

**Minutes of the Meeting of the Finance Committee of Council
Held in the Council Chambers of the Municipal Building
On Saturday, November 19, 2022**

The Chair, Councilwoman-at-Large Tammy Holtzmeier, called the meeting to order at 8:03 A.M.

Committee Members Present

Chair, Councilwoman-at-Large Tammy Holtzmeier

Ward 3 Councilman Tony Moore; Ward 2 Councilman Dennis McBride

Others in Attendance

Finance Director Steve Presley; Former Finance Director Bill Logan; Assistant Finance Director Beth Raicevich; Ward 1 Councilwoman Jennifer Demaline; Council President Brian Fischer; Mayor Bryan Jensen; Ward 4 Councilman Scott Radcliffe; Safety/Service Director Duane Streator

Discussion of 2023 Budget

Mrs. Holtzmeier thanked everyone for being there and stated that discussion of the 2023 Budget is an important endeavor for the City. She said that she wanted to acknowledge the work that has gone into preparing their packets for today, both paper and electronic. She then turned the meeting over to Mr. Presley.

Mr. Presley stated that, in acknowledgement, he wanted to thank Mr. Logan and Mrs. Raicevich first and foremost. They really deserve the credit for putting all these schedules together and helping him go forward with it. He said that in going through the budget this morning, there will be some discussion but he did not anticipate reading all through it. Some of the major things that we were looking at going through are the factors and assumptions. On the revenue side on page 2, is the Income Tax and looking at where we are year to date, we are about 10-1/2% over but for consideration in 2023, we are factoring in about a 4.8% increase just because we are not certain what is going to happen as the population goes back to their workplaces. That is good in some instances, i.e. Bendix, but overall for the City, what is that going to do for the withholding for Avon? So that is a major consideration that we had to lay the groundwork relative to income tax but we budgeted that at \$28 million dollars total to be divided by all funds that have the income tax. The Property Tax has been established by the County so all of those dollar amounts are reflected in the information we got from them as indicated in the assumption sheet. There will be a little change as the County finalizes the numbers for 2023 but it should not be anything significant one way or the other. And then you get into the Building Permits budgeted at \$500,000 for 2023 and the Motel Tax budgeted at \$400,000 for 2023.

Mr. Presley said that in the Water Fund, in their budget they are looking at hiring someone to do a rate analysis that would not take place until 2024, so there is no increase as far as the rates but there is usage increase that is factored into that. Then also in the Sewer Fund, there is no rate increase there but the factor in the increase of the water usage obviously increases the revenue for the Sewer Fund. And so as we go through this, those are the assumptions there.

Mr. Presley stated that on the expense categories, wages are budgeted at a 3% increase. There were some moderate changes relative to what Council just passed in the change of the contract of AFSCME. There were some individuals under the clerical where some adjustments in the 3% were made for them. The health care is budgeted at a 14% increase and we will cover that in more detail later. We have asked

for approval by the Health Care Committee of some changes. As examples, taking the co-insurance from 80%/20% to 70%/30% and looking at changing the prescription to a more standard \$15/\$30.

Mr. Presley noted that they will go through the Capital Projects in greater detail. The one item on Capital Projects that is not included in here but at least know that we have the funds available, is going to be some of these property purchases because we do not know for certain at this time what the grant situation is going to be, whether we are going to be receiving grants for those purchases so as that information becomes known, we will update the budget for 2023.

Mr. Logan said that since he and Mrs. Raicevich have put this together for the last 14 years, he just wanted to make sure that Council understands, and he thinks that they do, but that they understand the process of it. We used to have meetings where we would bring in the Department Heads and try to go through their budgets briefly and it would be a marathon meeting. And we got a little off-track as Council would spend more time with the Department Heads, going over operations, etc. and he knows the Mayor feels this way too. The budget meetings we are having now have gone well the last few years but if Council wants to meet with the Department Heads specifically about their budgets or general operations, you know you can always call for a Service or a Finance Committee meeting and then talk more in detail about that kind of thing. The budget process really starts in May because we have to do the Tax Budget and submit that to Lorain County by July 20th of each year. Then when we get to September it is really already there and it just needs to be tweaked. The things that are tough for the Finance Dept. are knowing what capital projects are going to be included, what is our debt situation, how do we budget the debt, that kind of thing. So a lot of the groundwork is there but putting all these schedules together is the culmination of it all. And then as we know, Avon has always had a Permanent Appropriation Budget, meaning that Council will pass an Ordinance before the end of the year, establishing the appropriations for 2023 and that becomes the budget that the County Budget Commission puts on file. As Mr. Presley mentioned, some of the revenues may change as the County always comes out early January with the property tax estimates once they have all the new millages figured out. But that Permanent Appropriation Budget is where he thought that Mr. Presley would like to get this before the end of the year. Mr. Logan said that he just wanted to lay that groundwork so that everybody understands that process in general.

Mr. Presley pointed out the schedule with “Wages, Compensation Budget, Assumptions/Notes” and said that we have already discussed wage increases. As far as the personnel increases for next year you can see there are four in total, in essence three full-time equivalents because we are not looking to hire the two patrolmen until roughly half-way through the year. And then we look to hire the other two positions early next year and those are: one person for the Recreation Dept. and one person for the Parks Dept. Mrs. Demaline asked what the clerical position was in the Recreation Dept.: is that a clerk-secretary? Is that a bargaining unit position? Mayor Jensen said that it would be. Mrs. Demaline said, so right now, we have one full-time clerical person over there? The Mayor answered, yes. Mrs. Demaline then said, so that would give us two clerk secretaries there and she thought that was much-needed.

Mr. Radcliffe said that he had a question on the Parks personnel: is there an employee there who floats between the Parks and Utilities Depts. as needed? He remembered in the past that a person has floated when we needed extra help in the fall with tree branches, leaf pickup etc. or there was a problem with water, so is there an employee now who is able to do this? Mayor Jensen said, absolutely.

Mr. Presley noted that there is some additional information regarding health insurance attached to this schedule. Based on our loss ratios last year we are looking at roughly a 14% increase and with possible changes that could be made, if the Health Care Committee approves, those changes would reduce that cost. Mrs. Demaline asked if the City was direct with MMO or are we in a consortium or how do we

purchase? Mr. Presley said that we are not part of a consortium; we are by ourselves. Mrs. Demaline asked if we have looked at purchasing through a consortium? Mr. Logan responded that we were with one through Lorain County for a long time but we left that seven or eight years ago. That is not the right consortium to be in; there is another one out there and they have approached us before. We have talked about it with Council before and the feeling has always been we do not want to suffer from somebody else's losses or vice versa. We do not want to share that risk with other entities.

Mr. Presley stated that Avon is large enough to stand on our own. He said he is not a big fan of consortiums. They are very alluring to get you in but once you are in there, it is impossible to get out because of what they charge you with. Mrs. Demaline asked what our stop loss is; have we looked at being self-funded? Mr. Logan said, no, not really but he knows it is an option. If you look at the history that Mr. Presley and Mrs. Raicevich have presented, in the last four or five years under this shared funding plan, our claims/losses have been very steady. This past year, 2022, they have been higher than usual, hopefully one-time sort of claims that will happen from time to time. He personally does not think there has been a reason to try to go to that self-insured route but it may be something to look at. Mrs. Demaline said that she thought it is something that definitely should be looked at. She asked what our employees are paying per month for family coverage and single coverage and Mr. Presley said, 20% of the cost. Mrs. Demaline asked what that looked like in dollars and Mr. Logan said, the total premium is about \$1,800. so 20% of that roughly is what an employee pays for family coverage per month.

Mr. Presley said that he totally disagrees with looking into self-funding. You can get into the situation of real large claims. One of the things that he would like to look at getting into is the HFA/HRAs and away from this Cadillac plan, and making it an option, which then the employees would see the savings from their own pockets. At a split of 85%/15%, the 85% is what the City pays for all plans and so if you want to go to a richer 90%/10%, that is fine but you are going to pay the price difference per family. And so it makes the employees the consumers and the drivers of the health care plan.

Mrs. Demaline said, so she would look definitely at being the self-insured on that. She asked Mr. Moore if he had anything to add on the health insurance and Mr. Moore asked Mr. Presley if they ever came back to him with upfront rate relief? Mr. Presley said, yes, and there would be nothing without a change in the plan. He added that there are five or six things that he mentioned in there but the other one would be to increase the maximum out-of-pocket to 70%/30% and the max out of pocket would happen a lot quicker to a lot more individuals which would reduce the overall cost. So it is just a matter of what kind of percentage or dollars would that save and is the Health Care Committee going to be willing to vote for that or say we will pay a 14% increase.

Mrs. Demaline asked if you have to bargain for changes to the plan or do you have some language in there that allows your Health Care Committee to approve changes? Mr. Presley said he believed that the Health Care Committee approves changes. Mr. Logan stated that the ultimate approval comes through the Mayor. In other words, the Health Care Committee is the recommending committee with each of the five or however many unions represented on that committee but the Mayor, as the policy states, has the ultimate authority to veto. Mrs. Demaline asked, so the language allows you to change the plan in the middle of a contract term as long as your Health Care Committee allows it? Your collective bargaining agreement is with your union; your plan design is not bargained with the 20% and what your deductibles are? Mayor Jensen said that the 20% has to be bargained, not the policy... Mrs. Demaline said, the plan design is not bargained? Mayor Jensen said, no, and Mr. Presley added that, in a sense, it is bargained through the Health Care Committee.

Mayor Jensen stated that he knows that the Building Dept. already came back and said they are fine with the 14%; all the employees are very satisfied with the policy that we have right now because it is such an expansive coverage and everybody wants to stay with Medical Mutual because they have done such a great job for everybody. He thinks if we tried to adjust too many things it would make people unhappy because it is such a good policy. One thing that he is concerned with about going on a self-insured, is the fact that we might go through a bad time and honestly, we are going through one right now because we still have some people who are having some surgeries, and some different things. We have some younger people coming in, but the older people that are leaving are still incurring a large expense on us. If we were self-insured right now, we would be coming back to Council asking for more money for this year because as a self-insured, we would be in trouble.

Mr. Moore stated that one could argue that since we were doing so well, a self-insured would probably be beneficial for us in getting a refund. Not that he was saying that we should do that. There is a way maybe to ease into that with a level-funded plan and that is a blend of a self-insured. He was sure that it is something that Mr. Presley is aware of. You have to have the cash on hand which he thinks the City could afford to do. He thinks that with the change of guards, we have done very well; we had a little bit of a bad year but you are going to have one in five years that is bad. The idea of the agency option, giving the employees the buy-up, is a good benefit. He does not know about most municipalities but in his book of business, he does not see this. Not that he is saying that we need to dump it; it can still stay there as an option and just ask the employees to share a little bit in that paying of it. If the consumers are driving those costs, it would be fair to ask them to share a little bit of the cost of the utilization. We are coming off three good years and he would be fine with it right now considering what is going on in our industry.

Mr. Presley stated that we will see what we can bring to the table and in the next ten months he will be working on some of those other things we had talked about.

Mr. Logan said that, just one final comment: our employees do pay 20% of that premium and if you did a survey of all the other government entities in Northeast Ohio, that is on the high end. A lot of them are at 10% or 12%; some may be less than 10% for that employee contribution so you have to weigh that as well.

Mrs. Holtzmeier stated that one thing everyone understands, whether you are in management or are an employee, is that health costs continue to go up. She remembers when we left the consortium, it was because our average age in the City was significantly younger than the members of the consortium and we saw some easy savings there. As time goes on, our average age gets a little bit older. To kind of pivot from that, we have a wellness component to our plan and she asked if we could talk a bit about the participation levels, etc. Mrs. Raicevich said that there are 40 employees who are taking in the wellness plan and we want to increase that number. Mr. Presley said that he does not have a basis for that; is that a good number, a third of our employees doing that; is that high or low? Mrs. Raicevich said when we started out, we had ten people doing all the requirements of exercise, attending the events that are put on quarterly, and biometric screening. Mrs. Holtzmeier asked what the reward was for participation and Mrs. Raicevich they get a reduction in their premiums. For the family insurance, it is a \$50 reduction per month and for single coverage, it is a \$25 reduction.

Mr. Presley stated that these wellness programs are very difficult to get in place having tried a couple of times, just because people look at it as a penalty. They say you are making them pay \$50 more if they do not do these things, so they are difficult to install. He said he was glad to see that we have one here and whatever it takes to keep it going, we need to do, because it is a great thing and very helpful. And the other thing that he thought was impressive was that the spouse has to partake in it also. Mrs. Raicevich

said, yes, on the biometrics screenings. Mrs. Holtzmeier asked if there was any incentive or disincentive for nicotine use within our plan and someone answered, no. Mrs. Holtzmeier then said that that is also sometimes a “carrot” for the employers because obviously it promotes further wellness.

Mr. Moore said that he has seen more and more groups put a smokers’ surcharge into their employee benefits package; it has been kind of a trend over the last couple years. Mrs. Demaline stated that in Bay, they have bargained for that and have a \$50 a month surcharge for tobacco users for anybody on the plan, whether that employee or their dependents are smokers, and now Bay also does not hire tobacco users into full-time positions for people that are going to be on the health care plan. And that is a manager’s right; you do not have to bargain for that. So Bay tests for nicotine in their pre-employment drug screening so that is something to head it off at the beginning. And they also have a spousal surcharge. She was not sure if we have any spousal exclusion here in Avon. Mr. Logan said that we have a health waiver; if you are not on our insurance, you get a little kicker. Mrs. Demaline said that, in Bay, they also have that and then they also have a \$100 a month surcharge if your spouse has group health care coverage through their employer and they want to stay on Bay’s plan, they pay an extra \$100 per month. Mr. Presley said that is something we definitely have to negotiate, and the other thing you can do with the non-nicotine is you could make it a reduction for the current people who are in the wellness program so that there is an opportunity to pick up twofold. So if that is something Council wants to consider, we will look into it and come back with a proposal on non-nicotine and then we could also test for that annually with the biometric screening. Mrs. Holtzmeier stated that there is definitely some cost savings to be achieved and to encourage folks to go into a cessation program and reward that behavior, which will then lead to a long-term health effect is also good. Mr. Presley said, but it would be nice to make it that you have to be in the health care for that wellness program first and then also do that so you could not just cherry-pick the non-nicotine. Mrs. Demaline said she thought it would be a great consideration for hiring. Then you could just cut it off at the beginning.

Mr. Presley noted that on the next two pages is the renewal from One Digital. It gives a little more history of what the City has done through 2018. It shows the enrollment of 127 employees and then down at the bottom you can see that our claim payments were up almost 50% on the totals there. Inpatient was incredibly high. We do not know if coming out of Covid, all of a sudden people are getting additional elective surgeries such as hip replacements, etc. Mr. Logan said that there were things that people were holding off on and now they are catching up.

Mr. Presley stated that on the pension side, the pension rates are there. There is a push down in Columbus to raise the police and fire pensions from those rates that are quoted to 19-1/2 to 24%; there is a push to take both police and fire to a 26% contribution. They are not talking about raising the contribution of the employees, just the employers at this point. Mr. Logan added that their plan is to phase it in over a five-year period; it died off for a little while but now it has gained momentum again. So that is something that every public entity is going to have to deal with if they have police or fire.

Mr. Presley said that the next few pages list the employees by location. As we mentioned earlier, we are looking at four additional full-time employees in 2023; two in the Police, one in Recreation, and one in Parks.

Mr. Presley said that the next page is the Major Revenue Factors and Assumptions. We have already gone through the second page, and then we get into the Preliminary Revenue Budget on the next page.

Mr. Radcliffe said that on the Employee Schedule, he asked for how the number for the average tenure of the employees of the City of Avon is trended. It seems low but maybe that is because of new employees

coming on more so than anything else. Mr. Logan said that the Police and Fire Depts. have done have done most of the hiring over the last few years . Those Depts. have increased more than the others and even the others when you look at the Utilities and Streets Depts., they are hiring people in their 20s or 30s. There have been retirements over the last few years. So he thinks it is trending lower but he does not think it is low. Mr. Radcliffe said that the tenure is showing we are not keeping those employees longer than 10 years. Mr. Logan said to keep in mind that Police and Fire can retire after 25 years of service and maybe you have 50 year-olds retiring but you are replacing that person with a 25 year-old. He said that he did not think that the tenure number or the average age number is too out of line. RITA employs a little over 200 people and that is where he got the idea to show those kinds of numbers because they always show that and they are very comparable to what our numbers are even though it is a whole different kind of business.

Mr. Radcliffe stated that he considered the City of Avon a good place to work. We have great benefit plans and he thought that we pay well; he was just surprised to see the tenure time. Mr. Streator noted that people are not leaving; what is affecting that number is we have brought in so many new employees and that drives that tenure number down. Mr. Radcliffe said, so this more like the average time that the employees have actually worked in their career. Mr. Streator said, yes, not how long they stay and he added that we are not losing people unless it is for retirement.

Mr. Radcliffe said he thought it was good to show that when people come to Avon, they tend to stay in Avon because that bodes well for the working environment for the teams that have been put in place here and all that type of thing.

Mr. Presley then pointed out the summaries for the Preliminary Revenue Budget. As we talked about, Income Tax was up \$28 million in total. The Property Tax Revenue is based on the proposed assessed value millage that is calculated by the County. Then we get into the TIF Revenue and Mr. Presley said he would turn that over to Mr. Logan. Mr. Logan said, one comment on the Property Tax: that number, the \$8.8 million, includes a little over \$2 million dollars for the Lorain Public Library System branch in Avon. The City of Avon collects that for the Library and we pay it right back out. So take \$2 million off from there and the real Property Tax Revenue for Avon is about \$6.6 million.

Mrs. Holtzmeier asked about our retirement payout. Are anticipated retirements in 2023 within our budget? Mr. Logan said that each year our Human Resources Coordinator keeps track of who may be coming up for retirement; part of the annual Comprehensive Financial report always shows that net pension liability. The \$250,000 number has been kind of an average so he thinks the \$250,000 generally should be the highest amount. Mrs. Holtzmeier asked if we have any areas that are more of a bubble where we have a greater number of those eligible for retirement than not and do we have a plan for that? Mayor Jense said that is probably Police. Mr. Presley said, yes, Police and Fire because they have eligibility in 25 years plus an 8-year drop program. So if you had, say, six or seven people that have over 30 years in Police and Fire, you better get ready for that group to leave within the next 2-1/2 years because that is mandatory in the drop program that they have to be out. Mrs. Holtzmeier said, and while that may not be an issue for 2023, she was glad to have this conversation and encourage that look ahead or a plan for the unknown. Mr. Streator said that as the Fire Dept. became full-time, there is a large group in the Department that will be eligible for retirement right at the same time. It does not mean that they are all going to retire at the same time but there will be that pool of eligible employees that hit that mark at 25. He believes that it happens in 2028, because it was 2003 they started. Probably six or seven people will be eligible in 2028.

Mrs. Holtzmeier asked if there were any other questions from Council about the overall budget process point before they moved on. Since there were no questions, Mrs. Holtzmeier asked to please move on to Part 2.

Mr. Presley said that, getting into the Revenue side, the Committee has the summary of Major Revenue Sources. We talked about the Income Tax and the Property Tax revenues. He then asked Mr. Logan to continue with the TIF Revenue. Mr. Logan said that he just wanted to point out a couple things on the Income Tax. Avon is seeing income tax increases, as are some of the other suburbs, from the "work from home" situation. He and Mr. Presley feel, and RITA kind of feels, that that will start to dwindle, as a lot of companies will be calling people back, and he thinks we are starting to see it now. One of the other things this year is that Avon is up tremendously with net profits tax. Net profits is the business income tax; it is when a business files their tax return, and even prior to that, any estimates on how much tax they are going to owe in any locality. That is up 43% for the year over last year. But that one can come and go. That one can be a factor of companies making these large estimates of what their tax liability is going to be but then when they actually file the return determining that, it may not be what they thought. So you have to temper that in there as well that you are not going to see 43% increases in the net profit tax year after year.

Mr. Logan said, and then finally, with the whole Bendix situation, as part of the Community Reinvestment Area agreement with Bendix, the City will owe the Avon School District half of the 2022 Bendix withholding income tax for next year. So Mr. Presley has budgeted that as spent in this year's expenses in funds that take in income tax revenue. There are five different funds and they have budgeted an expense of roughly \$400,000. That will be due the Avon schools next year and must be made by May 31st. So per that 14-year CRA abatement agreement, for 14 years the City will pay the Avon School District half of that withholding income tax. So we will take in the revenue and it will be recognized in full but there will be an expense line in the budget for the payment that has to be made to the schools.

Mr. Logan noted that for the Street Operation Fund, that levy passed this last election which means that the 2023 collections are still off from the old 5-year term but you have another 5 years after that with that Street Dept. levy so that is good news. He said that he and Mr. Presley have both mentioned that in early January, the County Auditor's Office, once they certify the tax duplicate and calculate any effective millages based on election results, etc., will send out what they believe the new revenue should be for all these levies. But it is not going to differ materially from this.

Mr. Logan stated that the Motel/Bed Tax Revenue is tracked every month as the hotels pay their 6% Hotel Bed Tax. That revenue is recorded half into the General Fund and half into what is called the Economic Development Fund that was established a few years ago. The four hotels in the City are all pretty steady and predictable and everybody is pretty well on time in paying. There is never any serious delinquency with collecting this money. There is no end date to when those Ordinances were passed to establish that rate.

Mr. Logan stated that the Tax Increment Financing Revenue continues to grow as development continues in Avon. The first schedule shows how we came up with the budgeted revenue for 2023 and walks through where 2022 was. We did have a material amount of delinquents for that second half collection. This happened a couple years ago so if you are looking at the schedule that starts with the TIF revenue recap/2023 TIF budget, we had a little over \$400,000 delinquent this year with the August collection. The County has to cut off at a certain point that distribution they are going to make. There were three or four major ones included in that delinquent amount. They have all since paid their taxes to the County but that will not get distributed to the City until the first half for 2023, so we are adding that number back in

the 2023 budget. We are projecting year to year, excluding the delinquents, about a 3% increase overall in the TIF revenue. The bottom line TIF number for 2023 is almost \$11 million dollars and the Avon School District will get their share out of that, almost 2/3 of this number and then the Joint Vocational School gets their share for the TIFs that are established from 2012 and after.

Mr. Logan stated that the next page shows the 2022 revenue by the different TIF Districts. 2022 saw revenue of \$9,782,000, with a little over \$400,000 delinquent. The City collected on 358 parcels and there are over 500 parcels that are under a TIF agreement with the City, maybe close to 600 now. This recap is a master file that tracks every single parcel. We know the ownership of these parcels, as they split, as they sell, or transfer and get new ownership, or consolidate, that is all being tracked on this spreadsheet.

Mrs. Holtzmeier said, with the ballot initiative that just passed converting some residential land to commercial, would that be reasonable to become TIF No. 15? Mr. Logan said yes, some of those parcels on the east side of Nagel Road need to be TIFed; the big parcel right at the corner of Middleton and Detroit is TIFed. Mr. McBride asked if we go back and amend the TIF to include those parcels? Mr. Logan said, no, we would create a new TIF but again, as these parcels split, they remain TIFed. If the boundaries move over onto a parcel that has not been TIFed, we will want to TIF those parcels. Mayor Jensen said, and we still have time on that; that property has not been rezoned and if it does become rezoned, it is going to have to go to the ballot so we are looking at next year possibly farther along, but we still would want to TIF them. Mr. Logan noted that you can TIF them at any time similar to what we are calling TIF 13, which is this City Hall property. The Dept. of Taxation will not grant that exemption until the use changes on these properties, similar to a residential property. A residential property that can be rezoned to a commercial property would be similar to that and we have some others that are like that in certain other TIFs up along Chester Road and Nagel. Residential property that was TIFed but it always has the ability to be rezoned to a commercial property.

Mr. Logan said that the next page shows our projections and how we get to that expected increase in commercial value for next year. One of the things that we are deducting from the start is the TIF that we will receive on the Bendix property as it is now. In other words, we are getting TIF money on that building but that building is going to become part of a Community Reinvestment Area abatement, so 90% of that building value which is still in the process of being established by the County, would be abated. The 10% of the building that is not abated will be TIF revenue. So wherever there is a tax abatement, those abatements always take precedence over TIF. TIF is a tax exemption but not truly a tax abatement. So what we are showing on this schedule is that we are not going to get that TIF on the abated portion of the Bendix building. We will get it on the 10% not abated, and then we have added in some other entities that we believe are going to add to the TIF for next year and the \$12 million dollar estimated commercial value increase is what truly leads to the increase in the TIF revenue.

Mr. Logan said, and finally, the last couple pages here show a TIF revenue forecast running out to the year 2042 because by that time, the City will be at the 30-year mark on almost all their TIF agreements. The TIFs run for 30 years so the early 2006 TIFs are going to start running out in the mid-2030s. You can see the actual for 2022 and then the 2023 projection and showing what the School District and the JVS are getting each year as well. Mr. McBride asked, under what conditions, are some of those TIFs extended? Mr. Logan said there was a bill and Council passed one, where if the TIF District collected \$1.5 million dollars or more in 2021, you could extend that TIF exemption for 30 years. We did that he believed, on TIF No. 6/7 which is basically the Nagel Road Interchange TIF, but there are a couple others that might qualify for that. He was not positive if that is still possible but he will check on that; he thought it was only possible for a temporary period. Mr. McBride asked if he could please verify that and Mr. Logan said, yes, definitely.

Mrs. Holtzmeier noted, so the bottom line on these schedules indicate what would be the cumulative fund available for other uses for up to 40 years, correct? Does it anticipate any use of the TIF? Mr. Logan said, no, but he was glad Mrs. Holtzmeier mentioned that. Going into 2023, after the debt service is paid which is due December 1st, there will be about \$1 million dollars balance in the TIF Fund. With next year's projections for revenue and then next year's projections to pay the schools, and to pay the debt service next year, at the end of 2023, there would be about \$2.5 million dollars, before it is spent on anything else. And then that \$2.5 million can be used for any kind of infrastructure-related improvements, for the most part. You need to refer back to the specific Ordinances that were passed for each TIF District but quite honestly, they are all the same as far as what they list except that TIF 14 listed a couple additional projects. And one of the permissible uses with the way our TIF ordinances have been laid out, is the purchase of parkland or the purchase of vacant property to be used as parkland.

Mr. Radcliffe stated that, in broad terms regarding the TIFs, Mr. Logan's experience over the last 14 years dealing with TIFs is spectacular for what has been done and helped accomplish for the City. He asked how we continue to capture that going forward as Mr. Presley continues to get up to speed on the TIFs? What would be a recommendation to try to make sure that we do not miss out on capturing a couple small properties here or there, or the change in language for the uses of these things, or when these 30-year extensions are able to be granted, etc.? He said he wanted to make sure that we have a good discussion about how we maintain that. TIFs have done very well for the City of Avon and he does not want to see us lose some of Mr. Logan's knowledge-based experience if we can find a path to maintain some of that.

Mayor Jensen said that, in one way, a lot of it is already set in place. He and Mr. Logan have talked and we are looking all the time. Every year we have meetings and review the TIFs and the 30-year part of it. Even after 30 years, we are still going to get the real estate tax from the properties. The Mayor said that he and Mr. Logan have looked through every single piece of property and checked it and rechecked it and on Mills Road there were a few pieces that were missed. We just added those recently so the one thing that we have to watch is if something is rezoned that we were not aware of. Even right now, we have seen that trying to rezone property farther away from the areas that we have already TIFed is almost impossible because residents are not going to vote for commercial property or changes that way. Some communities have TIFed residential because that is a way to bring utilities to those areas but we do not think that is a good idea as it does not benefit the City to use TIF money to put in more residential property. So that is probably one thing we will not look at. If Council ever decides they want us to look at it, we can but again to TIF a piece of residential property so a house can be built on that, he does not think is a good use of TIFing for the property. Mr. Radcliffe asked about utilities for wi-fi or that type of thing and the Mayor said he did not think it allows you to do some of those things, although we can put them in the TIF agreements. Mr. Logan added that he was not sure about that. We would have to check on something like that in the ORC. If that is the broadband expansion, he was not sure if that is looked at as real infrastructure in the eyes of the intended purposes of TIF but he can certainly find out. Mr. Logan said that he became a municipal advisor back in May; he has been working with Matt Stuczynski and they have five communities in Cuyahoga County that were establishing TIFs. They passed Ordinances and were in the process of filing the necessary forms and getting them all set up. He said that he presented a proposal to Mayor Jensen to continue doing that for the City of Avon through Mr. Stuczynski's advisory firm if he and Council so choose.

Mrs. Holtzmeier said, so to recap that conversation it sounds as though Council is looking to learn if fiber can be used for TIF and if we could get that opinion, that would be helpful. Mr. McBride said that if it is not explicit that would be a great clarification for our local representatives, our State Representative and State Senator to maybe propose legislation to retroactively include that.

Mrs. Holtzmeier suggested that since there were no more questions, they take a break and reconvene at 9:30 A.M.

RECONVENE: The meeting reconvened at 9:37 A.M.

Mrs. Holtzmeier stated that they would begin with Capital Projects and Capital Outlay.

Mr. Presley stated that In the Wastewater Fund 403, we have \$100,000 for the purchase of meters and he thought the bulk of that has been done. There is \$500,000 in the 2023 budget for sidewalks. There are two major projects that Mr. Cummins has put in front of them. There are additional dollars for sidewalk in 2023 and depending on how those go, we do have the ability to increase that \$500,000 just depending on how quickly some of those sidewalk projects move along. But in the initial budget before you, there is the \$500,000 for sidewalks. Mrs. Demaline asked, if homeowners install their own sidewalk under the program then we would not have to touch some of those funds, right? Mr. Presley said that was correct. Mrs. Demaline asked if a homeowner has the City pay for it and then they pay us back, does that money go right back into the Sidewalk Fund? Mr. Presley said, yes. Mrs. Demaline then asked, and then when they allow it to go on their tax duplicate and it gets assessed, when we get that money from the County, that goes directly back into the Sidewalk Fund? Mr. Presley said, yes, it will go back in and would replenish the Sidewalk Fund. Mrs. Demaline said, so we are projected to have \$50,000 left at the end of the year in that fund, right? Mr. Presley said, correct, plus \$500,000 that we are transferring into that fund. Mrs. Demaline asked if that \$500,000 included both of the plans that we are proposing; she knows we are looking at two different ways of doing the sidewalk program next year. Doing some on the old way and then on the new funding mechanism so is that \$500,000 for all of that?

Mayor Jensen answered that it could be, but if we use it up in one way or another, we just come back to Council for a reappropriation because we are not stopping the programs. But we still feel like the way that we are doing it, most of that money we will not even need to expense as we have enough to do what we think is going to be both. Our plan now is no matter what happens if we need more money, we will come back to Council with both programs. Mrs. Demaline said on Monday night we are going to talk about what we are looking at for the 729 plan and then there are additional project sidewalks for the 727 plan, so those combined are the \$500,000? Mayor Jensen said we feel that we should be easily able to do that. If you look at this year's program, we are probably only going to assess two projects of all the sidewalks we have put in; the rest paid for their own. So with that kind of math, we will be way under needing the \$500,000 but we just want to make sure that we have it.

Mr. Moore asked if the \$500,000 that is in there was a carryover from 2022 projects that did not get done that are rolling into 2023 or is that a brand-new \$500,000 for 2023? Mr. Presley said that the \$500,000 is brand-new money. Mr. Moore asked, so we have money that was budgeted in 2022 for a sidewalk program that is sitting somewhere as well? Mr. Presley said he would have to double check on that. Mayor Jensen stated that typically, we do not carry forward money; we rebudget it if we need to.

Mr. McBride noted, so we did some work in 2021 and there were a few areas where we did not move forward and then we had the transition with the Zoning Enforcement Officer retiring, and then a new Finance Director stepping in so.... Mr. Moore said that he just wanted to see if we allocated money in 2021 for 2022, let's say it was \$200,000 and we are doing another \$500,000, shouldn't we have \$700,000? Mr. Presley said that we did do \$190,000 of expenses this year from the Sidewalk Fund. Mr. Moore said, yes, he knew that we did but he knew there was a chunk that was not done. Mrs. Demaline asked what was appropriated in 2022? She thought what Mr. Moore was asking was what did we appropriate, what

did we spend, and what is remaining? Mr. Logan responded that \$300,000 was appropriated for 2022, so a year ago at this time we appropriated \$300,000. To date, \$192,000 has been spent in the Sidewalk Fund and there is probably around \$63,000 encumbered right now meaning that it has not been spent but we have purchase orders out there for it and it is probably engineering work for the most part, whether it is on this year's program or next year's. Mrs. Demaline said, so the sidewalks we are proposing to get done in 2023 have been engineered in 2022 and Mr. Logan said some may have been although he cannot vouch for that. Mr. Logan said, so with the encumbered, we have spent about \$250,000 this year out of the original budget of \$300,000. Mrs. Demaline asked what happens to that remaining \$50,000 and Mr. Logan said that any appropriation each year, at the end of the year, money budgeted goes to zero. Money that is encumbered stays there, but the appropriations go away and you establish all new appropriations.

Mr. McBride noted that, just for the record, generally most governmental funding for departments and uses is a "use it or lose it", set-up. So you either use it or you lose it and it just goes back to its original source.

Mr. Presley stated that the next line item is to transfer the remaining balance in the Center Road project over into the General Capital Improvements. Looking at the next one, the S.R. 83 and Rt. 254 intersection, a right-of-way is being acquired in 2023. Detroit Road widening is to close this fund out and put the money over into the Capital Improvements. Moore Road rehabilitation is just to finish that project and similar to the 2022 Road Program, any punch lists or any items there. The 2023 Road Program is budgeted at \$1,750,000 and the next page goes into the detail as to what roads are included in that figure.

Mrs. Demaline asked if we had a rating program for our streets to be categorized - how our streets are rated and then how we are going to replace them or rehab them. How do we identify what streets are to be taken care of this year? Mayor Jensen said that typically what we do is our Street Supt. Tim Loeser, goes through and gives us recommendations in terms of what roads are in bad shape. For Avon, it is more or less on a year to year basis. We do not have a list of things where each year we keep changing the rating; it is what that street looks like the year before.

Mrs. Demaline said, so we do not have a categorization of all of our streets and how they rate and unless she is misunderstanding, we do not have a plan for what the next three to five years look like on what streets are on cycles to get repaved. Mayor Jensen said that we have streets that we are watching but not ones where we say this has to be done this next year. Right now we are in a position where if it has to be done, we do it the following year. It is really on a "need to" basis rather than we are just going to do it because we can. We might be at that point sometime but right now we just do not have the excess funds to be able to say we could do this one this year, next year and thereafter. Mrs. Demaline asked if we have looked into what a streets rating program would cost or how we would go about getting on a cycle? Mayor Jensen said that he knows that ODOT does it for some of our main streets but we have not looked into that. Mrs. Demaline said she thought that would be something that would be beneficial to look at, maybe in 2024's budget and get on a plan and a rotation so we know and stay ahead on our street maintenance.

Mr. Moore asked if going on a program like that would help us from a grant perspective and Mayor Jensen said that typically we do not get grants for street programs. Sometimes we will get OPWC money as we did on Chester Road. It is not supersignificant; he thought it is usually a 50 % loan/50% grant so he thought that on Chester Road we got \$500,000 and \$250,000 was a loan that goes to that but those are specific projects. On a rating program you probably would not have that.

Mr. McBride said that this information is dated but there was a pavement management software program that was supposed to be pretty good. This is probably 20 year old information. The fact that a lot of cities appear not to be using any program tells him that it was not as good as it was supposed to be and that might be a question that we should talk to Mr. Cummins about. Is there a good software package out there and obviously the information program is only as good as the information that goes into it. So it might take somebody from the Streets Dept. going around and assigning rating numbers for various aspects of it or do we have to take cores of the street or does it require other more detailed information that really makes it unaffordable. It may not be as useful as it was originally touted to be.

Mayor Jensen stated that we can always look at those programs. He knows that some have gotten better because a lot of it is GIS-based, so they will go through and try to do ratings based on what they can see from aerials. So it would be good to use the ratings in conjunction with what we already know. We do not have an issue of having someone look into it.

Mr. Radcliffe said that they could just have Streets Supt. Tim Loeser come in for a Service Committee meeting and talk to him a little bit and get an understanding of how he currently rates the streets and see if there is a benefit to the ratings programs going forward to have a budget set up for the road programs in the future. Right now the Mayor's policy of fixing the things that need to be done, the smaller things of sections that have cracked, corroded, or broken away, etc. and trying to fix here and there, Mr. Radcliffe wants to see continued besides the big programs and in his Ward we seem to be staying on top of that pretty well.

Mr. Logan said when he started working in the City of Avon, Mayor Smith would always try to budget about \$1 million dollars a year for roads, and that was mainly resurfacing type projects and maybe some minor widening. That has kind of evolved so the last few years we try to budget anywhere from \$1.5 million to \$2.5 million sometimes as far as the road program projects so he thinks the \$1,750,000 is in that same vicinity where you would like to budget for your road program each year. We set up a whole separate project fund for other major projects, where it is a full-blown widening or a whole restructuring where you have other more sophisticated type of grants involved.

Mrs. Holtzmeier said that what she was hearing as the takeaway is the point about having Department Heads come in and talk to us. At a later time, it is a good idea to bring in Mr. Loeser to talk about how the Road Program determinations are made and to hear from Council about some needs and specific areas.

Mr. Radcliffe had a question about Williams Court. He asked if that is to go further south from the new construction and Mayor Jensen said, no, that is to cover the area from the ditch heading north to Schwartz Road. Mr. Radcliffe asked, including any drainage spots that are still open? Mayor Jensen said, yes, that will all be covered and the road will also be widened to two lanes.

Mr. McBride noted that there was explosive growth in Avon from 1995 through 2005 in terms of subdivisions and now those streets are all in that 20-30 year range and that is why we are seeing so much that needs to be done, such as storm inlets, concrete joints that are starting to open up, etc. He thinks that is just where we are.

Mr. Presley stated that the next two items show the closing out of funds on the Elizabeth, Puth, Joseph Project and then the Water Tower Funds, transferring that into Capital Improvements. For the Chester Road improvements, that is being set up in a separate fund. We do have some grant money and a loan coming in. Mr. Logan added that some of that money is going to get reimbursed from Concord Village Phase 3. There is that agreement that they are paying about \$325,000 and secondly there is going to be

a voluntary assessment for Mr. Brady developing the American Way portion, somewhere in the range of \$400,000 - \$500,000. But in any event that would be a reimbursement against this budgeted amount for that Phase 2 Chester Road/American Way project. And there is OPWC money on that as well, which is shown on there. That OPWC is on top of the \$1,550,000 that is budgeted. It is about a \$2.5 million dollar project in total.

Mr. Presley stated that the last item under Capital Improvements is the City-wide bike trails. We were not certain if anything is planned for that yet but we did want to appropriate money for the bike trails. Mrs. Demaline asked what that \$15,000 is intended for and Mr. Logan said there is still some engineering being spent; that is the French Creek bikeway project that has grant money attached to it. Mayor Jensen said that we may need to increase that before the final engineering because now that we know the Lustr property is under contract again, we will need some more engineering to go through that piece so he will update Council on that. And we have to come back to Council on how they want to proceed with that because he does not want to incur any more money if we are going to stop moving forward with that. Mr. Logan asked, and doesn't the grant run out at some point, like after 2024? Mayor Jensen responded, yes, after 2024, so we have to be either close to being under construction or under construction. He talked to the Metroparks Director yesterday and they are going to be under construction this year for their portion from the railroad tracks going to the west so Council will have to make a decision of whether it is going to be bike path or sidewalks.

Mrs. Demaline said that this is called City-wide bike trails and asked if we are looking at bike trails elsewhere in the City. Mayor Jensen said he thought that was just a general name for the fund. Mr. Logan said that was how they named the fund when they established it. Mayor Jensen said this French Creek bikeway project is really for that area and if we want to move forward once that bikeway is completed, we will probably continue to use that fund name to open up other places.

Mr. Presley said, so those are the Capital Improvement Funds and Projects. And the next several pages show the actual funds and the details in each of those. The next pages we will go to are what are listed "2023 Capital Outlay Budget Plan Expenditures", indicating what capital is in each of the respective departments. Mr. Presley then named some of the budgeted items: furniture and fixtures In the Planning Dept., a pickup truck for the Building Dept., software for Finance, IT equipment, fiber improvements running lines throughout the City, a vehicle for the Fire Dept., building improvements in the dispatch center, equipment for the dispatch center and a couple trucks for the Streets Dept.

Mrs. Demaline asked about the item of intersection cameras and Mr. Streater said that was to add cameras to some of the intersections where we do not have them. Mrs. Demaline asked if those are for safety; do they have a license plate reader; are they a GIS component to our trucks; what exactly are we doing with those cameras? Mr. Streater responded, they are both cameras and license plate readers. Mrs. Demaline asked if we use technology to track our City vehicles, our plows, emergency vehicles, and trucks? Mr. Streater said, yes, our plows are equipped through Verizon through that program and modems are installed in the Police and Fire vehicles for the computers so they are tracked through a different program. Mrs. Demaline asked, and we are actively tracking them? Mr. Streater said, correct.

Mr. Moore stated that he was not sure if it should be placed under Parks and Recreation, but he thought that for the Tree City USA designation, the Tree Commission needs a \$50,000 budget appropriated for 2023 as well. Mr. Presley stated that it is in General Fund. Mrs. Holtzmeier asked if it should be in its own fund and Mr. Presley said he did not think it was required to be; it was not for 2022. Mrs. Holtzmeier said that it may not be required to be but it would be helpful to historically review it as well as to offset any grants to it. Mr. Moore said that he thought that we have to spend that every year to get our Tree

City USA designation so he will check with Mr. Varga because we are submitting that application in January. Mr. Streator said that they are tracking that and we actually just submitted that the other day for the designation. They track that through our various departments and the outlays that are spent to achieve that \$50,000 mark. Mr. Logan said that the \$50,000 is a whole separate line in the General Fund; he was not sure what all has been taken against it yet but he was sure some of the Arbor Day expense and things like that were taken. If you get towards the end of the year and you still have money left in that \$50,000, then it is easy to expense some of the tree branch pickup by the Streets Dept., etc. into that line for the \$50,000. There is not a problem in using the \$50,000.

Mayor Jensen said that we just want to be careful. He knows that the Tree Commission has been pretty good with that money but the intention really was not for them to use it in any way they felt fit. The Tree Commission is a recommending body; it is not its own entity to spend money and so we have been working with them about that, to go back through Mr. Moore and Council to request expenditures. Mrs. Holtzmeier added, and to have its own fund to recognize that.

Mr. Radcliffe said that he noticed there are a lot of vehicles being purchased among the Streets Dept., Fire Dept., Police Dept., Utilities Dept. and the Senior Center. He asked if maybe later they could get an email of the vehicles that are aging out just so we have a good understanding of what we are having to buy which is close to a dozen vehicles this year and an understanding of what is being replaced. Mr. Presley said, absolutely. Mr. Moore said that they had been talking about another fire truck that we were going to need or try to refurbish one. Mr. Logan said that there is an ambulance on order still that was budgeted and encumbered for in this year. Mr. Streator said that it would be arriving in March. He added that they were going to refurbish one of the current ambulances, putting a chassis under the old body, but it was not cost effective to do that so that is why we have a new ambulance coming. Mayor Jensen said that the Fire Dept does a great job in planning out their equipment so again if Council wants a Committee meeting with the Fire Dept., Chief Swope has a layout of everything concerning his plans. He thought it would be a good idea to have a meeting with Mr. Loeser and also with both the Police Chief and the Fire Chief to go over what the long-term plans are for the roads, for vehicles, etc.

Mrs. Demaline asked, in the Fire Dept, what are we buying for \$110,000? Mr. Presley said actually, two vehicles, one the command vehicle and the other is a pickup truck. Mr. Streator said they are looking for a van as we do training with multiple people going to training and we do not have a vehicle to be able to transport them to that. Mrs. Demaline then asked about the Police Dept. vehicles and Mr. Presley said that the Police Dept. is looking at five patrol vehicles and one detective vehicle. Mrs. Demaline said, so the five patrol vehicles are the SUVs and Mr. Presley said, yes. Mrs. Demaline asked what those cost per vehicle because when you break it down, it seems less expensive than she would anticipate. Mayor Jensen said that the SUVs are not that much more expensive and then when we go to get rid of them they have a higher value left. Mr. Presley said that he believed that the Chief indicated they are getting 10 years out of these SUVs. Mr. Streator said, yes, we have been very successful with the Chevy Tahoes over the years and the life of them has worked out very well.

Mr. Presley stated that the first vehicle under the Senior Center is a place holder; it is not a guaranteed replacement. Right now the two vehicles they have are not very high mileage and have not needed significant repair. The lease payments on the Dodge Caravan are there and you can see the new lease for the wheelchair van, going from a 22-passenger down to a 14-passenger. He said he was not sure when the delivery date is going to be for that. And then also, there is anything that is needed for the Senior Center, any kind of rehab or updating.

Mr. Presley stated that, under Parks and Recreation, you have Every Child's Playground and that is reflective of a quote that was received for the \$368,000 for the paving of the parking lot, and then the scoreboard over at Veterans Park. Mayor Jensen noted that we are working with Little League so they will pay half and we will pay half. Mrs. Demaline asked if that is a new scoreboard or are we updating the current one and Mayor Jensen said it is a new scoreboard. Mrs. Demaline said, and then the playground structure, is that the recycled furniture that we talked about? Mayor Jensen said, no, that is the project that was on this year's budget that we did not complete. We did not spend the money as everything was more expensive and the timing was wrong so we are rebudgeting it for this year but it is a completely new structure. Mrs. Demaline asked if we are budgeting for the recycled wind turbine furniture that we were considering and Mayor Jensen said that was in the recycling grant. Mr. Presley said that the wind turbine furniture was not available so we were looking at different alternatives. The Mayor said so we used some of the money allocated for that for more picnic tables and benches. Mrs. Demaline said, so we are budgeting for the wind turbine furniture in 2023 and Mayor Jensen said, yes, but half of what we had planned.

Mr. Fischer asked if the playground structure was an addition or a replacement and Mayor Jensen said it was an addition. Mr. Fischer asked where it was going to be placed and the Mayor said there is that open grass area that is close to where the gravity rail is.

Mrs. Demaline asked what the field groomer was and Mr. Presley said it is a three-wheeled piece of equipment to take care of a baseball field as far as grading. If it is done correctly, it extends the life of the field before you have to get a significant repair and pull the dirt back into the pitcher's mound.

Mrs. Demaline then asked where do they see the revenue that comes in when we rent out our soccer fields at Schwartz Road Park and Mr. Presley said, in the Park Operating Fund.

Mr. Presley noted the money allocated for the Aquatic Facility – the play structures and equipment for the pool filter. We are also keeping an eye on the boiler just to make sure that does not need replacing because that can be a significant expense. Mrs. Demaline said that we talked about going out to bid for different providers for the concessions at the Aquatic Facility. Has there been any consideration of doing concessions in-house or are we pretty constant that continuing to go with an outside vendor is the best route? Mayor Jensen said that we struggle right now just to get enough employees to run the pool so we are going to go out to bid this year. Mr. Logan said that he, Recreation Coordinator Clare Harasimchuk, and Pool Manager Tom Fattlar put together a draft RFP. He left that in Mr. Fattlar's hands so a formal RFP will go out with the Law Director's input. The Mayor is right; doing it in-house would be difficult as we are having trouble staffing with lifeguards and other seasonal employees as it is.

Mrs. Holtzmeier said that we need to make sure that we share that opportunity of running the concession stand with some of the non-profit groups in town, the booster groups specifically that already do that for their own events. Mayor Jensen said, yes, there are the other buildings like Little League where we are talking about allowing them the chance to use those concession stands but unfortunately we have not had a lot of people that still want to do that.

Mr. Presley said that, moving forward, we have money earmarked for the Cahoon House and the Jameson House. He does not know if there is anything specifically earmarked but just to make sure there are funds available. In Utilities Dept., there is a pickup truck and a front end loader he believes is \$120,000 out of that \$150,000, miscellaneous replacement items and then a new waterline. The big thing there is that waterline is under the railroad tracks between Avon Lake and Avon that he has to coordinate with Avon

Lake Regional Water. And then under Stormwater Utilities, just any kind of storm sewer replacements. He then asked if there were any questions on Capital Outlay.

Mrs. Holtzmeier asked about ARPA funding consideration and Mr. Logan said, as Council remembers, we passed an Ordinance this year to treat the City ARPA fund as revenue replacement in terms of its reporting, etc. Council passed an Ordinance to transfer it into the 401 Fund, the Capital Improvement Master Fund. We did appropriate some of that money this year for the Detroit Road sanitary sewer project which he thought we are doing out of Fund No. 406, which is Sanitary Sewer Replacement and Depreciation. That is all we used it for so far. The total ARPA money was around \$2.5 million dollars so there is still \$1.7 - \$1.8 million, a good chunk of money available in that 401 Fund for any sort of capital improvement but he thinks primarily for infrastructure type improvement. It has to be spent or committed by the end of 2024. Mr. Presley added that they did not factor any of that use into here so that money is still there to be used as Council and the Mayor see fit.

Mrs. Holtzmeier said, now through 2024, she thought it would be helpful to Council to have an ARPA schedule, something that Mr. Presley is communicating to them on a regular basis. Mr. Logan stated that, as we talked about it back at the time we passed the Ordinance, we would keep Council abreast of any intended uses of it. We would have to transfer money from the 401 Fund into whichever specific fund it is going to be used in and because we are not budgeting that, that would be a reappropriation. Mrs. Holtzmeier asked if something was in place to make sure that that happens and Mr. Presley said, he would do that. Mr. Presley added, and one thing you need to add that is not in here is the two pieces of property, Koosh and Traxler; there is a \$21,000 payment coming up in January as the option payment. Once we have the components of the grant, before the end of the year, we will include it in this budget and if it is not until January, we will do a reappropriation based on the outcome of that grant funding.

Mr. Presley said they would move on to Outstanding Debt items. Mr. Logan said he would be brief with this. He thinks Council knows that we issued bonds back in February of this year, paid off the water tower note that was still out there, consolidated notes that were out there for Chester Road and the Aquatic Facility and for the Elizabeth, Puth, Joseph project. Basically we bonded all that out and it was about \$8,470,000. Pieces of that bond issue go through 2042. He will not go through all of the schedules but the first schedule lists all of the City's outstanding General Obligation or Special Assessment debt. That does not include the OPWC loans that are out there but those are all zero interest. It shows maturity dates and at the very bottom of that first page is that last debt issuance that was done in February of this year. He pointed out that when we did that debt issuance, Moody's upgraded the City back to its AA-1 and that is where the City's credit rating is now. A comment on the Post Office and Stadium debt: that was taxable debt that was originally issued in 2009 and we refunded it in 2017. That debt will be paid off next year; at the end of 2023 there will be no more debt. The baseball team continues to pay the \$250,000 per year to the City. We have used that money historically to pay this debt service. The agreement with Lake Erie Crushers goes through the 2025 baseball season. So you are going to have a couple years of taking in that revenue with no debt service to pay. Council and the Administration will have to decide what to do with that money after next year. Similarly, the Post Office currently pays the City \$130,000 per year and that has been used solely to pay debt service. Council extended that lease with the Post Office and he believes that goes through 2028 now and you will have the same situation there where the Post Office will be paying the City that rental amount which goes into its own Special Revenue Fund and there will be no debt service to pay on that. Something to keep in mind as you go through 2023, that debt service will be gone after 2023. The only other one he would point out is the YMCA. They continue to make their debt service payments. They pay a monthly amount to the City and that goes through 2031, and outside of that the rest of this is truly City debt.

Mr. Logan said that the next couple pages just show the debt service through 2042. 2042 is the last maturity of any of this outstanding debt. It is basically the Elizabeth, Puth, Joseph bonds that are out there, both the City portion and the residents' special assessments portion. They will start paying on that in 2023 and those special assessment will start coming in. The graph for the General Fund is pretty minimal. Over the course of the next 20 years as far as its contribution to debt service, the bulk of the debt service is being paid by the TIF Fund that we talked about earlier, and then you will see the other funds that also participate in the debt service. The City currently has no outstanding short-term debt. Everything has been rolled into that bond issue.

Mrs. Holtzmeier asked when it was anticipated that the City of Avon would be reviewed again by Moody's? Mr. Presley said that we can go to Moody's and request a review at any point in time based on a significant change in our fund balances. We do not have to have a debt issuance in order to go back to them. Every year they will come and ask for financial information to confirm our rating but if we feel that we are in a much better financial position before that time, we can ask them to do a review sooner with an eye of an upgrade. Mr. Logan stated that the gap from the AA-1 to the next level, which is the highest level of AAA, is a pretty wide gap; you are looking at \$50 million or more of General Fund balances, etc.

Mr. McBride stated that it would be great not to issue any more debt but he knows that is not realistic. He asked if they had a sense of how much debt and how much reinvestment into the City assets needs to occur on an annual basis to not impact our bond rating? We have to invest in our water, our sewers, our streets.... Mr. Logan said there are debt capacity parameters so every time you issue debt even if it short-term notes, generally you are restricted as to how much debt you can issue. It is based on your assessed valuation, on what they call "over-lapping" debt so this political subdivision of Avon, Avon Schools, and Lorain County and the JVS, they look at that overlapping debt and then you are limited as to how much you can issue there. Right now the City has a pretty big capacity to issue debt but Moody's will look at your debt per capita, your repayment sources for the debt, etc. Mr. McBride said, but you cannot just be static. If you are not putting money back into the City you are not maintaining your assets and then that leads to the view that we may have trouble.

Mr. Radcliffe said that with the end of the debt service on the Stadium and the Post Office, normally he would think we would take that money and kind of set it aside and reinvest it for funds to go towards those buildings in the future. Is there a benefit then to maybe taking all that and some additional revenue coming in to go to bringing down some of the other debt service quicker? Mr. Logan said you cannot refund the debt that is out there now normally for the first 10 years. You cannot call that debt unless there are certain specific call provisions put into that debt arrangement. The last schedule here is all the refunding the City has done over the years. He was pretty sure the call provisions for the debt that was issued this year are 10 years out. It is a nice idea; you should be able to say let's take all this extra money we have now from these rentals and start paying down our debt but there are restrictions. Mr. Radcliffe said that at some point, we are going to need to go back out for money for new infrastructure, new buildings, etc. This is coming.

Mr. Logan said that before the end of next year when that debt service is done for those two entities, the Administration and Council are going to need to pass some form of legislation that says how you are going to use those funds going forward. Again, those funds are each in their own Special Revenue Fund, and Special Revenue Funds can only be established by a Council Ordinance and approval from the Auditor of State. So we will need to look back and see what is in those Ordinances when those funds were established, to see what it says about the uses of those funds. In his time here, we used them to pay that debt service but there may be something else in the Ordinance that says there could be other uses. But if those were established just to take in that revenue and pay that debt service, you are going to need to

pass an Ordinance to say, starting in 2024, here is how we want to use this money. Mr. Radcliffe said he thought that is the charge, the long-term planning issue. We have debts that are rolling off, we need to see where that money is going to go and we need to make sure that we are using it to the best advantage that we can.

Mr. McBride stated that facilities and their building components have a life cycle and funds are needed to be reinvested in them. Mrs. Holtzmeier said, so what she is hearing as an actionable item from this discussion is that we want to have a sense of, for this debt service that is paid off, what is the allowable use of funds. For the Post Office and the Stadium and since this is a Council that likes to look ahead, she would go as far as to what is coming off in 2027 as well which is the Police Station. Mr. Logan said that is not third party debt; that is General Obligation City debt. The Post Office and the Stadium are different because somebody else is paying us through an established Ordinance and established fund. So you are going to keep getting that money and you have to pass some legislation on how you are going to be using it. Mr. Presley said that he would review the Ordinances establishing those funds and will report back on that.

Mr. Moore said, so on that money that comes in, let's say we take \$250,000 and set it aside and it could just stay there for perpetuity and be used for whatever we want whether it is the Post Office, the Police Station, or whatever. Mr. Logan said, yes, if we choose to have that money go to the General Fund. Mr. Moore said it just makes sense. It is money that we are getting and things are going to need to be improved. Mr. Logan noted that the Post Office rent actually increases; it goes from \$130,000 to \$160,000. Mr. Radcliffe stated that it is assumed that the Post Office is going to want to continue to be here. At some point that building will need improvements and we want to make sure we plan for that.

Mr. McBride noted that Westlake's bond rating is where it is in part because of their fund balances. There was a time when Westlake had nowhere near that kind of money but then they took steps to increase all that and do we want to do something similar or do we just pay that Police Station off in a normal course of business?

Mrs. Holtzmeier said, while we are talking about those two assets, the Stadium and the Post Office, what maintenance is scheduled for 2023? How have we reviewed that and what is on tap? Mr. Streater said that the maintenance for 2023 that we know at the Stadium is that we have an issue with the HVAC system that handles the suites so we are starting the process to replace that system. For the Post Office, there is nothing major on the horizon. We will do an evaluation of that in 2023.

Mrs. Holtzmeier said, and since we are talking about assets the City owns, what about the YMCA and the Recreation Facility? Mr. Streater said that the biggest expense upcoming in 2023 is that the filter system on the one pool is in need of replacement and the cost on that is \$20,000 to \$25,000.

Mr. Logan stated that the first debt schedule shows the summary of all the debts. That schedule does include our OPWC loan: \$617,000 at the very top of that schedule and that OPWC liability is a zero interest loan. That number is in that total. And you are going to get probably another \$250,000 in loans under there for OPWC money at zero percent interest.

Mr. Presley said next, under Operating Expenses, there is a summation of all the funds: the beginning unencumbered balance, the estimated revenues for 2023 and then the budget for 2023. So you can look at the estimated revenues, the budgeted expenditures and the estimated unencumbered balance at the end of 2023. Without going through each one, he would say that the City, as reflected in this, is in a very good strong financial position. Other than those changes in the personnel additions, the Departments

have not increased materially in any line items as is traditional from what he was gathering. Mr. Logan said that he would mention a couple things. This schedule is very important to the County Budget Commission because they need to see that you do not have any funds that are going into a negative balance because if they see that, they are going to say you need to put a property tax levy on your ballot next year to raise money. So we never want to show a negative balance in any fund but secondly, from an Auditor of State standpoint, it is good to show your General Fund going up in balance. In other words, some of the other funds may show a decrease in their beginning to the ending balance, but in your General Fund, you really want to show an increase otherwise you get a reclassification of that balance into a non-spendable. This schedule will go along with the Ordinance that Council should pass for the permanent appropriations.

Mr. Presley said that he emailed out to all of them the detailed line items by Department and as it was suggested, a Committee meeting might be set up with Department Heads just to go through their operations. He would be glad to sit in on those meetings if they would like him to do so. If they have questions on the line items, please let him know.

Mrs. Demaline asked, in regard to fuel for 2023, are we completely fueling our own vehicles with our own fuel? Mr. Logan said, that is the plan; he thought that shortly before Mr. Presley started, IT helped us with the plan to have all the Departments start fueling with City-purchased fuel. Mr. Streator said that at this time all of our vehicles are fueled by bulk-purchased fuel through our tank; we do not go to Get Go or any other places. Mrs. Demaline said, so we are fueling on-site on the City property with City-purchased fuel and Mr. Streator said, that was correct. Mr. Logan said that does not mean that certain vehicles will not from time to time use that third party card and fuel if they are going to Columbus or a seminar somewhere, so we kept some of those cards. Mrs. Demaline said, and there are PIN numbers that they put in and Mr. Streator said, correct, a PIN number and the vehicle number so it is traced and we can track it by who the employee was.

Mr. Presley stated what we will do then is to take this information, put it into an Ordinance format so that we can get it up for a first reading and then it is up to Council if you want to go through three readings by the end of the year or just suspend it on first reading. Mr. Fischer said that, unless there are no other questions from Council and nothing else comes up, we will probably get right through that and suspend the rules for a first reading. Mr. Presley said that the only thing that would come up is if we do get an answer on these grants for the acquisition of property.

Mrs. Demaline stated that we have the time to do at least two readings. What benefit are we gaining on suspending the rules and passing it on one reading? Since this is a lot of money she thought that we should be transparent and for our residents who have any questions, we should at least explore doing more than one reading. We have the time to do it. Mr. McBride said that just from past experience, and he will have 22 years experience at the end of this term, there was only one time that anyone questioned anything on a City budget and that was about debt service. Mrs. Demaline said, from a fresh perspective, she would like to see it at least more than one reading; it is a lot of money.

Mayor Jensen said that if we thought we were getting close to the deadline, we could have a Special Meeting just to do a reading.

Mr. Presley asked if Council was scheduled to meet the Monday after Christmas and was informed that the meeting would be on Tuesday, December 27th. Mr. Radcliffe said that, for reference, he would not be present for that meeting on the 27th

Mr. Fischer said that he likes the idea about having Department Heads come in for Committee meetings just so we can get a rundown of what they are doing and Mrs. Demaline asked how that would play out with the schedule for the readings. There was more discussion on the readings and it was decided to have the first reading at the Regular Meeting on November 28th, the second reading at a Special Meeting on December 5th, and the third reading and adoption at the Regular Meeting of December 12th.

Mrs. Holtzmeier said, to recap our action items: one of the takeaways was regarding our health insurance to continue looking at a self-funded option and HSA option or nicotine use cessation input. Second, to have a working opinion from Finance for Council on the use of TIF funds, specifically for fiber. Also, to invite Department Heads to a Committee meeting to discuss some of their programs. Specifically, to invite Streets Supt. Tim Loeser, to discuss the Road Programs, determining how these are decided, and then to hear from Council about needs and wants. And to invite the Fire and Police Chiefs to discuss their 2023 Capital Outlay budgets. We talked about including a new, detailed ARPA schedule to list the encumbered funds that were on tap and the spend, knowing that Council will be appropriating some of those funds and knowing the deadline in 2024. And then last, reviewing the allowable use of funds for the payment of debt service as some of these assets are going to be paid off, reviewing the Ordinance to see if there is language to direct us.

Mrs. Holtzmeier stated that this has been a really good meeting and she appreciates everyone's attention for the last three hours. She thanked Mr. Presley, Mr. Logan, and Mrs. Raicevich and said it was another good year for the City of Avon. It is always encouraging when we can have productive discussion and continue to have items that we put on our plate to continue to discuss. It just makes everything better and an engaged Council, thoughtful Administration and diligent staff are a part of that.

Mrs. Holtzmeier adjourned the meeting at 11:03 A.M.

Respectfully submitted by Gail Hayden, Assistant Clerk of Council