



SHAKER HEIGHTS

**Finance and Administration Committee
Monday, March 18, 2019
7:30 A.M.
Conference Room B**

Members present: Council member Sean Malone, Chair
Council member Earl Williams
Council member Nancy Moore
Council member Rob Zimmerman
Citizen member Tom Cicarella

Others present: Mayor David E. Weiss
Chief Administrative Officer Jeri Chaikin
Patricia Speese, Director of Public Works
James Heath, Battalion Chief
Katharyne Starinsky, Senior Economic Development Specialist
Michael Peters, Sustainability Coordinator
Frank Goforth, League of Women Voters

The meeting was called to order by Chair Sean Malone at 7:30 A.M.

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APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF FEBRUARY 19, 2019.

Chair Malone stated that the minutes of the February 19, 2019 meeting were approved as recorded.

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AUTHORIZING THE APPLICATION FOR AND ACCEPTANCE OF A 2019-2020 STATE BOARD OF EMERGENCY MEDICAL, FIRE AND TRANSPORTATION SERVICES GRANT.

James Heath, Battalion Chief, stated that this request is for the authorization to apply for and accept a 2019-2020 State Board of Emergency Medical, Fire and Transportation Services grant. This grant is administered by the Ohio Department of Public Safety, Division of Emergency Medical Services, and is to improve and enhance EMS and trauma patient care in Ohio through the provision of grant funding for equipment, training, and research. The Shaker Heights Fire Department has been awarded this grant in the past and the funds were used to purchase EMS equipment for all ALS squads and training programs as stipulated in the Ohio Department of Public Safety (ODPS) EMS Grant rules.

This item was presented and approved by the Safety & Public Works Committee on March 1, 2019 and received enthusiastic support for this continued grant request.

The Finance and Administration Committee recommended authorizing the application for and acceptance of a 2019-2020 Ohio Department of Public Safety EMS Grant.

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RATIFICATION OF CUYAHOGA COUNTY SOLID WASTE MANAGEMENT PLAN DISTRICT.

Patricia Speese, Director of Public Works, stated in 1988 the State of Ohio General Assembly passed the Ohio Solid Waste Disposal Act. This law established a regional system to plan for the proper disposal of the 14 million tons of waste produced in our state each year. The goal of this law was to reduce our reliance on landfills by expanding waste reduction and recycling activities statewide.

The Cuyahoga County Solid Waste District (CCSWD) was formed in 1989 to implement a Solid Waste Management Plan for Cuyahoga County. The County's first Solid Waste Plan was prepared and ratified by local governments in 1994. It was updated in 2000, 2006, 2012 and now again in 2019.

The CCSWD was charged with the implementation the Cuyahoga County Solid Waste Management Plan and to serve the community through programs designed to promote and increase recycling; thereby reducing solid waste being sent to landfills. The District is funded by a per ton "generation fee" of \$1.50 per ton of solid waste. We pay this fee to the CCSWD for trash sent to the landfill but we do not pay this fee for any recycled or composted (i.e. brush, leaves, etc.) waste.

The District has taken the lead in providing additional services, enabling communities to benefit in their regionalization of recycling services.

Throughout the years, the City of Shaker Heights has taken advantage of the services made available by the Solid Waste District. With their assistance we have more than doubled our recycling efforts in the past 15 years.

This plan update will become effective in 2019 through 2033 with required updates every five years during this time period; there is no additional cost associated with this update until 2023 when the generation fee will increase by \$.50 a ton which will bring the fee to \$2.00 per ton and will have a roughly \$4,500 yearly impact on our budget. For comparison purpose, the average statewide fee is \$4.50 per ton.

Should the local communities not ratify the plan, the Director of the Ohio EPA is required by state statute to prepare a plan for Cuyahoga County and to order the Solid Waste District to implement the state's plan.

This request was presented to the Safety & Public Works Committee at their March 1, 2019 meeting and while there was not a quorum, there was unanimous consensus from

the members that were present. Chairwoman Moore expressed her support and explained that she supports the District's plan as opposed to having one prepared for the City with no input.

Based upon the benefit provided to the residents of Shaker Heights by the CCSWD to encourage proper recycling, manage materials banned from landfills, safely dispose of household hazardous waste and promote cost-effective solid waste and recycling services in the county, we recommend that the Solid Waste Management Plan Update be ratified by the City of Shaker Heights.

Council member Zimmerman stated recently there were news articles talking about the cost of recycling increasing so much that larger cities were opting out of the program and requested Director Speese to comment on that with any information she had.

Director Speese stated that Los Angeles had been receiving \$3M a year in revenue for their recyclables and are now presently paying \$20M a year to get rid of them. It has reached a point that no one is willing to take recyclables and cities are being forced to consider discontinuing collection. Presently the City does have a contract that does not charge for pickup of recyclables, but that is due to expire in a year. If it does cost to pick-up recyclables, the City may have to look at options.

Council member Moore stated that the news article mentioned that a few large cities have resorted to incinerating, that being the only way to get rid of the recyclables without putting it in the landfill.

Director Speese stated that the City is criticized for having the small recycling containers, but the smaller container allows the refuse personnel the ability to go through the container making sure that it contains recyclable material and not contaminated waste.

Chair Malone suggested that the Cuyahoga County's Solid Waste representative should be invited to attend a Sustainability Committee and talk about their initiatives.

Council member Moore suggested inviting Cuyahoga Soil and Water to attend a Sustainability Committee meeting because they are an excellent resource regarding recycling and offer a good program.

The Finance and Administration Committee recommended the ratification of Cuyahoga County Solid Waste Management Plan District.

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ACCEPTING A PROPOSAL AND AUTHORIZING A CONTRACT WITH SOLAR TESTING LABORATORIES, INC. FOR 2019 CONSTRUCTION INSPECTION SERVICES AT AN ESTIMATED AMOUNT OF \$73,625 OR \$50.00 PER HOUR WITH RENEWAL OPTION FOR 2020 AND 2021.

Director Speese stated that on January 7, 2019, the City of Shaker Heights sent Request for Proposals (RFP) to six (6) consulting firms for construction inspection services. The

general scope of work included providing full time construction inspection for road resurfacing, waterline replacement, sewer improvements and other projects as requested by the City. This would be a one year contract with the option to renew in 2020 and 2021. These inspection services would not include projects that are receiving federal funding due to their special requirements.

Three proposals were received on January 25, 2019 with the number of hours being an estimate based on our experience with related projects but can change based on conditions in the field.

On February 21, 2019 Public Works interviewed the team from Solar Testing Laboratories, Inc. Based on their interview, understanding of the City's expectations and their fee proposal, we are requesting approval to enter into a contract with Solar Testing Laboratories, Inc. for 2019 Construction Inspection Services at an estimated cost of \$73,625.00 or \$50.00 per hour with the option to renew in 2020 and 2021.

This request was presented to the Safety & Public Works Committee at their March 1, 2019 and while there was not a quorum, there was unanimous consensus from the members present. The question was raised if the same inspector would be on the job for the entire duration. It is the expectation of the City as expressed to Solar Testing that the same inspector be on the job for continuity purposes.

In response to Chair Malone regarding the use of construction inspectors, Director Speese stated that the last several years there has been a variety of several different firms performing the construction inspections for various City projects.

The Finance and Administration Committee recommended accepting a proposal and authorizing a contract with Solar Testing Laboratories, Inc. for the 2019 Construction Inspection Services at an estimated amount of \$73,625 or \$50.00 per hour with renewal option for 2020 and 2021.

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AUTHORIZING A VISION FUND INCENTIVE IN THE MAXIMUM AMOUNT OF \$80,000 TO ALIGN CAPITAL PARTNERS (ALIGN) FOR ITS RELOCATION TO THE VAN AKEN DISTRICT.

Katharyne Starinsky, Senior Economic Development Specialist, stated this item is a request authorizing a Vision Fund Incentive agreement to provide installment payments over a six-year period not to exceed \$80,000 to Align Capital Partners (ACP) for its relocation to the Van Aken District. ACP has agreed on the terms with RMS and has signed a letter of intent and will process their lease agreement concurrent to the City's approval process.

City Council adopted the Economic Development Plan back in November 2010, calling for the implementation of tenant incentives programs to make it financially feasible for businesses to expand their operations and locate new offices in Shaker Heights. The

Vision Fund has made ten loans, totaling \$362K and have yielded \$653K income tax thru 2018, representing a return of 2:1 on the City's funds.

This item was presented and approved by the Neighborhood Revitalization and Development Committee on March 13, 2019.

In response to Chair Malone, Mrs.Starinsky stated that Align Capital Partners approached the City with interest to move to Shaker Heights.

Mayor Weiss stated the pros to this transactions included high wage earners, growth potential and the public relations to announce that the office building is 100% leased and it is time to start Phase 3 of Van Aken. This is a 10-year lease and the transaction is a "pay as you go" rather than taking all the risk up front by giving a Forgivable Loan.

In response to Council member Zimmerman in regards to Beachwood trying to retain them, Mayor Weiss stated that the company was actually looking to lease another office space in Beachwood, but decided to move to Shaker Heights instead.

Chair Malone asked the amount about left in the Vision Fund and what is the potential risk on the City if the company goes out of business?

Mayor Weiss stated that the City is at risk for the initial installment, but after that the terms of the agreement is pay as you go. It falls under a revenue sharing arrangement.

Council member Zimmerman requested a report on the results of these various investments and the type of investments.

Mrs.Starinsky stated that after this loan the balance of the Vision Fund is \$190,000.

In response to Chair Malone regarding repayments, CAO Chaikin stated that after the loan is paid the excess goes into the ED and Housing Reserve Fund which presently has a balance of \$2.7M and the income tax goes into the General Fund.

In response to Chair Malone regarding the availability of these fund, Mrs.Starinsky stated these funds are not strictly for the Van Aken District, but are available to all businesses in Shaker Heights.

Mayor Weiss stated as the Van Aken District grows so will the need for more incentives to help promote the office tower.

The Finance and Administration Committee recommended authorizing a Vision Fund Incentive Agreement to provide installment payments over a six year period in the maximum amount of up to \$80,000 to Align Capital Partners (ACP) for its relocation to the Van Aken District.

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AUTHORIZING THE APPLICATION FOR AND ACCEPTANCE OF A NORTHEAST OHIO PUBLIC COUNCIL (NOPEC) ENERGY AND COMMUNITY GRANT FUNDS IN THE AMOUNT OF \$55,958 TO BE USED FOR THE CITY HALL GENERATOR AND ELECTRICAL SERVICES UPGRADE PROJECT.

Jeri Chaikin, Chief Administrative Officer, stated that the City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code which serves as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity or gas. NOPEC is currently comprised of over 200 communities who have been authorized by ballot to purchase electricity or gas on behalf of their citizens. NOPEC provides electricity or gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity or gas to our community and our residents.

Shaker Heights offers its residents an electric aggregation through NOPEC, but currently offers our own gas aggregation program approved by a vote of our residents.

NOPEC's Energized Community Grant Program provides funds to help member communities implement energy savings or energy infrastructure measures. In 2018 the City received \$60,445 in grant funds which were applied to the \$95,000 replacement of the original boiler in the Police/Court Building at 3355 Lee Road. For 2019, \$55,958 is available, based on 7,994 accounts (from April 2018 - September 2018) at \$7 per each account, a decline from the 8,635 accounts for the period April 2017 - September 2017.

The grant agreement entered into in 2018 between the City and NOPEC is in effect for the 2019 grant application, but Council approval is required for the application. We propose applying to use the \$55,958 toward the \$150,000 generator replacement and electrical service upgrade project at City Hall, 3400 Lee Road. City Hall currently has two electrical services and two generators. One service is single phase and is original to the building. The other electrical service is three phase and was added in 1973. A three phase electrical service is more efficient, provides a higher power factor and allows for future high efficiency equipment upgrades. The two City Hall generators are old and past their expected lifecycle. One generator was placed into service in 1973 and the other was installed in 1977. This project will allow the City to replace the two old generators with one new three phase generator - thereby reducing fuel usage and maintenance costs. The electrical service will be upgraded into a three phase (efficient) service and the single phase (inefficient) service will be eliminated.

When we receive the \$55,958 in grant funds it will be deposited in Fund 401, the General Capital Fund, to offset the City funds allocated to this project.

This application was approved by the Sustainability Committee on March 14, 2019. Members commented on the value of this grant to help reduce the costs of our capital projects that provide for energy savings.

The Finance and Administration Committee recommended authorizing the application for and acceptance of a Northeast Ohio Public Council (NOPEC) Energy and Community

Grant Funds in the amount of \$55,958 to be used for the City Hall Generator and Electrical Services Upgrade Project.

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AUTHORIZING THE APPLICATION FOR AND ACCEPTANCE OF A U.S. GREEN BUILDING COUNCIL (USGBC) GRANT WITH THE ESTIMATED TOTAL VALUE OF \$25,000 TO BE USED FOR LEED FOR CITIES CERTIFICATION.

Michael Peters, Sustainability Coordinator, stated that this request is for authorization to apply for and accept a grant from the U.S. Green Building Council's LEED for Cities and Communities Program. This new program will be announced April 1, 2019. In anticipation of that announcement there is the opportunity for 14 cities to receive a grant to support certification. In the grant application it was specifically mentioned that they were looking for diversity in the size of cities to apply as well as those cities that had an emerging sustainability program.

Chair Malone stated that in 2015 when the City was getting involved with program, the City was considering becoming a Star Community, but decided against it since there was not enough staff to allocate toward this project.

Council member Moore stated her interest in the connection between the Leed Certification and new housing. In the past while the City has been building new housing, Leed Certification seemed like a good idea, but it did not seem to pan out due to the cost involved in meeting the Leed guidelines.

Mr. Peters stated that on April 1st the specifics of this program will be announced. If the City is awarded one of the fourteen grants and if during the agreement process it should be discovered that the program and the City are not in alignment, the City will back-out from accepting the grant. The City has the ability to choose and prioritize within the categories what it is as a community it should do.

In response to Council member Williams, Mr. Peters stated that LEED is "Leadership in Energy and Environmental Design" founded in 1999. Leed is one of the most popular green building certification programs used worldwide. Developed by the non-profit U.S. Green Building Council it includes a set of rating systems for the design, construction, operation and maintenance of green buildings, homes and neighborhoods. In 2006 it was adopted by the General Services Administration to oversee all Federal building projects, which in turn started private industry adopting the program.

In response to Council member Williams, Mr. Peters stated that presently there are no LEED buildings in the City of Shaker Heights. Leed includes a building design program and an existing building operations and maintenance program.

Council member Zimmerman asked if this program would be attractive to the types of businesses that the City is looking to attract to the community.

Mayor Weiss stated that qualifying for these various standards is not easy. Even in the private sector where funds are more available, it is tough to meet these standards and it becomes a cost issue. Businesses that are not interested at all in these types of programs, it will make no difference in attracting them. There is a growing number of businesses that are interested in this program and it makes for a highly competitive edge attracting them to our City.

Council member Zimmerman stated that during the development of Oakwood Commons, there was controversy regarding the destruction of green space and Leed Certification was a very important part in selling that project to the community. He questioned if the City qualified, would this be useful in selling the City.

Mayor Weiss stated absolutely and that there are multiple advantages, one being able to sell it and attract businesses and potentially saves the City money over the long term.

Mr. Peters stated that Shaker Heights is the first City in Ohio to do this. The City of Cleveland is also presently looking at this program.

In response to Citizen member Cicarella regarding the award agreement and possible consequences for failing, CAO Chaikin stated that the agreement is subject to review by the City's Law Department.

Mr. Peters stated that since the City has stated their intention of going through this process, even if they did not receive a grant, it is a positive reflection.

Mayor Weiss stated that if the City does get certified, there is a potential of some cost as the City maintains their membership, but it is all to the good.

Council member Moore spoke about the discussion from the March meeting about the image of the City and changing that image and how to go about doing it. This type of program is an image changer moving the City into the next generation.

The Finance and Administration Committee recommended authorizing the application for and acceptance of a U.S. Green Building Council (USGBC) Grant with the estimated total value of \$25,000 to be used for Leed for Cities Certification.

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AUTHORIZING THE EXECUTION OF CERTIFICATES BY THE DIRECTOR OF FINANCE AND THE PAYMENT OF AMOUNTS DUE UPON CERTAIN CONTRACTS FOR WHICH THE FINANCE DIRECTOR HAS ISSUED THEN AND NOW CERTIFICATES IN CONNECTION WITH CERTAIN EXPENDITURES.

CAO Jeri Chaikin, stated that there are three transactions this month that exceeded the \$3,000 cost, which was invoiced prior to the funds being encumbered.

The Finance and Administration Committee recommended authorizing the execution of certificates by the Director of Finance and the payment of amounts due upon certain

contracts for which the Finance Director has issued Then and Now certificates in connection with certain expenditures.

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2018 YEAR-END OPERATING RESULTS.

CAO Chaikin presented an overview of the 2018 Year-end operating results.

- **2018 Revenues were \$18,589 less than the 2018 budget and were only \$3,578 more than 2017 actual.**
 - Property taxes were \$72,320 more than was collected in 2017.
 - Income taxes were \$516,143 less than in 2017, the first year since the income tax rate increase that income tax revenues were less than the prior year income tax revenue.
 - Other Local Taxes, Licenses and Permits, and Fines and Forfeitures, were all lower than in 2017, in the aggregate by \$43,100.
 - Charges for Services, Local Government Fund, Intergovernmental Revenue, and Miscellaneous were higher than in 2017 in the aggregate by \$257,816.
 - Investment earnings went up by \$393,848 as a result increased interest rate and using brokered CDs and Treasuries for investments rather than overnight investments.
 - This is first year since 2013 that revenue has not grown by at least \$500,000.

- **2018 Operating Expenses were \$1,848,191 less than the 2018 budget and \$204,059 more than 2017 actual.**
 - Transfers Out of the General Fund were \$11,972,621 which exceeded the 2018 budget by \$1,090,994 and permitted funding for Recreation, the Economic Development Fund, and sewer construction.
 - Almost all departments spent less than they were budgeted in 2018.
 - The Fire Department, the Finance Department and the Recreation Department (General Fund) exceeded their 2018 Personal Service budgets as a result of separation payouts to long term employees.
 - Police under spent its original budget by as a result of a delay in hiring and reduced overtime.
 - Spending for all other General Fund departments was less than was budgeted for 2018.

2018 General Fund Results:

Revenues exceeded expenditures and transfers by \$1,264,405

- Unencumbered Fund Balance increased from \$15,432,623 on January 1, 2018 to \$17,067,917 as a result of the underspending by departments of their General Fund budgets while revenues were only slightly greater than the 2018 and prior year encumbrance recovery.

- Year-end unencumbered General Fund balance is 36.18% of 2018 expenditures and transfers.
- The 2018 budget projected a year-end General Fund balance equal to 30.77% of expenditures and transfers. The actual unencumbered year-end General Fund balance is higher than was budgeted due to the reduced spending and prior year encumbrance recovery.
- Given the uncertainty of whether Shaker income tax revenues will recover in 2019, and by how much, and that all of the collective bargaining agreement for Shaker workers have expired, the unencumbered cash balance of the General Fund may be needed in 2019 to meet the City's obligations.

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There being no further business, the meeting was adjourned at 8:33 a.m. The next meeting will be April 15, 2019.

Respectfully submitted,

Robert H. Baker, Finance Director
Finance and Administration Committee