

FINANCE COMMITTEE MEETING
MAY 20, 2008

Finance Committee Chair Mr. Knuchel opened the Finance Committee Meeting at 6:57 p.m. In attendance from the Committee were Mr. Knuchel and Mr. Lajeunesse. Mr. D'Ambrosio was absent and excused. In attendance from Council were Ms. Vaughn, Mr. Zontini, Mr. Morley and Council President Mr. Elshaw.

In attendance from the Administration were Mayor Andrzejewski, Finance Director Condron, Law Director Mr. Klammer, and City Engineer Mr. Gwydir.

Also in attendance were members of the public in the audience.

FUND TRANSFER: GENERAL FUND TO BOND RETIREMENT FUND: \$335,000

Mr. Condron: This is the second transfer this year – we transferred one in January for the February 1st interest payments – we have interest payments due June 1st. The General Fund pays first because the other revenues from the stadium operation build up throughout the year and we use that in December for the final payment. The State Auditor recommended in 2006 that this be done by resolution or ordinance by Council – this is the process we have used since 2007.

There were no questions.

The Committee agreed to move this matter forward for passage at the next regular Council meeting.

SANITARY SEWER ASSESSMENTS: NORTH PARKWAY DRIVE

Mr. Knuchel: We discussed this before on several occasions.

Mr. Condron: We discussed this issue on February 10th – this project began in 2004 with the first document being the December 10, 2004 letter from the late Mr. Guard recommending the assessment costs to the City. The tentative assessments were adopted by Council in January, 2005 at an interest of 5.6% and notices were sent to the property owners. We have been looking for a petition that indicated the property owners were waiving their rights in accepting whatever the final costs were – unfortunately we never found a signed petition. The only other information I found since February 10th was the minutes of the second Council meeting in Mr. Guard's report in which he mentioned six out of the nine residents attended the meeting. It may not have been possible to have all nine sign at that meeting. There was bidding in the spring of 2005 and Mr. Guard wrote another letter in October, 2005 indicating the cost had increased dramatically. His opinion of accessible costs was somewhere over \$63,000. In checking with Mr. Klammer, in our research for this project we found things in the Ohio Revised Code that limit the ability to add more than 15% of the costs – there are certain procedures which are mandated to be followed – we looked but we never found anything that would specifically address that. To be conservative we were taking the \$63,000 figure which was initially the basis for the tentative assessments and multiplied that by 15%. The ordinance from 2005 indicated your willingness to pay 1/15th of the final costs. There was some discussion at that point whether this included a tap-in fee because

you also passed legislation waiving the tap-on fee for the nine residents. But, we did not feel the tap-in fee would be applicable. That was something that was agreed to – we were not sure what it was so we just subtracted it. Mr. Guard’s correspondence of December, 2004 and October, 2005 mentioned interest rates of 6% in December, 2004 and about 5+% in October, 2005. We are bound by the ordinance – we have no choice. You put in the ordinance that was passed the second meeting in January, 2005 an interest rate of 5.6%. It was lower than the 6% and higher than the one in October. In reviewing all those steps we came up with a different figure as to the tentative assessments – it is conservative and does go up 15%. On most assessed projects you borrow money and the interest rate you charge is the interest rate on the loan. Here the research shows there was no borrowing. We paid for this project from a variety of funds. The sanitary portion would obviously be our #501 account. There may have been some roadwork done also and also participation from the County on a waterline. The deadline for making assessments is the second Monday in September – there are statutory procedures to be followed. There is proposed legislation to let people know what the proposed costs are now – you have to give them 30 days to pay in full or it goes on the tax duplicate.

Mr. Klammer: They wanted to be assessed – no one showed any interest in paying.

Mr. Condon: We still have to show evidence to the County Auditor that we sent that letter. If we don’t pass this in 30 days they will not accept – the deadline is Monday, September 8th – so, we have to at least give them 30 days and let them know they have the opportunity – that is statutory.

Mr. Knuchel: We had costs that were 40% higher – those are going to be borne pretty much by all the other residents in the City of Eastlake because we already paid for this out of our General Fund.

Mr. Condon: You charged them interest also – so, the construction costs should be covered – you would not get as much interest as you anticipated.

Mayor Andrzejewski: In other words they are getting an interest free loan.

Mr. Elshaw: The total project cost is \$173,000 and we agreed to assume \$115,000. Right now the assessment is based on \$68,351.

Mr. Condon: Yes, if they pay cash – if not the interest is 5.6%.

Mr. Elshaw: That is over how long?

Mr. Condon: 20 years.

Mr. Elshaw: How much over and above will the City have to pick up?

Mr. Condon: Per Mr. Guard’s October 20th memo – the construction costs were \$78,173.65; engineering is \$13,211.80 for a total of \$91,385.45 in costs that were expended. Mr. Guard used

5.25% for interest which was not correct – the ordinance set the interest at 5.6%. The total interest was \$152,817.

Mr. Klammer: As of two months later, at the May 9, 2005 public meeting Mr. Guard presented the outline and the number he would have discussed with the residents would have been the \$76,000 number – it is different than the cost estimate but there was a public hearing in May, 2005.

Mr. Elshaw: So, the cost to the City above and beyond the assessments is?

Mr. Condrón: About \$23,000.

Mr. Zontini: We are limited to the assessments to just the people who have homes on the property accessing the sewer – or is it based on the tax duplicate as to their property owned?

Mr. Condrón: That was decided in 2005 when the assessment area was drawn up with that boundary – the engineer at that time picked these nine properties.

Mr. Zontini: I see many of these property owners own more than one parcel.

Mr. Klammer: Probably the reasoning was that you did not want to grant two free tap-ins to someone who owns two parcels for one home.

Mr. Knuchel: A lot of the multiple parcels are in Ward 3 – the parcels are very small pieces of property that you probably not build a house on – they just took the ones that had the residence on it.

Mayor Andrzejewski: The residents had to pay for the work from the street to their house.

Mr. Condrón: We faxed the Auditor's office the tentative list. Usually when assessments are given there is another piece of legislation, which is moot at this point, but a public body does legislation giving the tentative assessments and giving people a chance to comment – doing a notice to proceed – it is moot – you are proceeding. At the point you do the notice to proceed you send a copy to the County Auditor so they know what is coming up. I sent what had been done so if there are any questions from title companies as to property being transferred they will have some basis to tell someone something is coming.

Mr. Knuchel: I spoke to Mr. Condrón about a concern I had – there are two properties that are probably going to be sold relatively quickly – he did follow up with that.

Mr. Knuchel: I would like to thank Mr. Gwydir and his staff for the time spent looking for the records. I also appreciate Mr. Klammer's input with Mr. Condrón. This is one of those things that slipped through the cracks and now we need to deal with it.

Mr. Lajeunesse: What is the amount we are looking at?

Mr. Condon: \$12,815 per home will be put on their taxes – a little over \$640 per year for the residents. That is not too much drastically different than what your tentative assessments were – they were \$12,166. The residents are paying the minimum allowed under the law.

Mr. Lajeunesse: This was a badly needed project and the residents are pleased with it.

Mayor Andrzejewski: There was raw sewage running down the end of the street. I think toward the end we indicated the cost would be between \$12,000 and \$14,000. I don't think the residents will complain.

Mr. Klammer: There were public meetings.

Mayor Andrzejewski: He and Mr. Knuchel were at all the meetings with Mr. Guard – the people knew the costs involved and were given an option to pay in cash or have it assessed to the tax duplicate.

Mr. Knuchel: The only issue I had was that we are using some public money.

Mayor Andrzejewski: It is for the good of the City too.

Mr. Knuchel: That being said, if we had proceeded correctly this would have been assessed to the residents there instead.

Upon review, the Committee agreed to move this matter forward for passage at the next regular Council meeting.

WALTER DRANE COMPANY: CODIFIED ORDINANCES: INTERNET
\$2,500 CONVERSION FEE; \$30/MONTH MAINTENANCE FEE

Mr. Knuchel: This is to put our codified ordinances on line – many other Communities do this – it is a good idea. I would like comments on when and how we deal with this.

Mr. Lajeunesse: Residents have asked about this – it will start getting us into the modern age. Hopefully the budget will be on which is more of a concern of the residents but this is a start.

Mayor Andrzejewski: Has this money been allocated in the budget for the year?

Mr. Knuchel: It has not.

Mayor Andrzejewski: Where are you going to get it from?

Mr. Knuchel: That will be part of the discussion.

Mayor Andrzejewski: I have no objection to this – we need it.

Mr. Knuchel: I agree with your comments – it is not budgeted.

Mayor Andrzejewski: This is an item you could not have foreseen – for the amount of money they are asking and \$30 month maintenance fee it is very reasonable – we should find the funds somewhere.

Mr. Condron: There is a Council contingency fund with \$2,500. Last year for the regular codification we paid \$4,134.06 out of a traditional budget line item of \$6,500. Between the two you would be okay unless something else comes up.

Mr. Klammer: It is the state of the art now.

Mr. Zontini: Putting something on the interest may force someone to get active and involved and perk their interest and make them come to the meetings to see what is going on in the City. Is the Council contingency fund \$2,500 now? It was \$10,000 at one time and when down to \$5,000.

Mr. Elshaw: It was reduced during the budget.

Mr. Condron: It was \$3,000 and reduced to \$2,500.

Mr. Elshaw: That is correct. I would agree not only with putting the codifications on line. But, more importantly to me – and this is in discussion with our Council Clerk – we have a lot of old records and they are the only records of our City legislatively which are stored here in City Hall – they are not being stored on proper media – some of the binders are starting to deteriorate – some seem to have gotten wet at one point. I think it is important to restore and keep these documents – they are historical documents. In discussing this with our Council Clerk – she suggested that we do one book at a time – maybe per year – just so we get it started. It has to start at some point – it probably should have been started years ago. We can take it slow. I understand the budget concerns. It is a good idea to use the contingency fund. I am okay with moving forward now or wait until the upcoming budget hearings.

Mayor Andrzejewski: Just move it forward. Is it \$2,500 to put all the records on?

Mr. Knuchel: No.

Mr. Klammer: It is just the Ordinances.

Mayor Andrzejewski: I misunderstood. Someone clarify what is the \$2,500 for?

Ms. Vaughn: The Codified Ordinances – the Green Book.

Mayor Andrzejewski: Mr. Elshaw, you said there are other records of the City they could also put on line?

Mr. Elshaw: There are a couple of different topics here that are trying to be discussed under one. There is putting the Ordinances on line and there is also storing the historical records – those are two different things.

Mayor Andrzejewski: So, we could put our Codified Ordinances on line for \$2,500 and as we make changes to them they will update the internet for \$30 per month. That is one proposal?

Mr. Elshaw: Yes.

Mayor Andrzejewski: That is fine. Then we can look at the other things at a later time.

Mr. Knuchel: We copied the oldest Ordinance we have and sent it to the preservation company to see if they can preserve it – they would preserve it and put it on CD for us and store it in a safe environment. Our storage room is probably not fire proof and if we did have a fire we could lose all of our records.

Mr. Elshaw: To be honest, I think storing the historical documents are more important than putting the Codified Ordinances on the internet. I am not against putting them on the internet but if we were going to choose between the two things I would go with starting the process of storing our historical documents – once they are gone – they are gone. I am not sure what the cost would be.

Ms. Vaughn: Apparently, the use of the internet is more and more prevalent. We have had these records a long time – I think it is important but the first step is the codifications and we can put money in the budget next year to do this on a continuing basis when we get a cost for the whole thing and figure out a plan we are comfortable with for the preservation project.

Mr. Elshaw: As long as we get it started – I don't mind one book a year – but we have to start.

Mr. Knuchel: So, I am hearing there are no objections to this – we will get a cost breakdown and include it in the budget for next year. Or, we can include it in our six-month review.

Mayor Andrzejewski: Approve the codified ordinances and get that started.

Mr. Knuchel: The Clerk seemed more concerned about the preservation of the historical records.

Ms. Vaughn: The residents are more concerned about the codified ordinances – they do not want to look at the old records. We worry about them because they are entrusted to us. The codified ordinances are separate.

Mayor Andrzejewski: There is also a benefit to businesses and residents who call the Building Department – we can refer them to web site.

Mr. Klammer: The next step would be getting Building Permits on line.

Mr. Elshaw: Mr. Zontini had mentioned taking the funds for this out of the Council contingency fund – I have no objections to that.

There were no objections to taking the funds from the Council contingency fund.

Upon review, the Committee agreed to move forward with having Walter Drane post the codified ordinances on line – and deal with the preservation of old records at the budget hearings.

There were no further questions or comments.

FUND ESTABLISHMENT: RECREATIONAL CAPITAL IMPROVEMENT FUND

Mayor Andrzejewski: This is something we have been talking about for months. We do not know from year to year how much we will get in Inheritance Tax – we don't put that money in the budget. So, we would like to finally start a fund for recreational use. And, at the same time as we are going to proceed with selling the HUD homes we would like to put the proceeds from the HUD homes in that same recreation fund – so, we start to accumulate some money for recreational purposes.

Mr. Lajeunesse: I know the Mayor has discussed parts of this at times. I understand his ideas and I think this is doable. I did have some questions about the sale of the HUD homes but Mr. Condron has answered some of them. And, I am still doing research on that. But, as far as the Inheritance monies going to recreation I think we need to keep our balance in the City and that would certainly help in that regard.

Mr. Knuchel: So it is clear – you are saying, Mr. Lajeunesse?

Mr. Lajeunesse: I am good with both. He explained what he wanted to do with the Inheritance tax at one point – the HUD homes part was not involved at that time – so, in clarification, thank you to Mr. Condron who shared his thoughts and what we would be doing – I do not have any problem.

Mr. Elshaw: There are two components – the sale of the HUD homes and the Inheritance tax – obviously the Inheritance tax has no restrictions on how you spend the funds. What are the restrictions on the sale of the HUD homes?

Mr. Klammer: My research indicates that there are not any – I am finishing that up. The HUD programs policies seem rather loose in the sense that it has to be for governmental purposes – beneficial to the community.

Mr. Elshaw: I understand that the sale of the HUD homes – that the money must go into a fund. The Administration entered into the buying of these HUD homes and the selling of them – I am good with that going into the fund. As far as the Inheritance tax – the last I understood was that there would be a split – 50%-50% what would go to possibly the bond fund and that type of funding versus recreation and I think what we said was we would talk about not just throwing an

amount at the beginning of the year into the fund – I think we said we would see how things went during the year – if there is a lot out there – if we collected a lot in Inheritance tax and we did not need it for any other purposes – i.e. the budget looked good for the year. Then we could allocate an amount at that time for recreational purposes. What I am suggesting is that – in my opinion – we should wait and see when we do that assessment of the budget and see how much we collected and what we can put in there.

Mr. Klammer: You can transfer out of that fund – just like you can transfer in. And, if there are other monies in the General Fund that you have dedicated to recreational anyways.

Mr. Morley: On the money left over from the HUD houses – costs for tearing down the HUD houses or cost of repairs – will that come off the earnings from the sale? Who will pay the costs for the HUD?

Mayor Andrzejewski: Our intention is to have zero costs – we plan on preparing the bid specs to describe the property, Mr. Voros will list any violations he sees, and the buyer will purchase it as is. We have decided not to put a nickel into them – there will be no repairs, no carpeting, no nothing by the City. The only cost we would have is if we have to send out our Service Department to cut the grass. We do not anticipate any cost – we are not putting a nickel into them. If the house is determined to be demolished that would be the cost borne by the bidder.

Mr. Lajeunesse: Based on the information we received, was it not suggested last night that the house on Courtland was going to be demolished and could be in two weeks – that would be prior to the sale of that.

Mr. Elshaw: We were at the neighbor beside the HUD home last night and I called Mr. Voros and asked if that was going to be the house that would be demolished and he said yes – the house on Courtland is the one that is scheduled for demolition. What he did say was – upon closing. He said that would be two to three weeks out. It sounded like the City would be demolishing it unless you had someone lined up to purchase the property.

Mayor Andrzejewski: The reasonable course of action would be to say the net proceeds from the sale would go into the fund.

Mr. Lajeunesse: I guess this is where I came from when I asked about the HUD homes at a Council meeting – except for the research I have done and the paperwork I have at home – which I mentioned to Mr. Elshaw that I would distribute. As a Council person I have nothing yet from the Administration that says how this procedure would be done except Mr. Condrón's research through the Finance Department. As far as demolition or no demolition or what is going on – there really is not anything legal here that says this is what we are going to be doing. Am I missing something?

Mr. Klammer: No, you are not missing anything at all. To your credit, you are somewhere ahead of the curve because the real process is coming into effect at the same and you will review the bid packages before it goes out to bid. So, the expenditure from the Mayor's perspective was

\$1.00 – when it comes to the sale that is where you will have a real need for review. I am trying to determine how to enforce the owner occupancy requirement. The meat of the proceedings – the legal stuff – you will be getting now when you start talking about the transfer.

Ms. Vaughn: That was also one of her questions – she understood they had to be owner-occupied. Did you purchase the house on Courtland or not?

Mayor Andrzejewski: We put in a bid for it – it has not transferred it and we have been told it will not transfer for two or three weeks – so we don't own it – we only own two. It is our intention to buy the third. We will use common sense in this whole thing. We will put the profit from these houses into this recreation fund.

Mr. Klammer: As to the demolition – if the property were to remain in someone else's hands – we would still knock it down and put the cost on the tax duplicate.

Mr. Zontini: Was there some loop hole, Mr. Klammer, because I always assumed, as Ms. Vaughn did, that the HUD homes could not be used to turn a profit and had to be owner-occupied – the purchaser had to be the owner-occupant of the home. How were we able to do this?

Mr. Klammer: The Dollar Homes program is after HUD puts it up for sale for six months and they cannot sell it – then they offer it to municipalities or 501C3's for the \$1.00 value. Some cities buy it and cooperate with Habitat for Humanity and fix it up – some sell outright.

Mr. Zontini: This may be off topic, but I would have liked and I think this is something Council should have seen before it was approached because we are talking about the market value of a home that could exceed \$12,500 – we should have been brought into the loop on this.

Mr. Knuchel: Off topic, but an interesting point.

Mr. Lajeunesse: Mr. Elshaw, Mr. Morley and I went to the house on Courtland – we met with the resident who was quite upset over a period of time. I agree with Mr. Zontini – as Council people – it is a good idea and I have no problem with it – but, just the way it was brought out and we have nothing in front of us. We are going on people's words and that is fine but I certainly would have thought we would have been told – this is what we want to do and why we are going to do it. And, if you get asked – this is one of the homes we are planning to do. They were there last night and met the resident – I have been dealing with that resident since I have been on Council. When he found out we would be owning that home – once we explained what we are going to do with it. But, it is something people are concerned about sometimes and just from the Administration's point – a Council person should be notified when something like this is going to happen. If there is another home I would like to be notified – no matter whose Ward. It is one of those things I think we should be informed about – it is important enough. I did not say I was against the process.

Mayor Andrzejewski: Often times this Council forces the Administration to look for creative ways to find money. Our intent here was very honorable and valid and that was to find a way to make money to open a pool. In hindsight I would not do this again – it is too much of a problem – I will not buy another one. Council did not have a right – we tried to tell Council as best as I could. But, as Mr. Klammer said – we expended \$3.00 – this is a new venture for us – when we write the specs and start selling these home we will have to deal with it – no one has done this before – if I had known all the problems this would bring up I would have not done it.

Mr. Knuchel: I think Mr. Lajeunesse's concerns are interesting because, Mayor, we do need more information as it comes available – as how we are going to proceed with these down the road – I do not disagree with that. I understand your points – you did find a creative way to do something for recreation. We are all in this together and all in it for the same purpose.

Mayor Andrzejewski: Our request is to create two funds and put the net proceeds from the sale of the HUD homes into the Recreation fund – and the Inheritance tax into the Recreation fund so we find a way to get recreation programs and products into this City again. Right now we have zero Recreation programs other than what the leagues offer. We are trying to find a way to create dollars to do some things for Recreation.

Mr. Knuchel: I do not think you will have anyone say we are not looking toward that. My personal preference for the Inheritance tax – I would like to make a transfer out of the Inheritance tax at the end of the year. Mr. Elshaw is correct – during our last Finance Committee meeting where we spoke about this – there was a consideration that we would take 50% of that up to \$100,000 and split it between bond retirement and the recreation fund.

Mr. Morley: I do not believe the Inheritance tax will be a large amount of money – so, I personally am good with putting Inheritance money and the HUD money in the Recreation fund and move forward.

Mr. Knuchel: The Inheritance tax was over \$150,000 last year.

Mr. Condron: One of them was \$141,000 in the first half. The other was \$7,000.

Ms. Vaughn: Can we not call it profit - call it proceeds – I do not think people look for a City making a profit.

Mr. Elshaw: If you are setting up a separate fund you will have an expenditure side and a revenue side. It is just like the General Fund with its own expenditures and revenue.

Mr. Condron: It is limited for a separate purpose.

Mayor Andrzejewski: There would be revenues and expenses and the net proceeds would be deposited into the Recreational fund. Mr. Elshaw is right – we had discussed different ways of using the Inheritance tax – that was one of the things we discussed. We had an opportunity to change our mind and we did so in this instance – we wanted to recommend we put the entire

Inheritance tax in there because we felt it was so erratic. It is not incorporated in the General Fund and we are not using it for any other purpose – so, why no set it up for Recreational purposes. Mr. Elshaw is correct – we did discuss different options but we changed our mind.

Mr. Lajeunesse: I understand and have no problem with the HUD homes and the Inheritance tax. However, since the HUD program is new maybe we for now could just use the Inheritance tax and set up a separate fund. Did you want to put the HUD home proceeds and the Inheritance tax together?

Mayor Andrzejewski: Yes.

Mr. Lajeunesse: I do not know enough about the HUD program to make that decision.

Mr. Elshaw: I do not have a problem with setting up a separate fund for the HUD homes. As to the Inheritance tax – you know how I feel. Mr. Condrón, in the forecast when did you begin to exclude the Inheritance tax from the General Fund. We were counting on it for which years?

Mr. Condrón: I do not think we were.

Mr. Elshaw: You had it in for one year – was it 2007?

Mr. Condrón: That was just for 2007.

Mr. Elshaw: If we just counted on it for 2007 then I will back off on it.

Mr. Knuchel: If there are no further questions on this I will poll my Committee.

There were no further questions.

Mr. Lajeunesse: Reluctantly, I approve moving forward.

Mr. Knuchel: I concur – this matter will be move forward for the next regular Council meeting.

There were no further questions or comments.

RECOGNITION OF THE PUBLIC

Dan Matheke

Mr. Matheke: Regarding the storage of the historical documents – one thing you must keep in mind – you can spend a lot of money converting something to CD – what will be the medium of choice in 20 years. Don't spend \$50,000 - \$60,000 getting everything converted to CD and not have the medium to use them in 20 years. You may want to purchase some decent containers that are waterproof and fireproof so the documents will not be destroyed.

Mr. Elshaw: Those are good points. The idea was to have two separate storage medium – right now it is just on paper.

Mr. Matheke: you also have to remember software upgrades.

Mr. Gwydir: All our files are in digital format – once you are converted into digital format the costs to replicate the digital format no matter what format is used in the future are markedly cheaper than the conversion from the original paper format to digital.

There was no one else who wished to speak.

The meeting was adjourned at approximately 7:49 p.m.

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