

UTILITIES COMMITTEE MINUTES

OF OCTOBER 21, 2019

Municipal Council of the City of Vermilion  
Municipal Complex, 685 Decatur Street, Vermilion, Ohio 44089

**In Attendance:**            *Vermilion City Council: Steve Herron, President of Council; Monica Stark, Council at Large; John Gabriel, Ward One; Frank Loucka, Ward Two; Steve Holovacs, Ward Three; Barb Brady, Ward Four; Brian Holmes, Ward Five*

*Administration: Jim Forthofer, Mayor; Amy Hendricks, Finance Director; Chris Howard, City Engineer; C. Hartung, Police Chief; Tony Valerius, Service Director; Chris Hartung, Police Chief; Bill DiFucci, Building Inspector*

**Call to Order:**            Steve Holovacs, Chairman, RESOLVED THAT this Utilities Committee comprised of the committee of the whole does now come to order.

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**TOPIC ONE:**            Water Meter Project

Mayor Forthofer said last month they presented the fact to council that the city's water meters were reaching the end of their useful life. To reiterate conversations held last month, Vermilion has 6,200 water meters and 74% of them are 15 years or older. T. Valerius said the natural life of the water meters that were installed are 15 years. He explained that old meters experience problems such as the parts inside of the meters start wearing and they don't measure the water going through the way it should, and meters begin to underestimate the amount of water going through them causing inaccurate readings. Mayor Forthofer said the estimate of lost water being billed for old water meters is about a 10 – 15% loss. He said a local study was performed to see how they performed. T. Valerius said they reviewed a sampling of residential meters and it showed a 12% loss. When you start adding commercial meters the number will be a lot greater as the larger meters tend to underestimate at a higher level than the smaller meters. A. Hendricks said the estimated loss in billings is \$36,000 per month which equates to over \$430,000 each year, and this is looking at a 15% underreporting.

Mayor Forthofer said a lot has happened from 15 years ago when the city installed water meters as well as the meter technology. T. Valerius said through technology they are seeing meters that last 20 years rather than 15. Mayor Forthofer said their accountability has tremendously improved as opposed to a truck driving around taking a reading every month or so, or having an electronic reading from the street, such as the city has now. There are now systems that will directly go downtown. T. Valerius said it would be a real time reading from the unit to a collector and every morning the utilities department can bring up the average users and find out where there are leaks and heavy usage the night before. Mayor Forthofer said it's never advisable to be an early adaptor on the bleeding edge, so the city is fortunate to have surrounding communities who have gone through this process. He said the City of Elyria has replaced 22,000 water meters – 100 meters per day. They advised Vermilion that education is a big proponent of this. A. Hendricks attended a conference at Put-In-Bay, and she sat with the Finance Director of Elyria and they exchanged some ideas about how their project was going. Also, when, Vermilion gets to the point of moving forward with new meters, the City of Elyria will give them contacts within their Utility Billing Department to discuss their experiences of implementation in the most effective way. T. Valerius said he has been in

contact with Elyria's Project Manager who mentioned their installation is going smoothly. The fact that Vermilion's meters are pit meters and the City of Elyria has many in-home meters, it should go easier for Vermilion because they won't have to enter homes.

Mayor Forthofer said new software systems for meter reading is possible, as well as public communication during the installation, which is critical. The estimated cost is \$2.1 million. If the city went about this, there would not be a need for a water increase. A. Hendricks said the \$432,000 is the cost recovery amount, so they are looking at a little over six years to repay this. They have looked at financing this and with current interest rates in 20 years, the city would be looking at payments in the amount of \$210,000 versus the additional income of the \$432,000. Even if it takes awhile for the cash flow to come in, the city can meet the debt service totally out of that additional revenue in water loss they are having now. She also discussed with Sudsina & Associates for example on how this would affect the city's Moody's rating because the city has been trying to trim back the debt structure. She was told this would be one of the things Moody's would look at and evaluate and say this was the smart business decision. So, this would be a strength rather than a detriment to the city's credit rating. Mayor Forthofer said after the six years in which the city's costs are recovered, the increased revenue the city would get from this through more billable water would be for 20 years, not just for the remaining 15 because these are longer living meters. In the process of doing this, they would probably discover how many dead meters they have.

T. Valerius said with EPA mandates the city would have to do something about having an employee since they must turn every valve in the city every five years, so they really need an employee to do this. With this new system, real time meter reading causes the city to be able to read the meters in a day or two as opposed to two-three weeks.

B. Brady said they can't be sure at this point that all the meters are reading 10% short or some that aren't reading at all, so she would consider this a guessing game. Mayor Forthofer said not entirely as they did test some meters and the Service Director found they are running about 15% short. One way or another, they have reached the end of their advertised life by their manufacturer and if the city doesn't do it now, they will need to do it some other time. B. Brady wasn't arguing about doing it but was questioning projecting additional billing to pay for it. A. Hendricks said even if the city only billed half of the water that would be estimated, it would cover the project. She said the current meter reading system that is obsolete would alone cost \$100,000 to get it going. They deal with nightmare situations every month and list of accounts have been coming up with zeros for a long time. They must enter estimates on a manual basis based on prior usage, so at least these people are being billed for something. This is something that hurts the city's creditability and they still have people who don't get billed at all, so this all becomes an issue.

Mayor Forthofer conveyed this is a big problem and new meters will make a big difference in professionalism as they operate the city and the city's accountability to individual users. It sends a good signal for professional management to the people the city borrows money from, and it's something the city must do anyway.

M. Stark agreed the city needs to do something, but her concern is that if they're saying these meters will be good for 20 years, they're also paying for them for 20 years at \$210,000 per year, which is a big payment. A. Hendricks said this is the way the debt would be structured and if

any revenue is generated in each of these years in excess of the \$210,000, then it could be put back in and invested. M. Stark said hopefully the people in the city at this time in those future years will hang onto the money that is recovered and not spend it on other things. By the time the city is done paying for those bonds, the system will need replaced. A. Hendricks said they can back the borrowing up to 15 years, but she would be hesitant to back it up to 10 years because it doubles the \$210,000. M. Stark said she isn't opposing this, but it's a long time to pay when the system will be obsolete in 20 years and they will just finish paying for it. A. Hendricks said as an example, the meters that are past their life still have bonds owed on them. M. Stark asked how long the city owes on them and A. Hendricks thought around five more years. M. Stark asked how much the city pays on them yearly and A. Hendricks believed it was small - \$50,000ish.

S. Herron said the city has an obligation to do this because the taxpayers have a right to know where all this water is going because they're paying for water that nobody knows where it's going, and they don't know how much it is. So, this would increase their efficiency, and everyone has a right to the value of what they're paying for. J. Gabriel said if they say they can't afford \$210,000, they certainly can't afford to pay \$400,000 for meters that don't work. He said this amount will seem cheap 20 years from now.

F. Loucka asked the Mayor if he had a timeframe of implementation, and assuming from conversation he would think the commercial meters would be changed first. Mayor Forthofer believes it would be within a year. F. Loucka asked if there is a brand of meter the administration has already selected that is the most highly rated. Mayor Forthofer said the administration is asking Council for permission to allow them to go out to bid, and they will take in consideration the experience Elyria and others had with their vendors. He said exploring is their first step. T. Valerius said this puts the city back to zero with new meters and future finance directors and administrators can plan for this.

S. Holovacs thought this was long overdue and feels the administration needs to proceed and come back to council with the numbers. M. Stark said at least they will be paid off at the end of their life rather than paying after, like the city is doing presently.

**S. Holovacs MOVED**; M. Stark seconded to authorize the administration to go out to bid for the Water Meter Replacement Project and software. Roll Call Vote 7 YEAS. **MOTION CARRIED.**

**TOPIC TWO:           Adams Street Water Main Replacement Project**

C. Howard reported the Adams Street Water Main Replacement Project is complete and the bid for Buckeye Excavating was for \$410,987.00, which included a \$50,000 contingency. The final project cost was \$347,915.15, which saved the city \$63,071.85.

S. Holovacs adjourned the meeting after no further discussion came before the committee.

*The next meeting is scheduled for November 18, 2019 at 7:00 p.m.  
Gwen Fisher, Certified Municipal Clerk*