.m.

Mr. Wilson said the next issue dealt with the water and sewer rate increase for 2010.

Mr. Ruller commented this was the night that would not quit giving. He said that during their capital session they had proposed rate increases for water and sewer funds over multiple years. He said similar to their undesignated fund balance, they are forecasting trouble in those funds and their ability to sustain annual costs. Mr. Ruller said that Mr. Roberts has indicated that their consumption is not sustaining, and their usage is not as strong as they would like. He said Mr. Roberts shared other costs with them, adding that was driving the discussion for a rate increase.

Mr. Ruller said Council asked them to bring this issue back separately, adding they need to do this soon, adding they want to know if Council wishes to approve a rate increase. He said they are proposing 3% in water and sewer for this year only, adding that would allow more in depth analysis. He said their goal is to minimize spikes in their rate increases. He said they would prefer to not ask for 20% as an increase next year, like other cities. Mr. Ruller said Akron is looking at double digit water increases, so they are not the only city dealing with this. He said that part of what they would like to do, instead of biting off everything at one time is to start incrementally. He said they are going to do a rate stabilization plan, adding they are going to need a fair amount of money in the water and sewer funds. He said they do not want a large increase, adding they want to look at their costs and come back with a more finite analysis the next year. Mr. Ruller said that Mr. Roberts provided additional information in their packet, and would address those at this time.

Mr. Roberts said a 3% increase in both funds would result in an increase of .065 per day per customer. He said their capital plan is not fully implemented, and does not include projects they have to do. He said they are projecting a negative balance of \$300,000 in 2014 in the Water Fund, and this increase would allow the fund to be \$100,000 "to the good". He said they are projecting a negative balance for capital in 2014 of \$700,000, adding the increase would reduce that to \$200,000. He said they can delay it for one year, but then they will need more. Mr. Roberts said they previously agreed to do a facility plan for the water reclamation and water treatment plant. He said the water reclamation plant is under contract now, adding that by May or June, they will have both plans and a handle on where they want to be. Mr. Roberts said he hoped Council would support a 3% increase now, adding they will be back. He said that City Engineer Bowling is working with his division on the needs for the collection and distribution systems.

Mr. Kuhar asked if the overhead in both plants is what creates the necessity for money in the fund balance, and Mr. Roberts said he spent more time reviewing water. Mr. Kuhar said that he thought with the revamping of the pumps that they were going to have tremendous savings through the energy plan, and Mr. Roberts said that is the plan for the Water Reclamation facility. Mr. Kuhar asked if the amount of savings will make the water and sewer fund in better shape, and Mr. Roberts said that while it will decrease their expenses, there is not enough to cover future costs. Mr. Kuhar asked the amount of savings on the changes, and Mr. Roberts said he did not know the savings, but the payback would be in five years. Mr. Kuhar asked what 3% would generate for the Water Fund, and Mr. Roberts said it would be \$78,214, based on 2008 confirmed revenues. He said it would probably be less. Mr. Roberts said they have about 16% more customers, but the water consumption is dropping. He said that new houses are being built with water saver fixtures, adding that KSU tore down old dorms for the same reasons.

Ms. Shaffer asked if everyone pays the same rate, or if they have a differential, and Mr Roberts said that

KSU gets a reduced rate. He said they operate their own distribution system and they maintain all of their pipes. Mr. Roberts said the City has master meters that ship large quantities of water to them.

Ms. Wallach asked when the last rate increase was for each fund, and Mr. Roberts said the Water Fund had an increase in Jan. 15, 2003 taking it from \$23.43 to \$24.02. He said the Sewer Fund was Jan. 15, 2007 taking the rate from \$36.70 to \$37.43. He noted that increase was earmarked for the insurance program. He said it is not in their revenue stream.

Mr. DeLeone said that the University maintains their own sewer, storm lines, and water lines, which is a large savings to the City.

Mr. Silver reminded them that in the next five to six years, there is not much money for the replacement of infrastructure. He said there are no provisions to repair or replace the lines, some of which are one hundred years old. He said Akron was notorious for this, and their Mayor wanted to sell their sewer system. He said they put no money in the system, and the EPA stomped on them. Mr. Roberts said a typical residential is paying \$25.00, and in seven years, they will be paying \$75.00. Mr. Silver said they are looking at increases of 200% to 300% to fix what was ignored.

Ms. Wallach asked if there was stimulus money available for infrastructure, and Mr. Roberts said they have to have an actual project designed, with an identified need. He said some of the stimulus money they received for the Fairchild Bridge was for the water and sewer on that project. He said they had nothing else prepackaged that they could sell the next day, which was a problem with the stimulus package. He said they had a narrow window of time.

Ms. Wallach asked what percentage of the funds is used for personnel, and Mr. Roberts said it is 57.4% for the Water Fund, with 36% for the Sewer Fund.

Mr. Hawksley asked the state of the art thinking about water conservation, adding he remembered talking to Al Brubaker who said there was no incentive to conserve water with the current pricing. Mr. Roberts agreed. He said he has not spent a lot of time researching the issue. He said the incentive is that the more water used, the higher the rate. He said they did not build pipes for potable water sources. He said they use them for fire hydrants, which saves the residents money on their insurance.

Mr. Kuhar asked if the price increase would increase the wholesale prices for places like Kent State, and Mr. Roberts said it would be for all sale classifications, including Kent State. There were no audience comments at this time.

**MOTION TO APPROVE A 3% RATE INCREASE FOR THE WATER FUND AND THE SEWER FUND.**  
Motion made by Mr. Ferrara, seconded by Mr. DeLeone.

Ms. Wallach said she did not mind approving a three percent increase for each fund for one year, because the last increase in water was 2003 and the last sewer increase was 2007.

The motion carried by a voice vote of 8-0-1, with Mr. Wilson abstaining.

Mr. Wilson said the last item on their agenda was the ODNR Cooperative Boating Grant, and introduced **John Idone, Director of Parks and Recreation**, at this time.

Mr. Idone said he was present to request their approval to accept the grant approved from the State for this project.

Mr. Ferrara noted there had been some concerns in the neighborhood, and asked if they had done anything about hiring a consultant. Mr. Idone said acceptance of the grant is the first step, adding they advertised for requests for qualifications, and have received five proposals. He said they are in the process of reviewing them. Mr. Idone said they cannot act on anything until they have a signed contract from the State. Mr. Ferrara asked if that engineer would help with the design concept, and Mr. Idone said

that was correct.

Mr. Idone said the scope of the project included as part of the grant agreement represents a reduction of parking spaces from 20 to 10. Mr. Idone said this was a major concern with the neighborhood. He said they are required to put in a minimum of ten spaces. Mr. Idone said they are committed to having two public meetings, once they have a consultant on board. Mr. Ferrara suggested they give the information to the newspaper so people are aware, and Mr. Idone agreed.

**MOTION TO AUTHORIZE THE GRANT FROM ODNR.**

Motion made by Mr. Ferrara, seconded by Mr. Hawksley, and carried by a voice vote of 8-0-1, with Mr. Wilson abstaining.

Hearing no further business before this Committee, Chair Wilson adjourned this meeting at 9:40 p.m.

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Linda M. Copley, Clerk of Council

**ACTION RECOMMENDED:**

- 1) TO AUTHORIZE THE RENEWAL OF THE LINE OF CREDIT WITH THE DKC.
- 2) TO AUTHORIZE THE LEASE OF THE BUCKET TRUCK TO THE CITY OF AURORA
- 3) TO AUTHORIZE THE FINAL AMENDMENTS TO THE 2009 APPROPRIATIONS AMENDMENT
- 4) TO AUTHORIZE THE SAFERS APPLICATION
- 5) TO AUTHORIZE A 3% RATE INCREASE FOR BOTH THE WATER AND SEWER FUNDS
- 6) TO AUTHORIZE THE GRANT FROM ODNR FOR A BOATING FACILITY