

FINANCE COMMITTEE MINUTES
of April 11, 2022

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

Administration: *Jim Forthofer, Mayor; Tony Valerius, Service Director; Chris Hartung, Police Chief; 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: **Multi-Year Trend Update**

Amy Hendricks said she sent an email to council last week asking if anyone had any additional questions on the revenue and expense (three-year history) that were presented last month, as she didn't hear back from anybody. A couple of things that have evolved with the timing of the last city's property taxes, Homestead rollback, etc. is that the income taxes are up about 3½ percent over the first quarter of last year. The real estate taxes are up 12 percent with reflecting new construction, but increased property values across the city. In the general fund if those collections continue through the second round later this summer, it would be about \$120,000 more than what was estimated for this year.

TOPIC TWO:**Essential Capital Projects**

Mayor Forthofer said the city operates comfortably as treading water. They are not losing money and the city doesn't have a big surplus, but the finance director has squeezed a lot of turnips and has gotten the city where they need to be financially. The city is financially sound and stable, and the bond rating reflects this. However, it does not make for an amount of surplus to enable the city to be able to address the big issues. They can find alternative methods of funding, so he feels it is the administration's obligation to bring to council three things they would like to plant as their flag as to where they need to start getting these items done. These items cannot be kicked down the road any further. He said in 15 years from now, if they don't address these issues, then the future mayor and council is going to be in serious trouble. These issues help the city remain safe, sanitary, and in a more livable place.

He said the first item is the comprehensive fix of the VOL Sanitary System. The Service Director and City Engineer have made attempts at looking into different areas of this, but it is still not fixed, and it will not be fixed unless they pull up their pants and take a hard look at this.

Secondly, if they want to avoid disaster, then they had better get serious about fixing the Wastewater Plant.

Third item is to evolve the city's safety forces. There are structural items they need to look at with the city's Police Department.

Relative to the problem in VOL with the sanitary system, C. Howard explained the city had flow meters done on eight streets in VOL and it is evident that there is a lot of I/I getting into the sewer system, which is through the laterals and manholes, so they really need to address this. He said they have looked at certain streets, but he feels they need to look at everything. Mayor Forthofer asked why they haven't got to this. C. Howard said it is due to funding. Mayor Forthofer said they have not had enough money to get at this. He asked B. Brady if this is still a problem in VOL. B. Brady said of course it is still a problem. They did smoke testing twice since she has been on council, but nothing came of it. They had a company offer to do testing free, but the prior service director turned him down. She said they need to find the root cause. She understands the laterals are part of it, but because where the worst of it is, they need to start there and find out why it is so bad at the top end of the system. Mayor Forthofer said they can agree that it hasn't been as thoroughly checked for the reason of not having the money to do it.

T. Valerius said in the past, there was an ordinance that was created that basically stated the sanitary lateral within the right of way was the city's responsibility. Before this ordinance was created, it was questioned years ago as to who would pay for it – either by assessing the citizens or if the city were going to go out and try to do what they could. Now, that the city is responsible for the laterals within the right of way, he thinks this is a chance that the city may be able to do something depending on funding.

B. Brady said council needs to be aware that 18 years ago all the VOL sanitary sewers were relined, and the citizens paid for that cost through assessment for \$1,200+. After the relining, the city, and every other neighborhood they did this in, the city paid for, so the residents in VOL are the only ones that paid for their own relining of sanitary sewers, and this is just not fair. It was not fair when it happened and it's not fair today. So, yes they need to do this work, but they need to keep in mind that the residents were billed, and the city did not bill another resident in the city this amount of money. Mayor Forthofer said he thinks they can agree that there is work that needs to be done in VOL. B. Brady said if the city would give her a guy during a flood, she would find it – give her somebody to flip manholes.

C. Howard said obviously they need to inspect the laterals because they know there is an issue there. There are a lot of joint separations and bad connections to the main line, so there are a lot of issues in VOL – it's just not one solution.

B. Brady said she would invite anyone that is willing to come to the AWWA show that she has a booth next month, and there is every special program in the world there. She explained that cities come there to look for solutions to these kinds of problems, and the experts are all there.

Mayor Forthofer said to do at least this, they could possibly look at more of an estimated cost of an investment of about \$5 million.

Amy Hendricks explained they will not have this amount within the basic operations of the Wastewater Treatment funds because when they adopted the permanent budget in March, they were looking at a carryover of about \$435,000 in these funds. With the inflation rates that the city is having on their chemicals (20%), fuel, other utility items, and other fixed costs - at that time she mentioned as well that the city should be looking at a rate increase for the Wastewater services which hasn't been done prior to 2010. Without this, it is highly likely that they are going to run out of money about halfway through next year if they make it that far. This is if they don't have any significant repairs like they have had in the last couple of years because they have had a couple that has taken a bite out of the budget. This is probably based on their usage last year – they would at least need to have a \$1.05 per unit on those Wastewater costs to be able to be at a breakeven point, and they may even want to consider something similar to what neighboring communities have done and built into their ordinances with an inflationary increase each year for those rates, so they don't fall as far behind as waiting 12 or 13 years to increase their rates. B. Brady asked if she was talking an additional \$1.05 and A. Hendricks said yes. It was noted this would be per unit. G. Drew asked what this would look like on an average bill. A. Hendricks said on an average bill you're probably talking \$12.00 a month, if that, and this would be a family (two people would be significantly less). G. Drew asked if this would bring them to a breakeven point. A. Hendricks said yes at least for a year or so. This is something to look at just to keep the city going.

Amy Hendricks said as far as the comprehensive fix, she understands what Barb is saying, and she has tried to look for some ways to avoid an assessment of the VOL neighborhood. Knowing they need new revenue to be able to borrow, she was looking at the EPA fees as an example or the base fees and increasing them city-wide to try and establish a new dynamic for how they handle these things rather than having a neighborhood against neighborhood. This could be a continuous ongoing source of revenue for these capital improvements. For example, with the number of users the city has now on Wastewater, if they increased the base service fee by \$1.00 a month, this would bring in \$62,000 a year. This would provide the city with the opportunity of borrowing \$1.2 million in debt service. If the city increases the monthly EPA fee by \$5.00 for every resident in the city, this will fund the \$5 million. It would probably stay in place for 30 years for the borrowing, but this is a way they can get these services done, unless there are

opportunities that should come up thought that process of bidding that would bring forth grants or that type of thing.

B. Brady asked what would happen with the sewer contract they just signed with Erie County. A. Hendricks said they had some increases built into it. B. Brady asked if it was enough to cover all these increases to the residents. A. Hendricks said yes it should. B. Brady said they can never let people outside the city limits pay less than what they do in Vermilion. She thought this contract ran the risk of doing that. A. Hendricks said it should not be based on the factors they know. If they have another 20 percent increase in chemicals it may be, but who would anticipate a 40 percent increase. B. Brady said as far as the EPA fee, which those residents in Erie County did not individually pay in the past, they are now paying this? A. Hendricks said they don't pay individually on their bill, but what the Erie County Commissioners' representatives asked the city to do was to take what this would be – if they calculated it by the number of doorknobs under this service and they back that in to their per unit rate, then maybe they would collect more than that. B. Brady said they would then see that \$5.00 as part of that. A. Hendricks said yes.

Mayor Forthofer said this is one of the issues the administration agreed that was critical to the quality of life in VOL. It has been slippery in the past because the city never really had the money to get at it correctly. This is a suggestion as to how they can find the money to get at this once and for all. B. Brady said she appreciates this and didn't want them to think she was being ungrateful.

M. Stark said it was discussed about increasing fees by \$1.05 per unit and then it was discussed adding a \$5.00 fee, so is the administration suggesting doing both, so it would increase a family by \$12.00, and then another \$5.00, so you're talking \$17.00 for households, or it could be more if you have a bigger household or a little less with a smaller household. A. Hendricks said the \$1.05 is needed to just keep pace with the operating costs since the city has not increased the rates since prior to 2010. The EPA fee they cannot actually designate when they go out to borrow in that this is what they are going to use to pay that debt service.

Mayor Forthofer next addressed the Wastewater Treatment Plant (WWTP) which was built in 1964. T. Valerius said last time there was a major renovation was four years ago and usually they like to see a major renovation every 20 years, but they skipped one of those. It is near capacity at times, especially when it rains. The equipment doesn't get any younger and obviously they had a couple major issues happen last year, and they don't have a choice and they have to replace these items, so the plant functions properly. Additionally, it is EPA compliance – they have to remain in compliance in order for the plant to keep operating.

Mayor Forthofer said in evaluating which of these items are the worst, he thinks about the imminent consequences of having a failure. Every system and department in the city have a backup. If Chief Hartung's department all get COVID,

it could go to the county. If the water plant goes down, they use Lorain. And, they can sub out the finance department. But with the WWTP there is no backup. If this breaks and people keep flushing their toilets, then it ends up in the Vermilion River, and the city will be on every news media around the country. They would basically be Flint, Michigan only with human waste. He asked the engineer to explain a solution.

C. Howard said last year the city hired CDM Smith to investigate and they're still working on the study to look at the existing condition and then start coming up with options. Obviously, it needs upgraded. Does the plant need to be increased or does it need a new location? CDM Smith is in the process of analyzing all this information. Once this is complete, they will come before council with their evaluation.

Amy Hendricks explained the city received the last round of federal funding (AARP) just over a million dollars, and about half of this money was allocated to pay for the study with CDM Smith.

Mayor Forthofer said it has even been mentioned by some of the initial consultants, that the city considers building a new Wastewater plant somewhere. At this point, if the city can't build a distribution center without community resistance, then how will they ever build a wastewater plant somewhere. He said the way to fund it - \$10 - \$12 million is a rough estimate without getting the consultants' answers back.

Amy Hendricks said at this point they haven't developed because the size of it and user fees would be hefty. However, they don't know what EPA loans are available yet or grants, as well as federal grants, which are all question marks. The other option would be go to the voters and have a dedicated levy for the Wastewater project.

Mayor Forthofer mentioned he had lunch with one of the state representatives and he/she suggested that Vermilion has an old plant very near to one of the greatest natural resources (the lake) and suggested that Vermilion do an analysis to see how many other communities up and down Lake Erie have plants as old as Vermilion. He said the city engineer did pull data and feels the city can make a good case that if they look for federal money, they could say that cleaning up this plant and modernizing it will indeed help to protect the environment. So, there is that angle for federal help. It might be a combination of federal, but the city may still have to go to a levy, and the EPA may also be willing to help. This is one of the top three items the city cannot kick down the road. It's not fair to the people they represent to not do something serious about this now. They have to commit to focusing on these items and giving the administration permission to go ahead to find the financial resources that are approved by council to go ahead and make these things happen. It may take a while, but it has been kicked down the road long enough!

Mayor Forthofer said the third item is to evolve the city's safety forces. He is embarrassed by the fact that they have a 21st century police department that meets all of its certifications and chooses standards of operating as a police department but operates out of an old Lawson's. It affects operations. Chief Hartung said the city has never really been great at a purpose – a-built facility from one of the ticket booths at the high school, with the public restrooms at the old Ritter, then to this particular location. It is really a matter of ergonomics of workflow. The two biggest concerns he has is that victims come into the front and prisoners come into the back. He is starting his 24th year today in the city and back in the 90s they seemed to have a lot more fights, but the number of fights he has had in the back parking lot when getting somebody out of the back of a car and getting him into the back door – this is why they have Sally ports, so they can contain them. When victims come in the front door (sexual assaults or any crime) and they try to find a place to interview them, he doesn't have anything. The simple flow when taking a prisoner in and taking evidence and trying to move through the facility - the ergonomics are just horrible as far as how they are getting things done. They have about 2,400 square feet and his predecessor made it a point to council every year. He explained the booking area is getting torn apart and when they need to take somebody into custody they need to secure them. It is not what this facility was designed for, so there are mismanagement principles that they have issues with.

Mayor Forthofer said the officers have had to chase prisoners down Decatur Street. Chief Hartung said they even have had to chase them over to Ritter Library. Mayor Forthofer said there is also an issue of recruiting as it is getting really hard. Chief Hartung said recruitment is definitely problematic and they bring a lot of the young kids in, but they are getting six or eight months out of them before they move onto greener pastures.

Mayor Forthofer said the solution is to build a new VPD which will attract career-minded people. Every other community around Vermilion either has or is building a new police station. Vermilion is among the last – even Wellington is getting onboard with a new station. He said they need a sally port, work out rooms, and shower rooms. He said currently they have to go offsite for training. Chief Hartung said they have used Ritter Library, Fire Station #1, and Mr. Cooper's facility on the east end of town. Mayor Forthofer said these all the reasons why it is a negative and positive in building a new police department. Unfortunately, it is lagging behind a department that has done its best to pull itself up and get in front of the evolution of a 21st century policing as a nation. To the Chief's credit, they have done exceptionally well, and he thinks it is the city's turn to come through for them and giving them a facility, they can be proud of.

C. Howard said the administration is looking at city-owned property by the Service Center and the new Fire Station. They looked at options of a 7,500 square foot police station, which is conceptual. He said they are looking at the possibility of moving the court building too. Mayor Forthofer said they talked to the Judge as

well. He showed council a slide of the current Fire Station and a proposed Police Station. If Judge Dolyk decides one day he would like to use some of his resources and if he can find his way clear based on Ohio Supreme Court restrictions on court fees and what they can do with their money, then a new court building could be located near the new Fire Station as well. He feels it is time to start heading in this direction.

Amy Hendricks said in looking at the investment of what is estimated right now it is \$3.5 million, and potential increases in operating costs because you'll have more of a facility – to reach the \$3.5 million and eliminating the last portion of the city's forgiveness – the half percent – Rita's estimate is that it would give the city about \$600,000 a year annually in additional revenue, which is bondable for up to 30 years. They could use half of that to fund this facility, and then the remainder would be available for other projects, financing, and it would increase operating costs that currently the city doesn't have the source for. Once the operating levy for the Fire Department reaches its maximum – they should be fine for seven years, but beyond that point, they will have additional costs that they haven't have to get this department where it needs to be. Mayor Forthofer said this move could solve that problem too, so this is why they addressed it as Safety Forces versus not just the police department.

Mayor Forthofer said in summary these are three projects the administration came up with as ones they don't want to wait until later on. He said the finance director has indicated some paths as to paying for these three projects. He asked council for discussion about what they think about on these three items.

B. Holmes asked the Mayor for a copy of the power point on paper, so council could come back with some questions and possible answers. He thought it was a lot to digest, but he feels they are all important projects, especially in Barb's ward because this feeds the Treatment Plant which causes some of the issues there. Again, the Safety Forces project is long-awaiting and Chief Hartung, and Judge Dolyk are ready and willing to do what they need to get this project moving along.

M. Stark asked to have this discussion at the May Finance Committee meeting. Mayor Forthofer said if they agree these are the three legacy items that they want to address, then he would like to keep them on the front burner and would like them on Finance every month until they can work towards finding a solution to fund and develop these projects. He doesn't want to continue to be the mayor that kicks the can down the road. M. Stark said all the communities around Vermilion is doing all of these things – they're moving forward and they're upgrading their systems, and Vermilion needs to keep up with upgrading their systems, especially with the Wastewater because if it fails, it is going to be a huge problem, so they need to keep things going, and they need to keep their safety services up, and it's been years that they have talked about VOL and nothing ever happens, so she agrees it is time to make some stuff happen.

M. Forthofer said if council can agree these are the three things they want to address, then the administration will keep feeding additional information until they can potentially make one of them happen eventually.

B. Brady said the hardest thing is that it is a balancing act, and she agrees all of these things are important and appreciates the VOL being in it. However, it is a balancing act with the costs, and they don't want to price their residents out of living here. There are a lot of residents that are living on the edge and they're having tough times, especially right now. These are a lot of costs they're talking about adding. Mayor Forthofer said it is, but they should have done these things a long time ago. B. Brady said the first year she ran for council she ran as a poop candidate because there was poop in the streets in VOL, and there still is, which is pretty sad.

B. Holmes encouraged council to take a look at the power point and to make notes and come up with ideas – grant ideas and things they can throw at the administration.

P. Stein asked Amy Hendricks if she had any thoughts on this. A. Hendricks said if there are any questions or alternatives council can think of, then she would like council to bring those to future meetings. She said no one likes to raise fees, but they are out of ways to make these things happen.

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

Next Meeting: May 9, 2022 – 6:00 p.m. @ Vermilion Municipal Complex, 687 Decatur Street, Vermilion, Ohio

Transcribed by Gwen Fisher Certified Municipal Clerk