

FINANCE COMMITTEE MINUTES
of May 9, 2022

In Attendance: **Vermilion City Council:** *Steve Herron, Council at Large; Greg Drew, Ward Two; Teresa Mayle, Ward Three; Barb Brady, Ward Four; Brian Holmes, Ward Five. Absent: Monica Stark, President of Council; Pat Stein, Ward One.*

Administration: *Jim Forthofer, Mayor; Tony Valerius, Service Director; Chris Howard, Service Director; Amy Hendricks, Finance Director*

Call to Order: Brian Holmes, Chairman, RESOLVED THAT this Finance Committee comprised of the committee of the whole does now come to order.

TOPIC ONE: Wastewater Plant, VOL Sanitary Sewers, and Police Station

Mayor Forthofer said that his item is contained within topics two, three, and four and turned the discussion over to Amy Hendricks.

TOPIC TWO:Utility Rates

Amy Hendricks stated on the agenda this evening is a reading for both increases in wastewater rates and EPA rates. The EPA asks that we provide documentation that they are reviewing their rates regularly to assure that they are covering their costs in the area of the wastewater rates that they last voted on in 2010 for implementation in early 2011. As we all know, costs have increased substantially in that amount of time and that is reflective in the current increase. The current year, they are operating with a deficit of over \$303,000 and that would equate based on the number of units they sold last year to \$1.14 per unit bring that to \$7.01. They also have proposed in order to keep rates within inflation and to be able to plan better for the future, to look at rate increases to be approved at the same time as the proposed-on July 1 at January 1 of 2023, 2024, and 2025 that represent inflationary rates that are applied there for each year. 3% for 2023 and 2.5% for 2024 and 2025 and those are based on the Fed rates, Kiplinger's, News Week so that is everybody's best crystal ball as to inflation rates. If they run into significant problems, they can also enhance the rates more if there was some sort of catastrophic event, but this will at least keep us at pace with inflation and be able to plan for the future.

Mayor Forthofer stated as the Finance Director said, he believes having scheduled regular increases will save the sticker shock not having one for so many years. You know the costs are going up, so why wait and he thinks that the schedule is a great idea.

B. Brady said that she agrees with the smaller annual increases, they tried to do that years ago and it just makes all the sense in the world. The question she is what

happened to the \$4.00 wastewater EPA fee, it was supposed to go towards large projects, it took care of the Edison Estates and Niagara area and then it was supposed to move on. A. Hendricks answered that there is some debt that is a part of those, and that debt service is being paid, but also it has been used for various projects and equipment that did assist with meeting the EPA requirements, so for example the valve exercising machine that was required for the EPA. T. Valerius said they also had the secondary collection tanks over at the wastewater treatment plant, they had all new rails and all new flights installed in those, two years in a row they did that so they could get them back to where they needed to be. They were falling apart over there, so that is another major project. B. Brady said what her point is that fee was for major projects and now they are adding another \$5.00, do they see that clearing up and some of that going away as they get the major things done. A. Hendricks answered they are really behind. T. Valerius said that the \$5.00 EPA fee is being proposed for the projects and the infiltration they see down in VOL, the U.S. EPA audited the plant last year and they issued the city an order of consent stating that they must submit a wastewater master plan for their facility and evaluate and address inflow and infiltration reduction within the collection system. They have to move forward. B. Brady asked if the \$4.00 is eaten up. A. Hendricks answered yes, but all of the projects have been related to EPA's specific requirement for either water or wastewater. One of the concepts behind the increase in the EPA rate was to avoid what many communities do when there are projects that are in a neighborhood and that is to assess property owners, whether it is for water lines or street paving, things like that. Instead of doing an assessment, to increase the EPA fee, so it becomes a community wide fund for projects ongoing, this one will fund the laterals in VOL, but once that is done, then the next project can then be funded. B. Brady said that is how the last one was built, and that money would then move on, that is why she is asking-is that money moving on. C. Howard said they are also going to need it for the treatment plant. Once they get the results back, they are going to have to upgrade the treatment plant too. A. Hendricks replied, we will have to do a layering of funding with that one, it will probably not be a single source, it is going to be grants, EPA loans, and those types of things. Mayor Forthofer said that the treatment plant is right for a Federal Loan because of it's proximity to the lake and it's potential threat to natural resources.

B. Brady said the other question she has is that she pulled out the information they had on the water meters, and it is a quote "No water rates increase will be necessary if we put in 6,350 meters". A. Hendricks answered that is one of the things we talked about last week as well, they are getting just under an additional 6% revenue for wastewater and just under 5% for water from those increases, and those are covering the debt service for those and a little bit more. B. Brady said they had predicted 12%. A. Hendricks answered yes, their vendor did, but the situation that they are running into is that nobody predicted a 20% increase in chemicals and all of the other significant inflationary factors that are hitting every line of business right now. That is where things have gone awry, as well as with wastewater especially there have been some very significant repairs in the last couple of years

that had to be done in addition from the EPA funding that Tony talked about, but also from the operating fund that have continued to be ongoing that has absorbed any carry-over balance that they had unfortunately. B. Brady asked if they had the results of the evaluation yet. C. Howard answered they are still working on the audit and then they will come back, but they are currently working on it. B. Brady asked if they know yet whether they will say if we need a new plant or they will fix our old plant. C. Howard said that they look at either updating the current sight or building a new plant. Mayor Forthofer said several consultants presented the idea of a new sight and if they can't build a warehouse on Baumhart Rd., how are they going to locate a new wastewater plant in VOL. That is likely going to be heavily resisted.

Mayor Forthofer stated since they did the presentation last week, pointing out the three capital investments they need to make, laterals in VOL, wastewater plant renovation, and a VPD station, people have asked why they have to pay for VOL laterals, that is their problem, assess them. The analogy he gives is that they fixed Hollyview, and it was paid for partially out of the streets fund, which is contributed by everyone including people in VOL. We are a community, and we have to invest in community-wide things and right now the laterals in VOL are compromising quality of life down there and borderline health. The EPA fees might be the way they have to go. It is not fair to go back to assessments again, especially when they are still paying form the last one. B. Brady said they also have to be careful that they understand they are only paying to the right of way, there is going to be costs to the residents no matter what, because the residents will be responsible from the right-of-way to their home. T. Valerius said not only does it affect the citizens in VOL, but it also affects the plant and the operation of the plant.

TOPIC THREE: Sewer EPA Rates

A. Hendricks stated much of this topic was covered under the prior discussion, but to touch back on the EPA rates and some of the other things they have talked about in relation to borrowing with the Fed increases, she asked what that does to some of the estimates they have done. Now, it will take \$70,000 to generate \$1.2 million, they will generate closer to \$60,000 so they will be looking at something closer to \$1 million for each \$60,000 based on the way the rates are going, but unfortunately they don't have time for them to ride out to get some of these things done.

TOPIC FOUR: Income Tax Forgiveness

Amy Hendricks reported that she has been working with the Law Director as well as RITA and have not gotten the information back to make sure they are giving the right ordinances and things that would be adopted to do those things. She sent the Law Director samples of what they did the last time with that, and she believes there has been some changing around of the key contacts at RITA, or they are still

just busy from tax returns that have come in, she has not been able to get a response, but she keeps trying to keep everyone posted.

B. Brady said you're only looking at the forgiveness, but their income tax is up 1.5%, Lorain is at 2% along with several other communities around them, so she is not sure they need to focus just on the forgiveness. The people who have the forgiveness tax are already paying tax in another city, so it is a bigger burden, so she thinks they need to look at what other people who work in the city are paying and take that up to 2% if they need to do that. A. Hendricks said they could look at getting some estimates from RITA as to what that would generate, for the forgiveness, its about \$600,000 to \$650,000 a year. Mayor Forthofer said he has heard from people who read it in the paper, and they have asked why they aren't voting on this. He said they already did, they voted on an income tax, its just that the city has not been collecting it for a long time. There are other cities that don't forgive any of it. We are going without infrastructure that improves quality in the city because they are not collecting full income tax that they should from this forgiveness. Not only would this go for the building of a modest police station, but it also goes for other things that will displace enough other costs that we would be insured our payment for a full-time police chief. So, there are multiple reasons to at least do the forgiveness portion. B. Brady said that she would not support just doing the forgiveness tax, because it is not fair.

TOPIC FIVE: Main Street Vermilion

Marilou Suszko of Main Street Vermilion stated at the last council meeting she presented Council with the 2021 annual report, and she had mentioned of all the Main Street communities in Ohio, Main Street Vermilion was one of only three that was not getting any funding from the city. What she is presenting this evening is a chart that shows 24 main street communities, and it shows how much they get from their county or their municipality. Main Street Vermilion is the one highlighted in the middle, they do not list each name for the public to see. The municipality provides Main Street Vermilion with \$3,500 which is the fee that the city is obligated to pay to be a part of Heritage Ohio, so they are one of three that do not get anything. She had asked about receiving some funding to start that process from the city, her question is that a lot of the rewards that you see there go toward the operating fund. She is not asking for operating fund; she is asking for funding toward their marketing efforts that bring tourism into town. She can provide council with a comprehensive report and asked council for an idea of what they might like to see, and how far back they should go regarding what Main Street has spent for tourism promotions. She reminded council that they are a visitor center, they are open four months a year, five days a week: January through April for visitors, and then when the summer season rolls around, they are open from May-December 7 days a week, staffing that every day with people who greet visitors as they come into town. They provide them information, lodging, shopping, eating, and interacting with them, what they do there is a very pure form of economic

development because they see a lot of people that come in, discover the city and want to know more about the city, and end up moving here. She asked what Council might want to see as they start this conversation toward funding those efforts.

B. Holmes said they would like to see the marketing numbers and what they spend on marketing, and beside the \$3,500 what the city puts into Main Street as well. A. Hendricks said the city does give a lot of “in time” types of things. M. Suszko said that is true, but that is a benefit that other communities also get. A. Hendricks stated they provided gas in the maintenance vehicles, all of the water for Vermilion in Bloom, \$500 for the Christmas Tree and the city crews went and got it and put it up, there are lots of little things like that they do, not only for Main Street, but for the Chamber as well. M. Suszko said that is true, the partnership with the city is a good one and she is not saying that they don’t recognize and appreciate those kind of things, this is about tourism that promotes the businesses and people coming into town.

G. Drew asked if there is room down the road, if they pass the transient rental ordinance can some of that fee be allocated to Main Street. It almost seems like a perfect fit, like the two go together. A. Hendricks asked by the fee if he meant the \$400. G. Drew said yes, for example can we send 5% of that fee of all registrations to Main Street. A. Hendricks said they can do anything they want with that, but keep in mind is their other similar organizations in the city that do promotion of the community, and do they need to evaluate those as well, that they are matching that for others for organizations that are doing work. M. Suszko said that would be fair. They do get \$2,600 from the township’s bed tax.

Mayor Forthofer said the other organization they are talking about is the Chamber of Commerce and asked the Finance Director what the city gives to that organization. A. Hendricks answered their dues are less than \$200 a year, but historically the Chamber pays for the extra police coverage during the festival which was \$3,200 from last year’s Woollybear.

S. Herron said they would like to see what they do now, and what their goal would be outside of Vermilion. They have talked a lot about competing in the region and some of the things they do. What are they doing in terms of communicating geographically outside of our area, they have a lot of people in Ohio that like to come north for their vacation, and they want to be in their mind. M. Suszko said this year they focused more on people that are closer to home and day trips and weekends mainly because of what covid has done and how people are traveling these days, so they do follow those trends. She will provide what they want to look at in the future as well.

B. Brady said what wouldn’t be comfortable to her would be to just give a block of money that becomes discretionary funding. If there was some specific thing, but to

just give a dollar amount and they can do whatever they wanted is not at all comfortable to her, they need to have more control that that.

B. Holmes advised them to put everything together and bring it next month.

After no further discussion came before the committee, B. Holmes adjourned the meeting.

Next Meeting: June 27, 2022 – 6:00 p.m. @ Vermilion Municipal Complex, 687 Decatur Street, Vermilion, Ohio

Transcribed by Melanie Wood, Building Clerk