

## Service Committee Minutes

Honorable Council  
City of Newark, Ohio  
October 15, 2013

There was a meeting of the Service Committee in Council Chambers following the Finance Committee, on Monday, October 14, 2013. These members were present:

Jeff Rath, Chair	Bill Cost Jr. for Ed Houdeshell
Shirley Stare	Ryan Bubb
Curtis Johnson	

We wish to report:

- Ordinance 13-33** enacting amendments to Newark's sewer use and sewer charges Ordinance (91-59); directing limited publication of the sewer use and sewer charges ordinance was considered.

**Roger Loomis**- this is an amendment to our sewer use Ordinance to raise the wastewater rates for the Downtown Sewer Project. He stated that he was going to provide a presentation to the Committee members.

**First item discussed was Affordability:** this is something that EPA wants to demonstrate what water should cost, whether it is affordable or not. We are fortunate that we are well below the national standard water costs according to our mean household income. It should be about 1.5% of your mean household income; we are roughly half of that. The EPA uses an average of 10 consumption our typical user uses 7 consumption, the number is a little higher but just for comparison purposes we are going to use that number. Sometimes the affordability affects us in a negative way because we are not eligible for hardship grants that the EPA gives out to City's that have high rates. Because our water rates are low we miss out on those which I think we would rather have than the other way around. He presented a chart to them of about 10-15 different municipalities to compare our rates with. We are below the 25 percentile and that is our goal to stay there. Another word 75% more of the cities in the State of Ohio charge more for water and wastewater services than we do.

**What are the Needs:** the downtown sewer project is what we are really looking at. That project has expanded a little bit from where we started from. One issue that came up is the bridge project on Route 13 is going to take some sewer work as well. We have added that area into this downtown sewer project and we have added a couple of streets that are tied into that. The current estimate to do the work is \$12 million dollars. That is a project to separate all sewers in the downtown area and replace sewers. Really all of the sewers in the downtown area are all or most over a hundred years old. In order to cover the debt for that we are going to need about \$750,000.00 a year. We have applied for a loan for this project and that is what we are estimating our costs to be. What we have done over the past few years with these major projects is to smooth our rates out. We try to add 15, 20, 30% rate increases are pretty rough on people so we are trying to smooth the rates out over a number of years. One of the advantages of getting a loan through the Ohio Development Authority and the Ohio EPA is that we don't have to start making payments until the end of the project. We can raise our rates slowly so in 3-4 years we can have enough money to make our first payment.

**We need additional rate increases.** As you know we have some rate increases in place from a previous CSO project, a major project we just completed. So what we are looking at additional rate increases of 3.5% increase in 2014, 3.7% in 2015, 3.2% in 2016 and 1% in 2017.

To talk a little bit about the design of our rates which we talk about every time we talk about rate increases. First of all the rate increases are for capital costs. We are not asking for additional operation or to pay people additional money, this is to pay the debt. There is going to be a little impact on what we call our life line rate. We have a minimum rate which is a little lower rate so if you are trying to conserve money you can use 3 consumptions and pay a little less of a rate than somebody who is paying a little more.

With this proposed rate increase combined with the previous increase already on the books the actual rate increase for 2014 would be 8.5%, 6% in 2015, 5.5% 2016 and 3.3% in 2017.

Now the impact of the increases on a minimum user is about .82 cents a month which is less than \$10.00 a year for the first year. It is going to be less than or about \$20.00 a year for a normal user, about \$1.83 a month. In 2015, 2016 and 2017 is roughly the same. By the end the minimum user can get water and sewer for \$20.04 a month. We will still be in the lower 25 percentile after the increases.

**Mr. Rath-** so at the end of 2017 that will pay off the debt for the downtown project?

**Roger Loomis-** in 2017 we will be making enough money to be able to handle the debt on a 20 year loan.

**Mr. Bubb-** I think that this body of Council has known that this has been in the works for a while and I compliment Roger for keeping us below the 25 percentile in the State and I still think that it is very affordable rates and our hands are kind of tied here so I will begin to proceed forward with this.

**Motion by Mr. Bubb to send to full Council, second by Mr. Johnson**

**Mr. Cost-** how long do you see this project taking?

**Roger Loomis-** we are going to start in 2014 and we plan on being done sometime in mid-2016. Without the final designs not being complete we don't have exact dates but that is our rough timeline.

**Mr. Marmie-** if this is just basically to take care of downtown what about the rest that needs to be done. I know there are other areas that still need separation.

**Roger Loomis-** we will be in the process of negotiating whatever else we need to do with our CSO system in the year 2016. I don't even know what that will entail because we haven't even started negotiation. From today until mid-2016 we will be doing a study on how the impact of the first phase of our long term control plan has acted. Not knowing what the EPA policy will be in 2016. Our overall plan for the last number of years has been to try and spread these projects out as long as far as we can and as debt from projects comes off it will allow us to take on debt from new projects. Will there be a rate increase, I don't know.

**Mr. Green-** I'm curious, I don't quite understand. I understand that we have a lower rate compared to other cities in the State and I am curious about why the rate structure might be much higher somewhere else and the second part of my question is whether the public is paying for a lower rate structure by loaning money in order to make improvements in the system along the way.

**Roger Loomis-** there are some theory idea that we should raise rates high enough to pay cash for projects and there is a few that does that. There are some states that require that. I guess we could debate whether that is good financial management or not good financial management. I have always said the lowest rates in town aren't always the greatest in the world because you have to look at your facilities. We could certainly keep our rates down to almost nothing if we never fix anything but that's not good either. We have to have a balance between fixing things and paying for things. We do have money that we set aside every year for capital improvements, like \$300,000.00. We have 200 miles of sewer in the city and let's just say for comparison that sewer lines last for 100 years, and then if that is the case you have to replace 2 miles of sewer every year or eventually your system will fall apart. This is a problem for municipalities across the country. Debt management is truly why our rates have been able to stay low and we maintain the facilities.

**Motion passed by a vote of 5-0.**

2. **Ordinance 13-35** adopting section 1048.14 of the codified ordinances authorizing the establishment and certification of a lien upon real estate for delinquent water charges within the city of Newark, Ohio was considered.

**Roger Loomis-** this is another way of trying to keep our costs lower by trying to collect our money. Anybody in business knows that you don't make any money until you collect it. We are going to put this Ordinance in place as a City Code, instead of coming to Council on a monthly basis trying to assess liens with an Ordinance. I think that we are going to start off every 3 months providing Councilmembers a list of which properties are going to get a lien. This gives us authority to lien. This is similar to what the City of Heath does. We have similar legislation for waste water and storm water.

**Ms. Stare-** is this privately owned property? It doesn't involve apartments?

**Roger Loomis-** it would if they don't pay their bill

**Ms. Stare-** for instance if the apartment has a renter and the renter is responsible for paying the bill and they don't pay then you wouldn't put a lien on the property for that default would you?

**Roger Loomis-** yes we would

**Mr. Rath-** isn't the property owner ultimately responsible

**Roger Loomis-** yes the property owner is ultimately responsible

**Mr. Cost-** how far behind would someone have to be before a lien would be put on.

**Roger Loomis-** we are hoping to get it to 90 days.

**Mr. Rath-** asked Mr. Loomis how long he as a property owner renting out a property to a tenant who by the lease agreement is responsible for the water bill it is before he the owner receives notice.

**Roger Loomis-** within 60 days, someone in the audience corrected him and stated that it was 45 days from when the first bill was due. He also stated that the property owners are notified when they are going to have a lien put on.

**Mr. Cost-**asked if they were using someone else to do the collections

**Roger Loomis-** we are having our own staff do that now. We tried a couple of companies it was pretty unsuccessful.

**Mr. Cost-** and you intend to continue that

**Roger Loomis-** we intend to continue that

**Mr. Rath-** that should be more cost effective

**Mr. Bubb-** I would assume that this would help the City in the foreclosure process, when foreclosures happen you are going to get these cleared up now when a foreclosure happens, is that correct? This will stop that.

**Roger Loomis-** correct, our best defense is to get that lien out there as quickly as possible and that way anybody buying a property knows what the deal is. The quicker the better, which is what we are trying to do.

**Mrs. Loomis-** commented that the owners of the property can request to receive a copy of the bill as well

**Mr. Loomis-** confirmed the owner could

**Motion by Mr. Bubb to send to full Council, second by Mr. Johnson**

**Motion passed by a 5-0 vote.**

3. **Resolution 13-86** authorizing and directing the director of public service of the city of Newark, Ohio to advertise for bids and enter into contract, subject to the appropriation of funds, for upgrades to improve public access at the water office was considered.

**Roger Loomis-** this is to authorize the Service Director to advertise for bids. We are in the process of designing and upgrading our conference room. We are going to expand that and put door accesses in to secure the area around that and add an additional entrance coming in so that meeting room can be used for public hearings and meetings. We have some demand for that and the problem with that is if we have public hearings in the evenings we can't secure our front customer service area. Other departments in the City also use this meeting room. Our long term plan is to put in a couple of pay kiosk stations. Our office is not set up that way now so we are going to put in a front foyer. We have been in that building for 12 years now and part of the cost will be painting the entire inside of the building and putting in new flooring in the customer service area. As you can image we have a lot of people in there every day and it has gotten beat up.

**Mr. Rath-** asked what the capacity of the meeting room is now

**Roger Loomis-** approximately 45 and we are looking to expand it to 100.

**Mr. Rath-** how much money are we talking about spending?

**Roger Loomis-** \$200,000.00

**Mr. Rath-** what is a payment kiosk?

**Roger Loomis-** you walk up to it and pay your bill and look up information about their payment. After hours people can utilize this or during hours if they don't want to come in and speak to a customer service personnel.

**Mr. Rath-** asked if this was something already budgeted for

**Roger Loomis-** stated it was a plan and that there were some software issues they are working out.

#### **Motion by Mr. Bubb to send to full Council, second by Ms. Stare**

**Mr. Marmie-** I guess your timing is impeccable, you are asking to raise your rates and then you are spending money for a new room. Do we not have any other facilities in the City that can house your public meetings? None, what is wrong with this room?

**Roger Loomis-** this room is not set up for what we want to do, certain meetings can't be held in here

**Mr. Marmie-** going back to the first item and the rates you gave us, I would like to request the amounts for the rate increase for the City's top 5 users.

**Mr. Rath-** asked Mr. Loomis to communicate that information to all members of Council. You said a lot of other departments utilize that meeting room.

**Roger Loomis-** right now negotiations are going over there with the Police and Fire. Community Development uses it for some of their meetings

**Mr. Rath-** asked how many occasions there are where they have over capacity in that meeting room or at capacity at least.

**Roger Loomis-** when we have had a public hearing we have had to use the Library a few of times. We don't have enough room in our area, probably 4 or 5 times a year.

**Stewart Moynihan-** I was just going to reiterate what Roger just said. I have held a couple meetings there myself in the past couple of years where we have been at capacity. It is booked solid most of the year. He stated he thought a bigger space downtown that could be readily utilized would be something his department would definitely use.

**Mr. Rath-** what is the timeline of the expansion

**Roger Loomis-** right now probably the end of next year.

**Mr. Rath-** when would you start?

**Roger Loomis-** it's not a big job probably towards the end of next year

**Mr. Rath-** I would be in support of moving this on to full Council but I would be in support of tabling this issue for a period of time only because I know of some expansions and developments within the City that

might lend itself to facilitate what you are looking for. I'm not going to go into any details but I would like to see what the possibilities of that are without expending a quarter of a million dollars.

**Mrs. Floyd-** asked where the money for this was going to come from

**Roger Loomis-** water and wastewater funds

**Mr. Guthrie-** I will probably repeat this at Council, when we are asking people to make sacrifices and we are going into negotiations that look pretty bleak for our employees and I know this is Water and Wastewater but I think that it sends a really bad message for us to be sitting here spending this kind of money. I hope that folks really think about that when it comes up before Council.

**Mr. Marmie-** Roger I am going to need justification that you need this space the majority of the time before spending utility dollars on a meeting location for another department that is funded by grants or anything like that. Just being told that the majority of it is from Community Development or somebody that needs the space but if you need it the majority of the time I can support this. I can't support spending utility dollars when your need is not there, yours specifically.

**Mr. Greene-** I would support this proposal because I think if you are talking about raising rates and you are talking about raising the cost of living that people are dealing with I think that you are going to get a lot of people who are asking questions about why and why particularly in these times when we have hard budgets to deal with. I would say that the space available for meetings should be more available and open even though there is a cost involved it is to open up things.

**Mr. Rath-** it sounds like there is some information that we could benefit from hearing before acting on this fully. Would anyone be willing to make a motion to table this for two weeks?

**Roger Loomis-** just a note that this is legislation to authorize the bidding. We are going to come back for funding. We really don't know until the bid comes in what the price is. Certainly if the price comes in at half a million dollars that maybe another question and if it comes in at \$100,000.00 that may be another question.

**Mr. Bubb-** I have a quick question for the Service Director, you did a nice job at the Hollander Pool doing a lot of in house labor on painting and dry walling. Is that maybe something when it comes to a final number we could really get that number down? I know that Carl and your guys you lead them pretty well in the past is that something that you and Roger could talk about doing?

**Director Rhodes-** it is something that we could work on together, absolutely. When we got into the discussions and design of the new downtown fire station that we are going to build, it became apparent that Roger needed a little more space in the Water Department. So we decided to make a smaller room for meetings at the fire station knowing that we could do training in the Water room. So we kind of scaled back the new station on meeting room size based on the fact that we would have the one big meeting room there.

**Mr. Rath-** I can understand that but that leads back to the point Mr. Marmie made about the public utilities money

**Director Rhodes-** I understand what you are saying but if it is blocked off and open to the public you might as well use it to the fullest extent, we didn't feel that we should be building two big meeting rooms in downtown Newark. We thought why build a big one in the new station when one is going to be there open to the public.

**Ms. Stare-** suggested that if anyone had not seen that meeting room that they go and check it out it is really nice and I think that what you are saying about making changes will be a great improvement.

**Roger Loomis-** the cost to expand the room is not a lot of money the space is there, we are talking about knocking out a wall and putting up a folding wall. The cost is getting the doors in the right area to secure the area so it can be used after hours. We would really be better off having a number in front of us and making that decision.

**Mr. Rath-** you are right I probably spoke prematurely about tabling this because this is legislation to acquire bids not for funding so you still have to come back and ask us for the money.

**Mr. Cost-** asked Roger if he felt that the security issues that he spoke of exist now

**Roger Loomis-** yes if we wanted to have this meeting over there tonight basically anyone could get up and walk into the customer service area. That hasn't happened but we are never really comfortable when we have meetings over there in the evenings and we would like to have those at that time. The idea was to put a separate entrance in and put in those doors, the configuration has to be changed that is why it is expensive because you have to move a few walls around. If you have a public meeting room you have to have restrooms available so that means you have to put doors in certain places. I don't have a breakdown of that cost yet but I will have that. He also mentioned that they have ample parking there.

**Mr. Rath-** stated that we have ample parking all throughout the City of Newark, especially the downtown area.

**Mr. Guthrie-** asked Roger Loomis who is doing the design, preparing the specs

**Roger Loomis-** Wachtel McAnally

**Motion to send to full Council passed by a vote of 5-0.**

**Jeff Rath, Chair**