FINANCE COMMITTEE MINUTES

MARCH 20, 2014

The meeting was called to order by Chairman Berbee at 4:00 p.m.

MEMBERS PRESENT: Henk Berbee, J.R. Rausch, Mark Reams

OTHERS PRESENT: Terry Emery, Jenny Chavarria

CITIZENS PRESENT: Keith Conroy

REPORTERS PRESENT: Ryan Horns-Journal Tribune

APPROVAL OF MINUTES: The minutes for the meeting on February 13, 2014 were approved as presented.

AGENDA:

- Monthly Budget Review and Accept February Financials

Ms. Chavarria reported that property tax is received at the beginning of March, so she will report on it next month.

Income tax year-to-date is slightly over $2.6M, which if $463,000 more than this time last year. One of our major employers provided bonuses late 2013, which the year before they didn't. That's the reason for the increase.

General Fund is as expected.

Sewer Fund - Slight increase over this time last year.

Water Fund – Slight increase over this time last year. She feels this is a timing difference. With the implementation of new software last year, posting was delayed, thus the reason for the increase.

Mr. Reams moved to accept the February Financials; affirmative voice vote was unanimous.

- Disconnect Process Fee

Mr. Aslaner explained proposed language to Section 931.05, Disconnection and Reconnection of Service.

A problem was brought to his attention regarding this section. The change will bring consistency and continuity in the way this disconnection processing fee is imposed. If someone gets their late notice, it's anywhere from two to eight days before the actual disconnection takes place. There is a lot of leg work that goes on between the Utility Department and the person who actually disconnects the water.

The proposed language is as follows: "*A disconnection processing fee of $25.00 shall be applied if the customer has not paid in full the delinquent balance by 5:00 pm on the due date set forth on the delinquent notice.*"

There is also a voluntary disconnection and reconnection fee where people may go out of town and would want their utility shut off.

In the past, people would receive their late notice, paperwork would be done, the city worker would go out to shut off the water, and the customer would come in at the last minute and pay their bill after all the paperwork and disconnect had been done.

The difference in the process is now the disconnection fee happens when the water is actually disconnected. With this amendment, the disconnection fee will happen after the due date of the late notice.

Mr. Reams asked about calling it a delinquency fee. Mr. Aslaner said the verbiage was changed to call it a disconnection processing fee, because the processing that takes place, i.e. paperwork and communication between Utility Department and Water Department.

Mr. Rausch asked how many days after the bill is due does the late notice go out. Ms. Chavarria said the next day. If it's due on the 31st, payments are processed and on the 1st the late fee is assessed then the delinquent bills will go out the first or second day after and they'll have until the 10th to pay. Technically after the 10th, you are eligible for disconnect if you haven't paid.

Mr. Berbee feels this change may reduce the number of repeat violators.

Ms. Chavarria said there are usually 400/600 that are eligible for disconnect each month. With two service guys, they can't get to all those shutoffs. Once the new language goes through, employees from various departments will be utilized in order to be able to shut off all 400/600 customers until they get the message that the water will be shut off. It should get their attention.

Mr. Rausch asked about organizations that offer programs for those individuals that are struggling and not able to pay their bills. Ms. Chavarria said there are a couple of non-profit organizations that will pay some utility bills.

Mr. Reams asked about payments made overnight in the drop box on the date of the delinquent notice. Ms. Chavarria said those payments would not be counted as late.

Mr. Rausch asked if this has caused any issues will multi-family dwellings. Response was no.

It was the decision of the committee to move this proposed change to Council. The committee agreed to sponsor the legislation.

- JEDD

Finance Committee conferenced with Mr. Eric Phillips.

Mr. Phillips said they have had quite a few discussions with Millcreek Township to see how a JEDD would look along the corridor, understanding that this is an opportunity for us to basically go in areas where our water and sewer service agreement is and not only draw the tap fees and things that will improve our Enterprise Funds and water and sewer, but also provide income tax additionally to the city and township that can be reinvested back into the JEDD area, which could create more growth and development.

Various JEDD agreements from around the state of Ohio were reviewed. You can do a JEDD for six years, 20 years or however you want to set it up. It was thought a 30-year term would be more appropriate with automatic renewals.

Millcreek Township has done a lot of land-use planning and they have identified areas that they would like to see grow. Those areas are concentrated on Industrial Parkway just south of the city limits, and also to the east around US42. That’s where they see commercial and industrial growth will happen. These are the areas they are focusing on for this potential JEDD territory.

Mr. Keith Conroy, Millcreek Township Trustee, addressed the Committee. A lot of time has been spent on zoning plans as well as land-use growth plans. The land-use growth plan was updated 2-1/2 to three years ago. The property for industrial/commercial growth has remained the same along Industrial Parkway and US42. That has been consistent.

Millcreek Township has held public meetings, open houses, etc. The residents generally feel comfortable with this area.

Mr. Berbee asked if a JEDD could be used for residential. Mr. Conroy said JEDD's cannot be used for residential. They can only be in areas that support growth and are zoned industrial, commercial or office use.

From the township's standpoint, they see it as a great opportunity for the two entities to work together to manage and prepare for long-term growth.

Mr. Berbee said the 33 corridor from 42 up, he could see that at some point in time you would want to lock that in as commercial instead of homes being built in the area. Commercial is what generates income for the city and the township.

Mr. Phillips noted that everyone in Union County has tried to target more on the incentives that we do. Being targeted is the right approach because you don't want everything to develop in your community. This JEDD is going to be more targeted where we want to see the growth happen.

Mr. Phillips said the parties would be the city and township that would enter into an agreement, however for other service provisions, say there is a county road or a PSO agreement between Millcreek Township and the Sheriff, Millcreek Township would be required to enter into agreements with the County to support services that the township would need. That is something that would be done totally separate.

Mr. Phillips noted the County does not sign onto this agreement but they do approve it, but it's only a procedural approval to make sure the city and township have done everything correctly in the process.

The income tax would normally always be the maximum amount of the city. The city has 1.5%, so that would be recommended. When the income tax is received, we want the majority of the funds to be reinvested into the JEDD because we are creating an incentive district that's going to support infrastructure in that area, so the feeling is that the majority would be the best way to approach that. Other JEDD agreements vary.

He noted a JEDZ, Joint Economic Development Zone, is a totally different ball game and that is not being proposed. A JEDZ tends to take more funds and puts them into the General Funds in the different entities that are working on this. The going standard is 10/20% of the all the money goes back into the zone, which from an Economic Development standpoint, Mr. Phillips feels is a bad idea because you are creating a zone, you're taking taxes from that zone, the majority of the funds should be reinvested to create jobs and more investment.

We're looking at 70% potentially going back into the zone, then there would be potentially a typical charge, the city finance department would put a 3% collection charge onto that, so that would be 3%, which would potentially leave 27% between the city and township. In generalities, typically the city gets a little bit more, thinking 15% to the city and 12% to the township. Those again are generalities that are being discussed based on other experiences in the state of Ohio.

Mr. Conroy said once we begin to look at the details, we need to look at who's providing which services, fire, EMS, police, utilities, roads, etc. Mr. Phillips added city water, sanitary sewer, city dedicated roads, collection of income tax, services potentially that the city could provide. The township can provide township dedicated roads, Union County dedicated roads with the service agreement they would have with the County, law enforcement with PSO contract with Sheriff, fire protection that Millcreek has an agreement with Jerome Township to provide fire service, and for zoning and land-use Millcreek could potentially provide zoning enforcement for the area.

Joint items you can partner on. You can work on infrastructure together. Not only can you use the JEDD funds, but the city and township could agree to more funds from their general fund to pay for additional infrastructure improvements, marketing the area, promoting the area for development and sanitary sewer. You can actually do some outside infrastructure improvements that support the JEDD. Any tax incentives that you do will jointly have to be approved by the city and the township and the JEDD Board that is established.

Mr. Emery said next steps would be to sit down with Millcreek Township and the city and start to pin down some of these numbers that could be workable for both entities, then go back to the legislative bodies with some recommendations.

Speaking for the city, Mr. Emery said some of the percentages are in the ballpark of where we think we may have some recommendations. Those are yet to be determined.

Mr. Berbee said along Scottslawn Road all the way down to 42, say you've got 12 property owners, is it voluntary that the property owners join into the JEDD?

Mr. Conroy said the model that was most attractive to Millcreek was a model that the city of Columbus used in Pickaway County when they were creating the JEDD south of Rickenbacher. They said this is the JEDD area and as property is developed and the property owners would like utility services, they could opt into the JEDD when they want to develop. If you don't want development, then things remain the same.

Mr. Rausch asked using that model, do you run into any difficulty with some properties not wanting in. Say you've got three properties wanting in, then one property not wanting in and then two more on the other side wanting in. Mr. Conroy said you could.

A lot of times when you're doing major redevelopment, they'll want tax abatement or they'll want zoning changes and you have to tie them together.

Mr. Phillips said if you want to develop your property from a commercial or office standpoint, that's when you are going to opt in. If it's going to stay farmland, then it's never going to be opted in. Different from a JEDZ, where you create a zone, you say you're going to pay an income tax and you have no say in it; we're giving the property owner the ability to yea or nay and that's very important in how we're looking at this.

Mr. Rausch asked if you could have a landowner or two who gets the benefits of the other landowners joining the JEDD and then 20/30 years down the road, that landowner wants to develop but still doesn want to go into the JEDD, but the infrastructure is already been built and paid for by his neighbors who are in the JEDD. Mr. Conroy said that what you use for an incentive. If they want to take advantage of tax abatement or if they require any type of zoning modification or conditional use change, we'd have to tie them together so they'd have to join the JEDD.

Mr. Phillips said it's important to note typically what you see during the term of the JEDD is there is a moratorium on annexation unless each party would agree on the annexation.

Mr. Reams said when we negotiated our water and sewer coverage several years back, we made an agreement not to charge a higher rate outside the city in exchange for that. We negotiated a growth area where we could require annexation for areas closer to the city now and areas that we thought were in the same area, industrial/commercial type growth because it looked like it was advantageous for the city, but the areas so far out there weren't part of the area where we could require annexation. How do we adjust for that? We gave away our right to charge a different water rate in exchange for the potential to annex these properties and now we're talking about giving away the potential of annexing the properties. It seems like we're giving away on both ends and what do we have left? How do we reconcile that?

Mr. Phillips said the growth area in the city/county agreement basically established an area for potential growth for the city. It also says that if areas adjacent to the city need water and sewer, they would automatically annex. We would have to adjust that requirement in that water/sewer service agreement to be able to do a JEDD. The problem is, does the city really want to annex all the way to Delaware County to the east and extend its services so far? That's a concern when you think about the growth area.

Mr. Reams said we don't have that whole service area as our growth area, only part of it and that's a big part of what we're talking about today.

Mr. Conroy said that's part of the balance. From a city representative, for the city to capture income tax along 42, it would be a long time and maybe difficult to do, and now we're saying it's an opportunity where you may be able to capture that revenue source sooner.

Mr. Phillips said we can annex all that land, but we don't have the infrastructure dollars to build the infrastructure that's needed to develop those areas. A JEDD would actually create a fund that would help us grow that infrastructure, something that we don't have as a dedicated source of funds that we can extend and build up the infrastructure. That's important to keep in mind.

Mr. Reams asked if we could do something like a TIF or something along those lines. Mr. Phillips said we could but it's difficult to TIF and abate at the same time because you're using up all the property taxes. It's very difficult, and we've experienced this with the Coleman's Crossing tax abatement. You can't TIF then abate because there are not enough taxes to go around. A lot of these developments, such as industrial or office, want abatements and that's what they prefer. You've got to be very understanding of that when you work with these.

Mr. Reams said we've got to look at this. We gave away that rate difference for outside the city and in exchange we got the right to annex these properties closer to the city. Do we need to look at that agreement when we do this?

Mr. Phillips said it's going to have to be modified to do the JEDD, because it reads that anything adjacent to the city has to be annexed if they want water and sewer.

- Possibility of Establishing a Fund for Matching Grant Funds

Mr. Berbee referred to an email from Mrs. Tracy Richardson. This issue was mentioned back in October when Council was asked for "wish-list" items. She said that we can almost anticipate that within the next 5/10 years the listed projects as follows:

1) ODOT interchange project at 33 and 31 ($15M with a portion of the funds provided by the city)
2) Route 4 and 31 connection ($2M – how long can we wait for development to do this?)
3) Redesign of access to Coleman's Crossing (more business means more traffic. (What we do?)
4) Lights at the exit ramps from 33 to 31 in both directions (a few hundred thousand?)
5) Project to create greater access to the Pedestrian Bridge via a path and parking lot off of Valley Drive ($90k)

6) Extending Amrine Mill to Raymond Road to provide a separate entrance and exit to Mill Valley (cost?)
7) Enhancements to 5 corners (cost?)

Mr. Emery said many of these projects are development-driven and often times paid for in a large way by those developments or those needs by ODOT, in that ODOT needs to be a big player. He's not against the city possibly establishing a fund to position ourselves, but he also wants to be careful that we're not paying for projects that ultimately in due time will be paid for by the development that drives a project. He sees some of the issues out on 31 that are there now, but if we're patient and manage the system of traffic flows, that within a reasonable period of time, there will be generator of the project through development. Mr. Reams thinks that's gong to happen; we just don't know when.

Mr. Reams said instead of creating a new fund for this, we just map out the next five years where we think things are going to be and project our cash flow, and if we know four years from now we've got to have $2.5 in capital funds for one big project, that's going to reduce what we spend on other projects.

Ms. Chavarria said she is not opposed to setting up a reserve fund, but if we're going to set up a reserve fund, she thinks more a retirement reserve fund or some type of equipment replacement reserve fund, not necessarily a capital fund, because a lot of that we wait until we get an appropriate fund to pay the majority of it, so that's a lot harder to try to manage a cash flow, whereas a retirement reserve fund you know what replacement you base it on, the depreciation of it. Those are actually funds if the city needed to dip into and use for other things, make a loan from it as long as you make a plan to pay it back. Those would be more reserve funds she would recommend if we were to go that way.

Mr. Berbee noted this year we needed to allocate a sizeable amount of money for the walkway and then all of sudden there were other things that we were not able to do, i.e. debt reduction for one thing had to take a side step.

Ms. Chavarria said an equipment replacement fund is what she would like to try to put into place. It is similar to a capital fund. You would put your big ticket items, police cruiser and fire equipment, we would pick a dollar amount and plan for the future. If this is something Council is interested in, she could start planning for this year's budget. You are going to need a nice chunk of money to get it started to build up that appreciation, so it would take a big chunk from the General Fund and move it over there. It's a very good policy to have, that way if funds get tight, your equipment is not being let go.

Mr. Berbee confirmed that this fund would not be a dedicated fund, however, should we have the need then we don't have to sacrifice some of the other commitments that we've made to the taxpayers at their expense and we can use some of those funds. Mr. Reams said the combination of that and the five-year plan, we would accomplish the same object, but in a different way.

Mr. Rausch said if you look at what Mrs. Richardson is looking at, it's much more than the paving program, and we are going to need some more infrastructure payments other than just repaving and some of these could be development-driven, a couple of the developments are already there.

Mr. Berbee said it's amazing to him that within the two-year timeframe, with the proposed elevator project, we're looking at more than $100M investment in the city of Marysville. He noted the two medical facilities, the Meijer store and the groundbreaking today, Moriroku for $3.5M and Sumitoma a couple of weeks ago, and if we do another 90/100 homes, those will be at $200,000, you add another $20M into it, within almost a 2-3 year window, you have 23-25% going towards rates (inaudible). It looks like a lot of good things are happening.

Ms. Chavarria will begin working on the 5-year capital plan.

The meeting adjourned at 5:00 p.m.