

SPECIAL COUNCIL MEETING
March 27, 2018
MINUTES

The Special Council Meeting of the Village of Moreland Hills was called to order by Mayor Renda at 7:02pm, in the Village Council Chambers.

PRESENT AT ROLL CALL: Mr. Buczek, Mr. Emerman, Mr. Richman, Mr. Stanard
ABSENT: Mr. Fritz, Ms. Sturgis

Also Present: Prashant Shah, Treasurer, Ted DeWater, Service Director, Lt. Todd Dietzel, Marcia Bossart, Assistant to the Treasurer, Sherri Arrietta, Clerk of Council

Mayor Renda asked if there were any additions or corrections to the meeting minutes of March 14, 2018. Mr. Richman stated that on page 7, paragraph 2, "Mrs. Lane spoke to Mr. Richman's suggestion" should read "Mrs. Lane spoke to one of Mr. Richman's suggestions," since he made more than one suggestion.

Mr. Buczek made a motion seconded by Mr. Richman to approve the minutes of the Training Session and Regular Council Meeting of March 14, 2018, as amended.

ROLL CALL:

AYES: Mr. Buczek, Mr. Emerman, Mr. Richman, Mr. Stanard

NAYS: None

MOTION CARRIED

Resident Comments

There were no residents present wishing to speak.

Reports from the Mayor and Other Municipal Officials

-Maintenance Needs – Ted DeWater, Service Director & Lt. Todd Dietzel

Mr. DeWater and Lt. Dietzel provided everyone with a copy of the Building Condition Report. Mr. DeWater stated that he and Lt. Dietzel did a walk-through of the facilities to report on the maintenance needs this year. Included in the report is a three-page memo listing the items that need to be repaired, replaced, or upgraded in the Police Department. Also included are estimated costs for those repairs and the ones for the other buildings as well, which was provided to Mr. Shah tonight.

The building with the most repair needs is the Police Department, which was built in 1996. There have not been any real maintenance repairs since that time. The biggest concern is the need for the roof replacement. Lt. Dietzel had suggested looking at alternative roofing materials, one of which was a standing-seam steal roof. Mr. DeWater stated that they contacted a contractor for an estimate as well as NOPEC to inquire if that would be covered by the grant they are offering. We have since been approved for that grant. The estimate for the roof was in the amount of \$98,000, which includes a 4-inch insulation sheet under the steal to provide better energy efficiency.

As Council may recall, the current roof design causes water to come into the evidence room and the basement when snow melts or when there is a lot of rain. We have discussed redesigning it with our Building Commissioner, Paul Kowalczyk. He estimated \$40,000 for construction costs, which will obviously have to be done before the steel roof is put on.

Mr. Richman asked if a rubber ballast roof was an option. Mr. DeWater stated that part of the roof does have rubber now and the section that has the steel roof over it has rubber but because of the curvature of the roof, it forces the water against the building and forces it to go down inside. An attempt was made to be fix the issue in the late 90's but it has actually has made it worse.

Mr. Emerman asked what the design life would be for a steel roof. Mr. DeWater replied that it would be 50 years minimum.

Mr. DeWater read from the list of items in need of repair for the Police Department. The steel railings are rotted out. The Service Department can purchase the materials and install them. The ceiling tiles need to be replaced and will cost \$1500 to replace all the tiles upstairs. The carpeting needs to be replaced. Lt. Dietzel explained that except for the evidence room and training room, the rest of the building has all original carpeting and the seams are coming apart. Painting is being done now by the Service Department. The concrete is chipping and cracking and will need to be replaced. The Nature Stone at the front entrance is peeling up and allowing water into the basement near the firing range. In 2002, it was jackhammered out and a rubber membrane was put underneath it which obviously is not holding up. The range was renovated only two years ago and the water coming in is obviously not good for the electronics. Mayor Renda stated that we would need to figure out how to correct the problem, not just fix the roof and the Nature Stone. Mr. DeWater feels that Mr. Filarski could be of some help regarding the concrete repairs. The sally port door/man door needs to be replaced. Lt. Dietzel stated that he would prefer to get rid of it completely, but per Code, it is required as an egress door, even though they never use it. The bathroom wall partitions need to be replaced. Mr. DeWater and Lt. Dietzel will look into other options because the materials needed are more expensive than they originally thought; the price listed is the worst case scenario price. HVAC repairs are needed. Smiley One did a walk through and determined that six furnaces need to be repaired; those repair items range from a gas valve to a heat exchanger. Lt. Dietzel stated that they also need to discuss whether one of the two furnaces can be eliminated. Cutting one out could save money and he feels that one furnace is enough to heat the garage properly.

Mr. Stanard inquired about the building having six furnaces. Lt. Dietzel explained that it is a poor setup as each side of the hallway is controlled by its own thermostat and the basement has its own thermostat as well. The units are on the roof in a cubbyhole, where it collects all the rainwater. Mr. Stanard asked if they could create one central furnace. Mr. DeWater stated that they could not because there is not a place to put the ductwork. Lt. Dietzel also explained that there is one heat exchange system that is hooked up to the range, which Smiley One services as well, and usually costs about \$500 to change the filter which is required by EPA regulations.

Mr. DeWater moved onto the Town Hall repair needs. The roof for the building and schoolhouse were put on in 1992. The Schoolhouse roof is actually in worse shape, however they should be done at the same time. He stated that they will stay with a shingle roof (lifetime shingle) on these building because of the character of schoolhouse.

The flat roof over the Finance Department needs the seams to be resealed and coated with aluminum coating, which can be done in house. The concrete sidewalk needs to be repaired or replaced and the estimate received for it is \$7500, but that is also another item they can talk to Mr. Filarski about. The ceiling tile replacement in the Finance Department is estimated at \$1,000. All the tiles will all have to be replaced so that they match because the patterns that they sell now have changed. The reworking of the entrance-way is up for discussion. Mr. Kowalczyk has a few ideas without re-designing the whole thing; however, he has not had the time to discuss it with Mr. DeWater or the Mayor.

The Community Building needs roof touch up repairs around the stacks and resealing around the mechanics bay. It also needs interior paint touch up and the deck needs to be sealed. The Service Garage requires trim board replacement, which will be done in house. The Service Department may look into cladding them with aluminum.

Mr. DeWater stated that the list can change as things fail. They will update Mayor Renda and Mr. Shah as he and Lt. Dietzel continue to work on getting prices firmed up. They will also work with Mr. Shah on how these items are going to be paid for.

Mayor stated that it is her personal opinion that the Police Department is critical and is at the tipping point where we have to save it or lose it.

Lt. Dietzel stated that he appreciates the good work that Mr. DeWater and the Service Department are doing to maintain the property.

Budget Presentation – Prashant Shah, Treasurer

Mr. Shah began by stating that the budget is a dynamic document and is not set in stone. The items brought up tonight by Mr. DeWater and Lt. Dietzel are not in the budget yet, but it can be revised as we go along.

Mr. Shah stated that as in the past, our revenues are steady. Our two main sources of revenue are fixed and are income tax and property tax. Income tax was at 65% in 2017 (72% in 2016) and Property taxes were at 19%, Local Government Funds .04%, Admissions Tax, 1%, Bedford Court 1.21%, Other 13.75% which includes building permits, licenses, and the reimbursement from Pepper Pike for our shared building department services. The Local Government Fund is almost dried up; we are getting 25% of the revenue we were getting ten years ago.

Our income tax rate is 1% and has been since 1971. The breakdown of income tax is as follows: Individuals account for 81%, Withholding is 15%, and Net Profits is 4%. This year, the state allowed businesses to file their net profits with the state as opposed to RITA. Now there are two entities monitoring tax for one entity. Mr. Shah explained that it is not known how the state is going to do at keeping those records. With RITA, we currently have the ability to go online and look at all the information and look at the tax forms that have been filed by companies. He stated that the state claimed that they can do it for less money, but time will tell. Currently, we get our revenues biweekly from RITA, whereas the state will do it once a month. Thankfully, it is not as much of an issue for Moreland Hills because it is only 4% of our revenue. There is still a lawsuit ongoing with the RITA communities

Our Income Tax Collections this year through February are \$527,158, which is higher than last year (\$290,769 in 2017 and \$610,510 in 2016). The amount fluctuates monthly but at the end of the year, we will end up collecting about 3 million dollars, which is around the usual amount. The average number of returns filed the past three years is 1,340.

Of the 56 communities in Cuyahoga County, 91% have a higher tax rate than Moreland Hills. 17% of the communities have a tax rate higher than 2%, 28 communities are at 2%, and 5 communities are between 1% and 2%. Moreland Hills is only 1 of 6 communities that have a tax rate of 1% or less. Increasing our income tax rate is one avenue we have to increase our revenues, and that conversation may need to be had this year.

The Property Tax distribution by mills is as follows: General Fund 4 mills, Police and Fire Levy Fund 3 mills, and Police Pension Fund .3 mills. We no longer have any outstanding bonds so the Bond Retirement Fund is zero. Property taxes are the Village's second highest revenue source and totals 7.3 mills.

The Property Taxes have not changed much, and only changed by half a percent throughout the county. The assessed valuation for tax year 2015/collection year 2016 was \$254,510,000; \$258,000,080 for tax year 2016/collection year 2017; \$257,933,000 for tax year 2017/collection year 2018. He stated that they should expect to see a change in valuation next year. Total property tax revenues are \$1.883 million with the breakdown as follows: General Fund \$1,032,000; Police and Fire Levy \$774,000; Police Pension \$77,400.

The average home sales and values for 2017 were 60 homes sold and the average value was \$508,658, with an average sale price of \$470,520. There are 1375 dwellings in the Village. The average value in the county is \$127,411 and the average sales price is \$156,622, and the number of sales in the county was 19,495. As a village, our property values are up. Any change in property tax millage will affect property owners and generates more revenue than it would in a suburb with lower property values.

The following revenue sources have been reduced or eliminated: Estate Taxes have been eliminated and Local Government Funds have been reduced by 75%. Estate taxes had a 13-year average of \$262,863, totaling \$3,417,218. We did receive \$8,000 in 2017 because someone filed his or her estate taxes late. We went from receiving \$89,193.01 in local government funds in 2003 to \$22,137.00 in 2017.

Expenditures by Category – General Fund and Safety Levy is as follows: Personnel \$3,335,690.00; Capital \$279,992.00; Other Expenses \$1,485,906.00. Personnel consists of a total of 32 full time employees and 12 part time employees. Personnel costs are made up of salaries and wages, pension contributions, Medicare, health care, dental and prescription, and workers compensation. Other costs include contracts, utilities, supplies, fees, permits, and insurance premiums.

Another of our big expenditures are Infrastructure Projects. We have been lucky to get outside funding support. For 17 years we spent \$19,683,442 with \$4,349,688 of that coming from outside funding that was acquired. In speaking with Mr. Filarski, he is anticipating spending 2.3 million this year, and around \$800,000 per year for the next five years. The State Route 87 slope repair is the largest of the 2.3 million, but hopefully ODOT will participate in that, which will bring the level of the expense down a little.

Mayor Renda stated that Mr. Filarski, Mr. DeWater and she met with ODOT on Friday and they did commit \$300,000 toward the project, and informed them about several other sources that we can try to get funding from. She stated that she did not feel that ODOT initially realized how bad the slippage is, so they may be willing to talk to Mr. Filarski again. Mr. DeWater stated that we are starting to lose ground under the edge of the road, so they will televise two of the storm sewers, because they think the pipes may be separated under the road. Mr. Emerman asked what the proposed solution is. Mr. DeWater stated that Mr. Filarski is proposing a two-tier wall. Mr. Emerman asked if there was any risk of the road being shut down for safety reasons. Mr. DeWater stated that they will work with ODOT, and if it becomes crucial that it be shut down, they will provide us some assistance with that.

Mayor Renda stated that ODOT seemed really motivated to help us and Mr. Filarski has a really good grant writer at CVE who is looking for grant sources for us. She stated that she feels that if we show ODOT that we are doing everything we can possibly do (we have applied for but were denied an OPWC loan), that hopefully they will help us out more.

Capital Items not budgeted for at this time are as follows: Village Hall entrance, Police Department roof replacement, Community Building roof replacement, Police Department overhead doors, shower repairs and exterior door, Village Hall landscaping, Cement floor in storage building, Forest Ridge House conversion to Lodge. He stated that this is the same slide from last year and the same items are still on it, except that Forest Ridge was added this year. Mayor Renda stated that she has a different plan about funding the House on the Hill. Mr. Shah stated that he will add the other items listed tonight onto this slide.

Mr. Shah informed Council that the Village does not have any debt which is another thing to think about as we go forward. It takes time to put a levy on the ballot and to make residents understand the need for it, so in the meantime, we can consider a short-term note. We can combine the major expense items that we need to do quickly, and get a short term loan to pay for it. Once the levy passes we can pay off the note, or renew it every year as we are paying it down. Mr. Richman asked what our interest rate would be right now if we were to get a loan. Mr. Shah stated that because of our rating, he would say about 2%. He stated that we would look to fund short term, which will keep the interest rate lower. Mayor Renda stated that she thinks it is a good idea for the position they are in. She stated that her thought is to ask the residents to increase the safety levy. If we do small incremental changes, then hopefully the new development will bring in more revenue in the next few years so that we will not have to increase the income tax. Increase safety levy borrow money to get us through in the short term and see how it goes from there. Mr. Shah stated that is a good strategy.

Our Outstanding Debt is as follows: we do not have any notes or bonds, but have loans that have to be paid back to OPWC, but they are manageable.

Mr. Emerman asked if ODOT has a loan program (to pay for the slope issues) that we can use if we fix the issues ourselves. Mayor Renda stated that she is not sure if ODOT does but thinks OPWC has emergency loans. Mr. Filarski is looking into that. Mr. Stanard agreed that ODOT does not have a loan program. Mr. Emerman asked about the OPWC loan. Mayor Renda explained that in order to get the emergency funding we would probably have to take a loan. There is a grant process in the fall, and there is a lot of competition.

Our Bond Rating is still Aa1. Our Current Reserve Balance is \$1,392,737. We have not put anything in this fund since 2015. Prudent fund balance policy dictates that you should have 25% of revenues or 25% of expenditures. The fund balance is currently at the 25% mark but when the Police Fund is included, it is only at 18.4% of our annual expenses.

The Village has been Deficit Financing since 2014, however we did not in 2016 because the income tax revenues jumped up by \$450,000 and because we also had a smaller road program that year (\$320,000).

There are two sources for revenue enhancement: Income Tax or Property Tax. A .25% increase in the tax rate would generate \$633,000. A 1 mill increase of the property tax will generate \$250,000. The General Fund is funding 1.5 million a year for the safety levy. Most of our expenses are personnel related because we provide service. We are doing all we can to monitor our expenses and only spend money on what we need.

Mr. Stanard stated that he feels that the buildings need repairs, period. It almost does not matter how it gets paid for because what happens when you do not repair infrastructure is that it will ultimately cost more. Since the tax increase will take time, he is in favor of making plans to get those repairs done. He would advocate for assessing them, prioritizing them and getting them done. We are not being prudent by not making repairs on the buildings.

Mr. Stanard inquired how we have been able to sustain on the 1% tax rate for that long. Mayor Renda stated that even though we have been at 1% since 1971, she believes that sometime in the 1990's, we took away the rebate if you worked in another community (50%) and there used to be a road levy also, but it expired in 1988. Mayor Renda stated that when she starts presenting this information to the residents to let them know something is coming, she would need to know all the details of that information so that she will be accurate.

Mr. Richman thinks that it bears mentioning to the residents that when the estate tax went away, we were not caught off guard, and we proactively banked the funds and built up the infrastructure that we have now. Unfortunately, we are now faced with the need for improvements to that infrastructure.

Mr. Shah stated that there are very few communities with little to no debt like Moreland Hills; probably between five and seven of the 56 communities in Cuyahoga County have little to no debt.

Mr. Stanard asked if there is any point in going higher on income tax and offering the discount. Mr. Shah stated that for communities that have a commercial base, it would make sense to do that, but it would not make sense in Moreland Hills.

Mayor Renda stated that Council has a lot to think about and discuss. The Committee of the Whole meeting is next week where Council can move forward with discussions about this then.

Reports of Committees

There were no Committee Reports.

ORDINANCES AND RESOLUTIONS

Ordinance 2018-13 -Introduced by

AN ORDINANCE ESTABLISHING THE PERMANENT APPROPRIATIONS FOR THE FISCAL YEAR 2018 FOR THE VILLAGE OF MORELAND HILLS AND DECLARING AN EMERGENCY.

Mr. Stanard stated that this will set up the budget for 2018 based on the discussion we just had.

Mr. Stanard made a motion seconded by Mr. Buczek to suspend the rules for Ordinance 2018-13.

ROLL CALL:

AYES: Mr. Buczek, Mr. Emerman, Mr. Fritz, Mr. Richman, Mr. Stanard

NAYS: None

MOTION CARRIED

Mr. Stanard made a motion seconded by Mr. Buczek for passage of Ordinance 2018-13.

ROLL CALL:

AYES: Mr. Buczek, Mr. Emerman, Mr. Fritz, Mr. Richman, Mr. Stanard

NAYS: None

MOTION CARRIED

Miscellaneous

Mr. Stanard thanked Mr. DeWater and Lt. Dietzel for their report and thanked Mr. Shah for his very thorough presentation. He stated that it helps to have a better picture of the repairs that need to be made and in fact, he may come by and have a look at the Police Department to see all those items discussed tonight.

Mr. Buczek stated that the Service Department is doing a good job ditching on Ellendale by keeping the roads clear and not holding up traffic.

Mr. Buczek made a motion seconded by Mr. Stanard to adjourn the Special Council Meeting at 8:17pm.

ROLL CALL:

AYES: Mr. Buczek, Mr. Emerman, Mr. Fritz, Mr. Richman, Mr. Stanard

NAYS: None

MOTION CARRIED

The meeting was adjourned at 8:17pm.

Attest:

Sherri Arrietta, Clerk of Council

Dan Fritz, Council President