



## **FINANCE & UTILITY COMMITTEE FEBRUARY 2, 2015**

Committee Members Present:        Scott Pelot-Excused  
   Dennis McGlone  
   Danny Grether-Excused  
   Dennis Pierson  
   Paul Tousley  
   Charlotte Whipkey  
   Rick Rodgers

Also Present:                            Mayor Mike Zita  
   Valerie Wax Carr  
   Ron Messner  
   Justin Markey  
   Karla Richards  
   Ann Campbell

The Finance & Utility Committee's convened on Monday, February 2, 2015 at 6:08 PM, in the Council Chambers of the Safety Administration Building. The meeting was called to order by Rick Rodgers, President of Council. Following a salute to the flag and the Pledge of Allegiance, there was a moment of silent prayer.

### **General Topics of Discussion:**

#### **Nash Heights Assessments**

Mr. Rodgers stated the Finance discussion would go on until about 6:30 and then we would go into the Utilities Portion. Mr. Rodgers noted that both the gravity and vacuum sewers estimates have come in at \$8,000.00 and turned this discussion over to Mr. Demboski for the details. Mr. Demboski discussed the total project costs of \$7,790,000 on the handouts provided (see attached). Mr. Demboski stated he had looked at the city's costs for the number of larger intersections. Mr. Demboski discussed the different costs and the surcharges that Barberton would be using for covering the debt services. There was discussion as to the \$5,000.00 figure and how those numbers were generated. Mr. Rodgers asked if all of the engineering is up to date and included in this amount? Mr. Demboski noted they are current to date. Mr. Rodgers asked if the newer design for the vacuum of \$175,000.00 was also included and Mr. Demboski stated it was not because that affects the Issue 1 funding, however he could add this in. Mr. Rodgers discussed the Issue 1 money and Mr. Demboski stated East phase is \$1.25 million and the West phase is about \$1.4 million. Mrs. Carr noted this was just awarded last week and came in a little more than what we had requested. Mr. Rodgers clarified that is a zero interest loan for 30 years.

Mr. Rodgers asked how much are we borrowing from the EPA and Mr. Demboski replied that would be the balance and is a low interest loan and is variable and for February it is 1.89%. Mr. Demboski noted the interest rates are now set monthly. Mr. Rodgers stated we are going to borrow a little more than 5 million and Mr. Demboski concurred because we have not included the pump stations. Mr. Demboski stated the analysis is to be using the surcharge income to pay down the debt. Mr. McGlone asked if the City's portion is always set at about 26%? Mr. Demboski stated the city's portion is a percentage of the total cost of the project. Mr. Markey noted the City's portion on the west phase is closed to 30% and at about 21% for the east phase. Mrs. Carr noted that we have tried with the MOU to bring the assessment down to roughly \$8,000.00 whether its gravity versus vacuum. Mr. Tousley asked then where would the \$932,000.00 difference going then? Mr. Markey stated that surcharge money is collected for future projects. That surcharge money going into Nash Heights, puts the surplus into this same account. Mr. Markey noted Barberton would be tracking these income/expenses in a monthly report to the City of Norton. Mrs. Carr clarified that the \$8,000.00 is a contrived and estimated number we tried to get to in order to save the residents in Nash Heights some of the expenses. Mr. Rodgers asked if we have a surplus at the end of this twenty (20) year model, and if in five (5) years we need to start another project, is there enough in the surcharge fund to cover that? Mr. Demboski stated that was projected for five (5) years out in the model proposed, and you want to incur the debt services in the early stages. Mr. Rodgers stated he sees no need to be thinking about planning other projects until we get Nash Heights going and getting commercial development in the future. Mrs. Carr asked is that for any type of sewers and Mr. Rodgers stated he intended not to get into other neighborhoods. Mrs. Carr noted that money comes from the same pot and when we get to the Cleveland-Massillon Widening project that could be used. Mr. Pierson asked don't we have the roll back funds for this and if so then we are now talking about two (2) funds going on the backs of the residents. Mr. Tousley asked if the model figures are correct, without even touching the roll back funds you could cut that back to about \$6,000.00. Mr. Rodgers stated he felt the assessments for the vacuum will come out lower. Mr. Demboski stated that the best way to get to the right number is to get the bids out and when the bids come back, that is when you will need to decide which way to go and at what cost and by phases, etc. You may decide to go with vacuum in the east and possibly gravity in the west side. Mr. Tousley asked about the \$250,000.00 cost in the gravity spreadsheet. Mr. Demboski stated that was for design, and does not include inspection or to have someone on the site during construction. Mr. Demboski noted that was already approved in our contract by prior council. Mr. Rodgers discussed the engineering estimates, probable construction costs and the final east phase of \$2,390,000.00. Mr. Demboski stated that would be the construction of \$2,250,000.00 and with the advertising and legal fees that would come up to the \$2,390,000.00. Mr. Tousley asked about getting a revised number on the east side and Mr. Demboski stated there was an error in carry over of the lump sum items and that has been corrected. Mr. Rodgers stated the question was asked of him is when the assessment letters go out, why aren't the costs for the vacuum lower? Mr. Markey stated the procedure would be a combined letter. If the question is to start out with a lower vacuum estimate would be a question for the city to determine. Mrs. Carr stated we kept them the same as estimates for either way. Mr. Markey stated right now you are setting up the methodology as an estimated assessment process.

Mrs. Carr stated that sending a resident with an estimated \$18,000.00 when we know we can do better. Mr. Rodgers did not agree, however he felt when we send the letters we could spell it out showing the difference. Mr. Demboski stated in reality you have to legally send out the estimated assessments and then go out to bid to get the hard numbers. Mr. Markey stated the tentative assessment is the process for the residents to object if they decide. Mr. Markey noted he had sent out an email to Council earlier about the assessment process and you generally have the estimates a little high so that when the bids come in those bids are not higher, if they were you have to start all over. Mr. Pierson asked about the change orders and the parameters? Mr. Pierson gave a scenario of coming in with a lower price just to bump things up with change orders. Mr. Demboski stated that would be part of the contract and there is a process the city will accept within a certain percentage or not. Mr. Pierson asked at what point would there be a mistake where the city says no and the contractor has to eat that? Mr. Demboski noted that would have to be something not foreseen like a sink hole or something. Mr. Rodgers asked about the surcharges and asked if we build the vacuum at a savings, we will have an excess in surcharges because it was based on the \$8,000.00. Instead of using the excess to pay down debt, why not offset some of the operating costs? It's the people's money and they have already paid for it, it should not require a change in the MOU. Mr. Markey stated legally he did not see a problem with it. Mr. Pierson asked if it would affect the loans in any way and Mr. Markey replied that the revenues are the revenues and it's just to negotiate how the money is used. Ms. Whipkey asked if we did use the excess surcharge fees to help offset the operation costs and would we be using the fees as an excess or are we looking at the 42%? Mr. Rodgers stated it would be the percentages based on the \$8,000.00 assessment. If we don't spend that much on the build, those monies should be used to help offset the cost. Mayor Zita stated if you put the vacuum system in because it's cheaper, and then use the surcharge money to offset the costs. Mayor Zita asked if the extra costs with the maintenance of vacuum systems wouldn't be better off going with the gravity system? Mr. Rodgers stated we know there will be a difference in the operating costs between a vacuum and gravity system. That costs will be passed on to the residents in Nash Heights. That surcharge fee that the Nash Heights residents are paying will go into this pot of money that they would have paid for if they had gravity. Mrs. Carr clarified that the surcharge money we collect now is not just for Nash Heights, and Mr. Markey concurred. Mr. Markey stated that surcharge number in the model would assume that is for every new customer connected to the system over the twenty (20) year period as indicated on line #44. These numbers are not just for Nash Heights; however we could expand on the model and include that, for project specific. Mr. Pierson noted the Brentwood and Mr. Vernon are not reflected here but could be later on. Mr. Rodgers asked about the package plants being abandoned and asked if they are included in the surcharge? Mr. Demboski stated that the debt service would be paid for by this surcharge by all of the customers serviced by this system. Mr. Rodgers stated the problem he has is we are trying to separate it out, yet we are all pitting everyone against each other. Mr. Demboski stated the surcharge going with Barberton is around \$49.00 and the difference is what comes back to fund the abandoning of the package plants. Mr. Demboski stated in the 20 year plan, everyone is paying and then after the twenty (20) years it's going in to the fund. That is what supports a sustainable system and that is why you can offer the same reductions. Ms. Whipkey stated the way she understood it was

that any of them that have these waste treatment plants, their surcharge fee was to pay for the abandoning of the package plant. Mr. Markey stated as he explained last week the analysis is different from the reality. The analysis shows the different pockets of money to pay for the improvements. You have to look at this as a whole which is where that 6.6 million dollars is reflected. Barberton will be collecting that money into the sewer fund and they will be holding it, it will not be comingled or improvement by improvement. Ms. Whipkey stated so for the residents tapping into sewer, they are basically paying for others. Mr. Markey stated its everbody helping everyone.

**Unfinished Business:**

None

**New Business:**

None

**Adjourn**

There being no other business to come before the Committee Work Session, the meeting was adjourned at 6:59 PM.

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Rick Rodgers, President of Council

**\*NOTE: THESE MINUTES ARE NOT VERBATIM\***

**\*\*ORIGINAL SIGNED AND APPROVED MINUTES ARE ON FILE WITH THE CLERK OF COUNCIL.\*\***

**All Committee Meetings will be held at the Norton Safety Administration Building, unless otherwise noted.**

Combined East and West Phases					
304 Property Owners					
<b>Gravity</b>					
w/out surcharge assistance	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$0	Property Owner Portion
Assessment Amount	\$7,790,000	\$ 2,092,394.00		\$ -	\$5,697,606
\$ 18,742.13		26.86%	0.00%	0.00%	73.14%
	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$0	Property Owner Portion
w/ \$8,000 assessment	\$7,790,000	\$ 2,092,394.00	\$ 3,265,348.00	\$ -	\$2,432,258
		26.86%	41.92%	0.00%	31.22%
	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$3,000	Property Owner Portion
w/ \$5,000 assessment	\$7,790,000	\$ 2,092,394.00	\$ 3,265,348.00	\$ 912,000.00	\$1,520,258
		26.86%	41.92%	11.71%	19.52%
Construction	\$7,350,000				
Engineering/Construction	\$250,000				
Inspection	\$150,000				
Legal/Ads/Permits	\$40,000				
<b>TOTAL PROJECT COST</b>	<b>\$7,790,000</b>				

Combined East and West					
304 Property Owners					
<b>Vacuum</b>					
w/out surcharge assistance	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$0	Property Owner Portion
Assessment Amount	\$6,515,000	\$ 1,749,929.00	\$ -	\$ -	\$4,765,071
\$ 15,674.58		26.86%	0.00%	0.00%	73.14%
	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$0	Property Owner Portion
w/ \$8,000 assessment	\$6,515,000	\$ 1,749,929.00	\$ 2,333,071.00	\$ -	\$2,432,000
		26.86%	29.95%	0.00%	37.33%
	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$3,000	Property Owner Portion
w/ \$5,000 assessment	\$6,515,000	\$ 1,749,929.00	\$ 2,333,071.00	\$ 912,000.00	\$1,520,000
		26.86%	29.95%	14.00%	23.33%
Construction	\$6,075,000				
Engineering/Construction	\$250,000				
Inspection	\$150,000				
Legal/Ads/Permits	\$40,000				
<b>TOTAL PROJECT COST</b>	<b>\$6,515,000</b>				

**East Phase**

124 Property Owners

**Gravity**

w/out surcharge assistance	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$0	Property Owner Portion
Assessment Amount	\$2,640,000	\$ 552,552.00	\$ -	\$ -	\$2,087,448
\$ 16,834.26		20.93%	0.00%	0.00%	79.07%
<b>Total Cost</b>					
	\$2,640,000	\$ 552,552.00	\$ 1,095,448.00	\$ -	\$ 992,000.00
w/ \$8,000 assessment		20.93%	41.49%	0.00%	37.58%
<b>Total Cost</b>					
	\$2,640,000	\$ 552,552.00	\$ 1,095,448.00	\$ 372,000.00	\$ 620,000.00
w/ \$5,000 assessment		20.93%	41.49%	14.09%	23.48%
<p>Construction \$2,500,000</p> <p>Engineering/Construction \$75,000</p> <p>Inspection \$50,000</p> <p>Legal/Ads/Permits \$15,000</p> <p><b>TOTAL PROJECT COST \$2,640,000</b></p>					

**East**

124 Property Owners

**Vacuum**

w/out surcharge assistance	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$0	Property Owner Portion
Assessment Amount	\$2,390,000	\$ 500,227.00	\$ -	\$ -	\$1,889,773
\$ 15,240.10		20.93%	0.00%	0.00%	79.07%
<b>Total Cost</b>					
	\$2,390,000	\$ 500,227.00	\$ 897,773.00	\$ -	\$ 992,000.00
w/ \$8,000 assessment		20.93%	37.56%	0.00%	41.51%
<b>Total Cost</b>					
	\$2,390,000	\$ 500,227.00	\$ 897,773.00	\$ 372,000.00	\$ 620,000.00
w/ \$5,000 assessment		20.93%	37.56%	15.56%	25.94%
<p>Construction \$2,250,000</p> <p>Engineering/Construction \$75,000</p> <p>Inspection \$50,000</p> <p>Legal/Ads/Permits \$15,000</p> <p><b>TOTAL PROJECT COST \$2,390,000</b></p>					

<b>West Phase</b>					
180 Property Owners					
<b>Gravity</b>					
w/out surcharge assistance	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$0	Property Owner Portion
Assessment Amount	\$5,150,000	\$ 1,539,850.00	\$ -	\$ -	\$3,610,150
\$ 20,056.39		29.90%	0.00%	0.00%	70.10%
	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$0	Property Owner Portion
w/ \$8,000 assessment	\$5,150,000	\$ 1,539,850.00	\$ 2,170,150.00	\$ -	\$ 1,440,000.00
		29.90%	42.14%	0.00%	27.96%
	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$3,000	Property Owner Portion
w/ \$5,000 assessment	\$5,150,000	\$ 1,539,850.00	\$ 2,170,150.00	\$ 540,000.00	\$ 900,000.00
		29.90%	42.14%	10.49%	17.48%
Construction \$4,850,000 Engineering/Construction \$175,000 Inspection \$100,000 Legal/Ads/Permits \$25,000 <b>TOTAL PROJECT COST \$5,150,000</b>					

<b>West</b>					
180 Property Owners					
<b>Vacuum</b>					
w/out surcharge assistance	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$0	Property Owner Portion
Assessment Amount	\$4,125,000	\$ 1,233,375.00	\$ -	\$ -	\$2,891,625
\$ 16,064.58		29.90%	0.00%	0.00%	70.10%
	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$0	Property Owner Portion
w/ \$8,000 assessment	\$4,125,000	\$ 1,233,375.00	\$ 1,451,625.00	\$ -	\$ 1,440,000.00
		29.90%	28.19%	0.00%	34.91%
	Total Cost	City Portion	Surcharge Assistance	w/ Rollback of \$3,000	Property Owner Portion
w/ \$5,000 assessment	\$4,125,000	\$ 1,233,375.00	\$ 1,451,625.00	\$ 540,000.00	\$ 900,000.00
		29.90%	28.19%	13.09%	21.82%
Construction \$3,825,000 Engineering/Construction \$175,000 Inspection \$100,000 Legal/Ads/Permits \$25,000 <b>TOTAL PROJECT COST \$4,125,000</b>					