

FINANCE COMMITTEE MEETING

held March 18, 2013

6:30 p.m.

Present: Councilman Mike Young
Councilman Dwight Clark
Councilman Dave Tadych

Also Present: Mayor Debbie Sutherland, Finance Director Mahoney, Law Director Ebert, Police Chief Wright, Service Director Galli, Operations Manager Landers, President of Council Koomar, Councilman Steve Lee, Councilwoman Karen Lieske, Councilman Clete Miller

Audience: Susan Fink, Jerrie Barnett

Mr. Young opened the meeting at 6:30 p.m.

Capital expenditures will be the primary focus of tonight's meeting. The discussion will be centered on the flow of the projects that have already been completed and are awaiting bonding, new projects, and projects underway to make sense as to what we have as far as capital bonding now. For 2013, we are pushing the limit to be able to pay for capital expenditures. Beginning the first of January, 2014, \$500,000 will be freed up and the city will be able to spend a little more liberally in regard to capital expenditures.

Mayor Sutherland asked Mr. Young why he said that the city is spending at its limit. Mr. Young stated that more can be spent but it has to be taken from the General Fund. Mr. Clark advised that we have \$1.950 million in millage from Bond Retirement. The city's bonding capacity is much higher, but what we are trying to do is make sure of millage appropriated and generated for 2013.

Mayor Sutherland stated that she wanted to delineate between what we have allocated in the fund as opposed to our bonding capacity.

Mr. Clark stated that we have a significant amount of money funded through the city treasury for other projects over the past three or four years. We are trying to get a handle on that knowing that all of the EPA expenditures are coming on board right now. Mr. Young stated that it is not a capacity issue, it is not an income issue as far as capital, it is a cash flow issue. Mr. Clark noted that we do not have the benefit of funding projects through the city treasury going forward to the extent we would like. We are trying to size where our expenditures are going to be for equipment, vehicles, and public improvement.

2013 Proposed Capital Improvement Projects (Exhibit A attached)

Street Improvements

Service Director Galli distributed a report of 2013 Proposed Capital Improvement Projects. Category One lists the streets to have the asphalt overlays done in 2013, in a total amount of \$575,920.00. Because of adding the Lake Road resurfacing project as an 85/15% venture with the Ohio Department of Transportation (ODOT), Juneway Road and Conover Road were taken out of the 2013 plans. The cost to the City of Bay Village for the Lake Road project will be \$191,750.00. This represents 100% of the engineering costs of \$62,000.00 and 15% of the project cost or \$129,750.00. The mill and fill of Wolf Road for an area of 5000 feet is an additional \$62,500. A contingency amount of \$40,470 has been added with a budget total of road improvements in 2013 of \$765,000. If the bid results are favorable, either Juneway Road or Conover would be put back into the schedule of asphalt overlay.

Director of Finance Mahoney stated that if the \$765,000 amount is bonded out, the first payment will be in December, of 2013.

Mr. Galli stated that when the Lake Road work is done, the Ohio Department of Transportation will reimburse the city for their 85% portion. Funds will not be available until Fiscal Year 2014 which begins July 1, 2013. Work can begin immediately after award of project in July. The project is estimated to last four weeks. The bill would probably be submitted to the ODOT in late August, with payment expected by the end of the year.

Mr. Young stated that he would like to have the Public Improvements, Streets, Sewers and Drainage Committee sign-off and approve the proposed road projects for 2013.

Director Mahoney referred to her report of Capital Requests (Exhibit B dated 3-18-13 attached), and stated that with the combination of street improvements, sewer construction and equipment, and public improvements, there is not enough money for all of this work unless Council authorizes use of reserve funds. The total capital requests for 2013 are \$2,149,500 that will either need to be taken out of debt or reserve money used. Money is available in the Infrastructure Reserve Fund after paying back all of the advances that were made for the Cahoon Road Aerial Sewer and the Bradley/Naigle Intersection Project. These advances can be paid back when the loan proceeds are received from the Ohio Public Works Commission.

Mr. Clark commented that for the last seven years all financing of projects has been done from the city treasury. Payments are made in December of each year.

Bradley/Naigle Intersection Improvement Project

The Bradley/Naigle Road Improvement Project has reached the point of a final change order and agreement with the contractor for the final contract amount. The original contract was \$1,762,673.18. The final contract amount is \$1,546,832.73. The Ohio Public Works Commission has been billed and paid \$1,030,220.18. Pending payments from the Ohio Public

Minutes of a Meeting of Finance Committee
March 18, 2013

Works Commission is in the amount of \$516,612.55. To be received from the Ohio Public Works Commission is \$223,277.82 in grant funds, and \$293,334.73 in zero interest ten year loan funds. Half of the \$293,334.73 is to be reimbursed to the City of Bay Village from the City of Westlake.

Mr. Clark asked Mrs. Mahoney how the city will receive back their \$1.5 million advance from the Infrastructure Reserve Fund. Mrs. Mahoney stated that the cash balance is \$1,060,000 at the beginning of the year. The amount of \$440,000 is needed to pay back the \$1.5 million to the Infrastructure Fund. The amount of \$239,940.79 was paid in 2012 to the Norfolk Southern Railroad. Reimbursement for this has not been received. The amount of \$150,000 is unaccounted for. Mrs. Mahoney will have to reconcile the funds to see what has been reimbursed and what is missing.

Mr. Clark reiterated that the balance of \$1,060,000 at the beginning of the year will be reimbursed to the Infrastructure Reserve Fund. He asked when reimbursement will be received from the Ohio Public Works Commission for the \$239,940.79 paid to Norfolk Southern Railroad. Mr. Galli stated that reimbursement is usually received 30 days after the paper work is submitted.

Mr. Young stated that this should be cleared up by year-end. Mr. Galli stated that he will be working toward getting this finalized. Now that the change order is done and it is accepted, the paper work is all that needs to be done.

Mr. Clark summarized that the missing amount of \$150,000 needs to be found. The Infrastructure Reserve Fund will be reimbursed for the entire \$1.5 million that was advanced.

Cahoon Creek Aerial Sewer Replacement Project

The project is completed with the exception of grading the hillside and replacement of road pavement.

The original contract amount of \$1,071,910.50 was increased by \$5,000 for a total contract amount of \$1,076,910.50. The amount of \$59,500 for engineering was paid in 2012 and will be reimbursed in the total zero interest, 30 year loan amount of \$1,076,910.50 from the Ohio Public Works Commission. The amount of \$648,999.67 was paid to Terrace Construction in 2013, for which reimbursement has not yet been received.

Advance from the Infrastructure Improvement Fund of \$1,050,000 was made in 2012. This amount will be transferred back to the Infrastructure Improvement Fund when the loan proceeds are received from the Ohio Public Works Commission.

Cahoon Road Sewer Replacement Project

The most recent estimate is \$1,450,000 including \$100,000 for construction inspection. The loan to be received from the Ohio Public Works Commission is in the amount of \$600,000. The project will require \$850,000 of additional financing.

A Project Schedule provided by CT Consultants indicates that bids will be received for this project on April 25, with substantial completion of the project by December 1, 2013. They will try to get the work done from Wolf Road south to a point past the library before school begins in September.

Lake Road Pump Station

Mr. Landers has provided copies of all the invoices from the Longbeach Pump Station for the damages relative to the claim with CEI. Mr. Galli will provide a cost breakdown and meet with CEI.

Mr. Clark stated that one of the reasons for this discussion is whether or not the city needs to institute a capital sewer charge as part of the billing process.

CT Consultants will prepare a report for the EPA stating that the Lake Road Pump Station should not have been built and something else will need to be constructed. Mayor Sutherland commented that this might be a replacement sewer, and could cost as much as \$1 million. Mr. Galli stated that this would be a 2014 expense.

Mr. Lee asked if there is a claim for the design and construction cost of the Lake Road Sewer System, that is now reported that it should not have been built. Mayor Sutherland stated it is in process. Law Director Ebert can provide further information.

Advances to be paid back to Infrastructure Improvement Fund

Mr. Galli stated that 90% of the loan funds from the Ohio Public Works Commission should be received rather quickly.

The \$600,000 loan to be received for the Cahoon Road Sewer Replacement can be billed immediately.

To be reimbursed back to the Infrastructure Reserve Fund:

\$1.5 million for the Bradley/Naigle Intersection Project

\$1.0 million for the Cahoon Creek Aerial Sewer Project

The Cahoon Road Sewer Project will be completed by the end of the year. Out-of-pocket expense for the city for that project is \$850,000.

The third mandate from the EPA is dealing with the overflow by the Lake Road Pump Station.

Proceeds received as a result of the claim to First Energy will be posted back to the Sewer Fund, from which it was allocated.

Mr. Young commented that he would like to have funds specifically set aside to cover unexpected events, such as overtime incurred for Hurricane Sandy. The General Reserve Fund could be used for these funds.

125.47 GENERAL RESERVE FUND.

There is hereby established under Ohio R.C. 5705.12, and subject to the approval of the Bureau of Inspection and Supervision of Public Offices of the State of Ohio, a General Reserve Fund. Said fund is established for budget stabilization. The total amount in said fund shall not exceed five percent (5%) of the general fund's revenue for the preceding fiscal year. (Ord. 99-06. Passed 1-11-99.)

Mr. Young asked for opinions on the source of funding for the capital projects.

Mr. Clark stated that from 2010 through 2012 we have financed equipment, public improvements and road overlay programs through the city treasury. We now have a limited amount of capital available to continue that method of financing. An alternative way of financing would be a competitive note or bond sale. The other option would be to curtail or put off some of the expenditures to a later date.

Mr. Clark stated that once some of the existing debt falls off in 2014, there should be thought about a long term bond issue for 15 to 20 years to fund some of the infrastructure, which will have a life far longer than 15 to 20 years. When the numbers are more crystallized for the Cahoon Road Sewer, we will have a better idea of the long term strategy for financing. Mr. Young noted we will also know by fall whether there will be salary increases, and the outcome of the municipal income tax issue that is pending in the state. By ordinance, the increase in sewer operating charges that are billed to residents will be completed at the end of this year. This will need to be revisited in the fall. Mayor Sutherland noted that this is the year for the flow monitoring at the Rocky River Wastewater Treatment Plant. The RRWTP will recalibrate the amount to be paid by each participating community. Considering the projects completed in Bay Village, the city may expect to see a couple percentage decrease.

Equipment and Public Improvements

Mr. Clark stated that \$310,000 must be returned back to the Bond Retirement Fund from the Public Improvements Fund.

Mrs. Mahoney stated that equipment replacement can be funded this year from the balance in the Equipment Replacement Fund plus an additional \$100,000 from General Fund transfers. The Fire Truck is in the cash balance. Account 240 has a balance of \$960,000.

The amount of \$2.1 million is needed for street improvements, sewer construction, and public improvement expenditures in 2013. Mrs. Mahoney stated that money must be taken from the Infrastructure Improvement Fund or debt issued for these expenses.

Minutes of a Meeting of Finance Committee
March 18, 2013

Mr. Clark asked Mrs. Mahoney how quickly the advances owed currently to the Infrastructure Improvement Fund can be repaid to provide a full picture. The annual appropriation ordinance includes that reimbursement as a transfer.

Mr. Clark noted that equipment and public improvements are financed over a five year period. Street improvements are financed over a seven year period.

Mr. Clark suggested doing notes for a year or two, and then roll the notes into the corpus of the long-term capital sewer strategy.

Mr. Clark suggested that the purchase of the street sweeper be put off for another year. Key Bank will provide information on leasing. Mr. Koomar stated that it makes sense to get the information. The Service Department has always given us a good five year plan. It would be nice to put all the needs together in totality.

Mr. Clark stated that banks are hungry for high quality, tax exempt lease debt. The City of Bay Village has a gilt-edge name because the city is in good financial condition. We may get some good quotes. You give them a list of what you want to finance and they will come back in two days with a quotation.

Mr. Miller, as Chairman of the Public Improvements, Streets, Sewers and Drainage Committee will discuss the street projects with Service Director Galli in the near future. Mr. Miller stated that they did meet last Thursday and will meet once more to make sure the list they produced is the list they are comfortable with.

Debt Schedule

Mrs. Mahoney will make the change necessary in the debt schedule relative to the Bradley Road/Naigle Road Improvement Project, and the amount of the loan actually needed.

Dwyer Center Repairs

There is \$20,000 in the balance of Fund 810 to pay for the improvements to the Dwyer Center. Account No. 860 has a \$52,000 balance. Mr. Clark would prefer the improvements be taken out of Account No. 860. Mrs. Mahoney will investigate further.

The grant money has not yet been received for the ADA door replacement at the Dwyer Memorial Center. Mr. Tadych asked if all of the paper work has been submitted. Mr. Galli stated that the paper work has been submitted and we are awaiting receipt of the funds.

The meeting adjourned at 7:30 p.m.

Mike Young, Chairman

Joan Kemper, Secretary