

## MINUTES

### COUNCIL-MANAGER BRIEFING

NOVEMBER 14, 2011

Mayor Ronald A. D'Epifanio called the Council-Manager Briefing to order at 5:05 p.m. at the Fairfield Municipal Building, 5350 Pleasant Avenue. The following Councilmembers were present: Tim Meyers, Terry Senger, Tim Abbott, Marty Judd, Mitch Rhodus, and Mike Snyder. Council-elect present: Adam Jones, Jeff Holtegel, Debbie Pennington. Staff present: Angie Jolivette, Dave Crouch, Mary Hopton, Drew Young, Mark Wendling, and Art Pizzano.

#### **Budget Review – Public Utilities**

*Due to technical difficulties with the recording equipment, the meeting did not begin recording until 5:15 PM.*

Finance Director Mary Hopton briefly discussed the Agenda items to be discussed for this meeting, the November 28<sup>th</sup> meeting and the December 5<sup>th</sup> meeting. She gave a general overview of the overall 2012 budget noting total revenues were \$65,827,605. She explained the General fund is down by \$1 million, income tax revenue is down by \$375,000 and state funding is down by \$465,000. She stated total expenditures are \$64,537,171 with departmental budgets down by \$1.2 million and the overall budget which is up by \$550,000. Mrs. Hopton explained rated studies are done for Public Utilities every four to five years and the last rate study was in 2007. She explained an outside consultant performs the assessment and looks at operation and maintenance coverage, debt coverage and infrastructure repair/replacement.

Council discussed scheduling the Goal Setting Session after the first of the year.

*The audio began recording at this point in the meeting at 5:15 PM.*

Bob Smallwood, GRW Engineers, Inc. stated Fairfield has the lowest water rates and the second lowest combined water and wastewater rates in Southwest Ohio. He commented according to the Oakwood Study, the average rate increase for other cities in Southwest Ohio is three percent. He briefly discussed the history of the decision in the eighties to build the water plant. He stated there has not been a water rate increase for 22 years from 1985 to 2007. Public Utilities Director Dave Crouch explained the water rate has increased on average by \$0.06 annually for the past 54 years. He stated Fairfield is not growing like it was before, we are not getting the permit and exchange fees like we before, so those are reserves that we cannot build to sustain the infrastructure. Mr. Smallwood discussed the low water utility debt, which is only about \$300,000 a year. He commented the City will be completely out of debt in five or six years. He discussed the \$16 million dollar EPA mandated wet weather abatement, which included the collection system rehabilitation improvements, relief sewers, construction of a relief sewer pumping station, wet weather flow storage and Waste Water Treatment Plant improvements. He stated the city's competitive sewer rates are in the lower 20% for Southwest Ohio. He explained Wastewater has an annual debt of \$1,200,000 year and \$1,000,000/year debt will retire in five or six years and all the debt is eliminated after 2019. He discussed the goals for the rate study including adequate revenue to meet operating and maintenance expenses, debt service and coverage; minimize impact to rate payers; indirect allocation to the General Fund; infrastructure replacement/regulatory compliance surcharge for aging infrastructure needs and unfunded regulatory mandates. Mr. Smallwood stated the rates increased 5% in 2007, 8% in 2008, 5% in 2009 and 5% in 2010. He explained the actual revenue increase from 2007 to 2010 was actually 3.8% due to the downturn in economy, wet years following dry years and seasonal wastewater rate adjustments. He stated the coverage was not met except in 2008. Mr. Smallwood discussed what the wastewater utility would look like if the rates were not adjusted. He explained this includes Fairfield internal budget for 2011 and 2012, assuming no increase in revenue, assuming operating and maintenance will go up 2.5% each year after 2012 and assuming capital improvements that will be funded from reserves. He stated 1.2 coverage goal will not be met. Mr. Smallwood stated the proposed rate increases are 5% for 2012, 5% for 2013, 4% for 2014, 3% for 2015 and 3% for 2016. Finance Director Mary Hopton explained the last rate study was only for four years, this one is projected out to 2016 knowing the debt will be retiring at that point when the next rate study is looked at. City Manager Pizzano commented on the incremental changes being spread out to make the adjustments more gradual. Mr. Smallwood stated 93% of the bills are residential. Mr. Crouch stated our non-revenue water has been running the last few years between 13 and 16 percent. Mr. Smallwood stated the flat rate is \$3.76/1,000 gallons and the minimum bill is \$11.28 for 3,000 gallons. He discussed the residential customer monthly bill increases with the proposed 5% rate increase in 2012 plus the \$0.20 per 2,000 gallons, which is \$1.16/month for the minimum bill; \$1.95/month for an average bill and \$2.93 for a high usage bill. He explained if no one else raised their rates the City would go from 14<sup>th</sup> lowest to 21<sup>st</sup> lowest and the combined water/wastewater would change from 2<sup>nd</sup> lowest to 6<sup>th</sup> lowest.

Mr. Smallwood stated the water utility has a two step rate structure with the minimum bill for those using 3,000 gallons/month pay \$2.56/1,000 gallon and over minimum users pay \$1.98/1,000 gallon. He explained they were asked to bring the bigger users more in line with smaller users. He stated the current minimum bill of \$7.68/month for 3,000 gallons/month. Mr. Crouch noted there was a 23 year run with no increase after the plant was built with the first increase in 2007. Mr. Smallwood reviewed the historical revenues and expenses in the 2007 rate study, rates were raised 3% in 2008, 2009 and 2010. He stated 1.4% actual revenue was realized during that

four year period due to lower sales and coverage was not met in 2009. Mr. Smallwood discussed what the revenues and expenses would look like without an adjustment to the rate. He explained for the water utility without rate increases the 2011 and 2012 Fairfield budget numbers were used, no increases in revenue were assumed, annual operating and maintenance cost increase 2.5% per year, and capital expenditures will be funded from reserves. He stated not enough money will be generated to meet coverage goals. Mr. Smallwood discussed the proposed rate adjustments, which include increasing the minimum bill customers by 4% in 2012 and 2013 and the over minimum users will increase by 15% in 2012 and 10% in 2013. Both minimum and over minimum will increase by 3% in 2014, 2015, and 2016. He stated the General Fund indirect allocation 5% transfer begins in 2012 and to keep rates down the infrastructure replacement and regulatory compliance surcharge until 2013. Council and staff briefly discussed the cumulative rate increases. Mr. Crouch discussed the need for future replacement of the water system. Mr. Smallwood discussed the existing rates for minimum usage and over minimum usage and the existing minimum, average and high usage bills. He further discussed the residential customer monthly increase for 2012 for minimum, average and high usage bills. He stated the water utility has the lowest rate in Southwest Ohio and if no one else increased their rates, Fairfield would move from lowest to 4<sup>th</sup> lowest and the combined water/wastewater rates would change from 2<sup>nd</sup> lowest to 6<sup>th</sup> lowest. Mr. Crouch commented the cost to serve a residential customer versus a commercial or industrial customer is being studied at this time for calibrating meters and metering. Mrs. Hopton stated it ties into the goal of reducing lost water. Mrs. Hopton discussed the water revenue fund including the fund balance, revenues and expenditures explaining the expenditures are held the best they can, but they can't control the revenue which depends on usage by the customers. She discussed the sewer revenue fund, which carries a lot of debt. She explained the Solid Waste Fund is not meant to carry a balance and any money in there is money that the General Fund has had to supplement. She commented last year she discussed with Council to decrease the subsidy for the solid waste fees to residential accounts. She explained last year she suggested phasing it in over three years; however, to balance the budget this year solid waste payment would be escalated so at the beginning of next year it will be charged off exactly. She noted the impact on residents will be \$1.20 a month. Mrs. Hopton discussed the subsidies in past years with this year projected at \$290,000. She discussed the impact of the rate changes for utility bills for water sewer and solid waste fees for a minimum utility bill, an average utility bill and a high utility bill. Mrs. Hopton briefly discussed the division within Public Utilities, which has an overall budget increase to \$7,450,815 or 0.7%. She briefly explained the operational costs are for health insurance, chemicals and shifting of personnel within divisions. Mr. Crouch briefly discussed the electric and fossil fuel usage for wastewater and water they will continue to work on. Mrs. Hopton discussed there is a consistent increase in health insurance across departments. Mr. Crouch commented overtime in Public Utilities is reactive for the most part because of main breaks or sewer blockage. He further commented money is spent in the Capital Improvement budget to replace failing water mains has saved money with the reduction of water main breaks last year to 32 this year. Councilmember Abbott questioned if there is a way for the city to find revenue streams that we don't have today around the efficiencies and loss of revenues we are seeing due to efficiency. Mr. Crouch commented they do not want to compete with the private sector in the business that they conduct, but they are looking at ways including a project in Wastewater.

### **Presentations by Outside Grant Funded Agencies**

Finance Director Mary Hopton displayed and discussed a historical graph for the grants given from 2008 to 2011. Mrs. Hopton stated the total allocation of monies for 2012 is \$43,800. She stated the five grant applications received are from Partners in Prime, Fairfield Community Foundation, Summer Community Theater, Hamilton-Fairfield Symphony Orchestra, and Big Brothers Big Sisters.

#### ***Partners in Prime***

Mrs. Hopton displayed historically what has been given for Partners in Prime. Steve Schnabl from Partners in Prime thanked the City for the financial support provided for Fairfield's older residents. He explained the funds have been used to deliver meals to about 22,000 meals-on-wheels, provided 3,800 hours of wellness programming, completed 4,000 medical and grocery trips, filled several hundred aging-focused information/referral requests, involved several dozen volunteers in hundreds of hours of contributed services, and they anticipate 50,000 Fairfield service contacts during 2011 at a cost to the city of 44 cents each. He further discussed the services provided. Mr. Schnabl explained they interact with the programming at the Community Arts Center, but they are separate. He explained very few people pay 100% of the price for the meals on wheels program, however, a contract through the Butler County Elderly Services Program supplements that program. He discussed the suggested donation for lunch at the Fairfield site. He stated the Fairfield Center is open five days a week. Mr. Schnabl briefly compared the Fairfield, West Chester and Hamilton locations.

#### ***Fairfield Summer Community Theatre***

Mrs. Hopton displayed the funds given throughout the years and the request this year for the 2012 production of *Hairspray*, for materials, rentals and royalties for the production. John Brunner thanked the City for their past grants. He discussed the expenses that have been trimmed down. He further explained adults and some youth are involved in the summer production, but in S.T.A.R.S., Summer Theater Arts Reaching Students, program many young people are involved. He commented they are trying to increase their revenue. Jay Muldoon discussed the S.T.A.R.S. children's program which will produce *Seussical the Musical Jr* in 2012.

#### ***Hamilton-Fairfield Symphony Orchestra***

Mrs. Hopton explained there was a mix-up last year for the Hamilton-Fairfield Symphony Orchestra's application, so they did not receive funding. She further explained this year they have asked for a \$10,000 grant for a feature event. Leanna Mullins, Chair of the Board, gave a brief history of the Orchestra and composition of the Orchestra. She commented because their mission is to provide music to the community to underserved populations they only charge for two of the performances and the average price for putting on a concert is between \$18,000 and \$25,000 a year. Gregg Stagg discussed the 2012 concert featuring the world's greatest tenor, Ronan Tynan on June 22, 2012 at the Tri-County Assembly that the grant would help to fund. Ms. Mullins commented the cost of the concert will be \$50,000 and they will be selling tickets.

#### ***Fairfield Community Foundation***

Mrs. Hopton explained the funds are used by the Fairfield Community Foundation to provide grants and scholarships within boundaries of the Fairfield School District. Foundation President Betsy Hope stated they just finished their 11<sup>th</sup> year serving Fairfield. She briefly discussed the history of the foundation, staffing which is mostly by volunteers, types of grants given and the annual meeting. She stated community foundations exist to provide a local means for citizens to give tax deductible contributions to help their own community. She further commented they granted \$150,000 in form of scholarship and grants to non-profit organizations while building an endowment organization that will be here forever for Fairfield. Ms. Hope thanked Fairfield for their assistance.

#### ***Big Brothers Big Sisters***

Mrs. Hopton explained in the past this requester was funded through CDBG money, last year and this year they have requested grants. VP of Programs Jessica Greene discussed the Big Brothers Big Sisters organization which is a one to one mentoring organization that believes in serving children who are facing adversity. She thanked Council for their help. Ms. Greene commented there are about 25 kids per school in the after school program and Fairfield YMCA serves about 100.

Mrs. Hopton commented allocation of grant funds will be discussed at the December 5<sup>th</sup> Council-Manager Briefing with the General Services budget. She clarified the Hamilton Fairfield Symphony Orchestra would have two concerts one here and one at Tri-County Assembly.

#### **Adjournment**

Council/Manager Briefing adjourned at 6:41 p.m.

Respectfully Submitted,

Angela Jolivette  
Clerk of Council