CALL TO ORDER: Mayor Williams called the Riverside, Ohio City Council Work Session to order at 6:01 p.m. at the Riverside Administrative Offices located at 5200 Springfield Street, Suite 100, Riverside, Ohio, 45431.

PLEDGE OF ALLEGIANCE: Mayor Williams led the pledge of allegiance.

ROLL CALL: Council attendance was as follows: Ms. Campbell, present; Mr. Denning, present; Mrs. Franklin, present; Ms. Fry, present; Deputy Mayor Lommatzsch, present; Mr. Teaford, present; and Mayor Williams, present.

Staff present was as follows: Mark Carpenter, City Manager; Tom Garrett, Finance Director; Kathy Bartlett, Public Service Director; Gary Burkholder, Community Development Director; and Katie Lewallen, Clerk of Council.

EXCUSE ABSENT MEMBERS: No council members were absent.

ADDITIONS OR CORRECTIONS TO AGENDA: There were no additions or corrections to the amended agenda.

APPROVAL OF AGENDA: Deputy Mayor Lommatzsch motioned to approve the amended agenda. Mrs. Franklin seconded the motion. All were in favor; none opposed. **Motion carried.**

WORK SESSION ITEMS:

A) Wright Point – Mr. Carpenter stated they wished to discuss Wright Point as they have upcoming legislation for improvements and operations. Mr. Burkholder referred to a previous discussion he gave to council regarding a general overview of Wright Point. He recognized Ms. Lori Minnich for pulling information together over a number of years. He reviewed projected costs that may be incurred and some they will have to incur in 2021. He stated that the elevators are at the top of the list for repair and he has received estimates on modifications, minor repairs, and total replacement. The elevators in the building were not even from 1985 when the building was built; they are older than that. There was a recent breakdown of the elevator in the 5200 building; it took about three days to repair because they could not find the blueprints. They found some, but they weren't for the building. It did help the technician diagnose it and get it fixed. Just to modernize the elevators, estimates came in from $67,000 to $82,000. Elevators are critical as there are handicap tenants on the third floor and it is distressing when they can't use the elevators.

Regarding the HVAC system, it is his understanding when they upgraded the heating and air conditioning on the buildings that they spend between $800,000 - $900,000, and they replaced the roof units. He had a meeting with MSD and found they have a roof unit for each floor, three in 5200 and five in the 5100 building. He stated that was not the total repair since when the buildings were bought an extra $1.0 million for operational costs and an extra $1.0 million borrowed that was to be used for the HVAC system. Unfortunately, there are other things known as the VAV boxes, which controls the air flow and serve two to three suites. Those need to be replaced. Along with those is an auxiliary heating unit, and as he understands the roof units will heat up the buildings in the mornings and then to maintain the heat throughout the various suites in the buildings the VAV boxes, which are tied to thermostats, will then kick in if it drops a certain number of degrees in suites and maintain the heat. Apparently, it is more efficient than running roof top units all the time to try and heat a specific area. MSD does not have a detailed estimate, but based on the cost of the VAV boxes, a rough estimate, which could be less, would be about $160,000/floor. They still need to do a full assessment of which ones need to be replaced. Another problem is that these are pneumatic thermostats, which operate on air, and once the boxes are replaced, they would do it with an electronic digital modernized system. This would give them more control and energy efficiency where certain areas could be shut down. They could also control the maximum amount of heat in any suite. Additionally, they would have monitoring from the vendor and if they saw a problem in a particular area, they could trouble shoot it immediately without a service call. The modernization needs to be done fairly quickly. The tentative strategy would be not to do it all at once, but to take those floors with current tenants or some premium floors that are most desirable that could be rented would be the first to get done. They want to take care of current tenants and also be poised to improve floors that have high demand for the space being offered.

They recently learned through county environmental that they need two backflow preventers on each building, one for domestic water and one for the fire suppression system. They do not have one at the 5100 building. This is something they need to do fairly soon because the county wants it repaired. It prevents any contaminated water from flowing back into the main water system. This is a $25,000 to $30,000 need.

There was a roof estimate done in 2013 with a breakdown of costs for preventive maintenance versus replacement. A more updated estimate was done in 2018 for a replacement comparing a 15-year old roof, a 25-year old roof, and a 30-year old roof. Ms. Minnich pointed out is that they have had additional costs to repair ceilings and walls where water leaks have come from the roof and have damaged tenants offices. They recently had Sturgill indicate that the roof is in need of replacement. This is a priority for us. The $392,000 for the 30-year replacement that is a 2018 figure; it would probably be more than that. They want to get more solid numbers and bring those forward to council.

Mr. Burkholder added that some of the lobby areas need to be improved as this is something tenants are looking for. They want a nice work space, sufficient heating and cooling, and a professional looking lobby. He rated them between a B- to a B+ space, currently. This will help them to increase capacity for the buildings.

The last item he stated was regarding tenant improvements. They did improvements throughout 2020. If their goal for 2021 would be to add an additional 7,000 sq. ft. in leased space to new tenants or expansion of a current tenant, then they would still have to do improvements to that space. If they average $30/sq. ft., which is a middle-of-the-road number, multiplied by 7,000 sq. ft. that would be $210,000. The money gets recouped over the life of the lease that is the working capital they need to do. Improvements need to be done quickly. Many times, they will get an inquiry asking if they can get into the new space in three to four months. They need to respond to those quickly with working capital.

He is aware there will be discussion on how much do they need and how much borrowing capacity do they have. This is the detailed information he promised council as justification for the working capital needed to turn the buildings around and maintain them to attract new tenants or current tenants who wish to expand their space.

Mrs. Franklin asked if on the estimate of $240,000 for the roofs for 2013, do they know if that was a 15-year, 25-year or 30-year roof. Mr. Burkholder stated he did not know, but he has a detailed report and he could get them the report. He believes they are the original roofs and they are at the 30-year mark. Mrs. Franklin stated that if they took the $240,000 to be 15-years, then the increase from 2013 to 2018 was $17,000. But, if the $240,000 represents a 30-year that is closer to $120,000 increase in cost. Mr. Burkholder replied that Ms. Minnich pointed out that the longer they go on some of the required costs, they will continue to rise. They would like to get a detailed assessment on both roofs; they have done band-aid and patch repairs every time they have had a leak. It is disconcerting for clients to have water coming into their suites and staining ceiling tiles and walls.

Mr. Teaford asked if they could borrow against what they owe on the buildings. Mr. Carpenter stated they have a current note of $4.7 million so the strategy is to pay down the existing note and borrow another $500,000 so in the end they will be somewhere they will be over $5.0 million owed on the buildings. The bond council is fairly confident that will not be an issue. Mayor Williams asked if that would allow for working capital in the estimate. Mr. Carpenter replied the operational budget would be about the same and there will be a carryover; he knows on building and tenant improvements it is roughly $150,000. So, those dollars will be carried over with the additional $500,000 giving them $650,000 for tenant and building improvements. Mr. Denning added that the $650,000 would be like a home equity line of credit for anything they need to do on the buildings. Mr. Carpenter stated it would be for the line items. Mrs. Franklin asked what the current interest rate is on their loan. She is asking because if they are looking at taking a secondary, they need to look at it as refinancing it with a cash value. They will refinance the total loan at a lower interest rate and get the cash value above what the building is appraised for. Mr. Garrett replied they do not have a long-term lease. They have a one-year note; they borrow money every March and pay it back the next March. They don't really have cash value. Mr. Carpenter stated it is too early to know the interest rate, but as they approach the date when the transaction occurs then they will know. Mrs. Franklin asked since they redo the note every year does the interest rate change. Mr. Garrett replied yes; a few years ago, it was 2.7% and last year it was 2.25%.

Mr. Carpenter stated they have not heard back from the bond council. Paper work was sent to OMAP. They don't know if there will be a single reading with a first and second, public hearing, and vote or if they will be able to do it in two meetings. They are hoping to be able to do it in two meetings, but if not permissible, then they will have to do it in one. There will be three ordinances like what was done for Springfield/Center of Flight. Mr. Denning stated they will then have $650,000 to do tenant improvements as needed and possibly to do the roof if they get a decent estimate on at least one of the buildings, and any HVAC boxes as necessary. Mr. Burkholder stated he understood the $650,000 would have to cover all the categories they discussed. Going floor to floor on the HVAC makes more sense than reviewing it suite to suite. Discussion was had on being strategic and cost effective on upgrades and repairs. He stated the costs on the expenses he presented far exceed the $500,000 extra they require. Commissions would come out of the operating capital, but they will also have commissions to pay if they rent out space. Mr. Denning stated it gives the property on the whole more value so they will be able to afford to pay the loan because they will be able to rent more space. He just wants to make sure they are doing it logically and have a plan. He recalled in the past that the boxes were to be changed as needed, but that didn't happen. Mr. Carpenter stated some did get changed, buy it was not as efficient as it works in its entirety. Mr. Denning stated getting rid of the pneumatic is good as well as more things are done remote. He stated that whatever they get done, there needs to be a service agreement with the company because putting in all new equipment without the preventive maintenance doesn't do them any good. Mr. Burkholder stated they have a contract on existing equipment and maintaining new equipment is essential.

Mr. Burkholder stated they have the leasing agent on board and the next phase involves a management company. They will assist with managing the areas and identify areas that need immediate maintenance so there will be another tool in the tool box to fine tune the strategy for improvements on the building. Mr. Denning asked if because the numbers are so high are they forced into prevailing wage situations so they can get better deals. Mr. Carpenter stated he will have to check into that. Mayor Williams stated he has a hard time seeing how they would get out of it. Having a CIC would avoid that, but then they would have to create a CIC. Mr. Denning stated this does bind their hands to a degree. Mr. Garrett stated that to keep it in perspective the only money source is the rent collected from the tenants in the building. Out of that rent, they pay ongoing maintenance and utilities and property taxes. They try to accumulate enough money to pay down the loan. Last year they paid down $170,000 that all has to come out of the rent. They are talking about borrowing an additional $500,000 to do these improvements and clearly there are more improvements than they will have money. Mr. Denning stated that hopefully by borrowing more to do improvements they will get more tenants so then they will have more money coming in.

B) Budget Update – Mr. Carpenter presented a chart showing through December 2020. In May 2020, they made budget adjustments as a result of COVID-19 and the impact it had on revenues, mostly income taxes. The blue line showed the revised budget; the gray line for cumulative did surpass the revised budget that was the good news. He thanked council and staff for tightening their budgets and for the federal government with CARES Act funding along with the State of Ohio providing some workman's comp rebates. It allowed them to have the revenues to exceed a revised budget. Ms. Fry asked if all the monies were in this chart as she knows that was not all the sources. Mr. Carpenter replied yes, it represents the revenues that went to police, fire, service, and admin – the general fund. It does not take into consideration permissive tax and Wright Point revenues.

Mr. Carpenter presented a slide that showed the last seven months that includes the tax filing in July reflected in August. The average exceeded the original target, the 2019 monthly, and the revised target. They still need to be cautious going forward. The numbers they have been plugging into the draft 2021 budget, he feels more comfortable making them closer to the 2019 monthly totals. He will know by the end of January, but expects to have the spreadsheet to council before the end of the month.

He presented a slide that represents numbers for future operational budget projections that is just for maintaining what is currently in place. There are conversations about adding positions in all departments, but this is just maintaining what they currently have. He is taking into consideration only using the following funds: general, police, fire, and service. The estimates in 2021 are really about what the 2019 budget looked like. Prior to COVID-19, they were close to 3% growth in overall revenues. He is now projecting a revenue of 1% growth; anything that exceeds that, they would use those monies to pay down debt and do further infrastructure projects or capital purchases. The four departments operations grow at 2% per year. He broke out the health insurance as it varies year to year and plays a significant part of the budget. This year was 0% increase as they signed a contract last year at 10% so you can average it out at 5%. The other additional benefit of that agreement was that they will waive the December premium, about $90,000. Personnel grows at about 2.5%. Just for operations, the estimated revenues, they don't start having issues until 2024. The income that comes in is not going to cover their cost. He presented a slide with carryover balances. It is the same operations, personnel, and insurance costs, but have factored in the carryover balance the bulk of those funds are in the general fund. If money is transferred from the general fund into service, police, and fire and they don't spend it all then it carries over. He explained that the previous slide showed financial issues in 2024, but on the current slide it would carry them to 2025. He presented a slide showing operations and capital versus estimated revenues. The capital is representative of the tax credit amount, which if taking an average number, the general fund revenues and 16% of that amount is pretty close to what the tax credit amount is equal to. The current draft budget already exceeds the projected revenues in this representation. He then presented a slide showing operations and capital versus estimated revenues and carryover balance. They would be deficit spending in this scenario. Mrs. Franklin asked if the capital improvement slide with operations are taken out then the prior graph is doing what they do now with no extra. Mr. Carpenter stated there was a change from previous years. This year they are breaking out the gas tax fund and motor vehicle tax dollars. They no longer show up as being in the gray box as they had in previous years. They are in a separate fund for infrastructure work that they are going to do. This dark gray represents only the tax credit amount.

Mr. Carpenter stated the current income tax rate is 1.5%. He stated he would use an income tax credit reduction as a .25% of income tax as it is fairly close. If there is an income tax increase of .5% they automatically have to deduct (in this scenario giving back 100% tax credit) a .25%, it would generate a little over $1.0 million. If there is an income tax increase of .75% (giving back 100% tax credit) it would generate a little over $2.0 million. If there is a 1% increase (giving back 100% tax credit), which is the equivalent of the City of Dayton, it would generate roughly $3.0 million. Using all the same projections and additional revenue with a 1% growth in revenue each year, he presented a chart that shows the only one exceeding through 2029 and maintaining what they have, is the 1% income tax increase. There are a lot of variables. He wanted council to start thinking about how they are going to address the future.

At the February work session, he will talk about the 2021 budget and what other information they might be interested in looking at to talk about the sustainability of the operational budget. Ms. Campbell stated the 1% doesn't sound too bad. Mr. Carpenter replied it is a big ask, but it is the one that would make them sustainable with this model. Ms. Fry stated at the next work session she would like to talk about based on the projections it is still not sustainable. It is sustainable for a longer period of time, but the growth is still out pacing the income with these projections. She would like to explore that and find out what they can do to bring them into more equilibrium. She commented that the lines do not go up as fast as the bars do and they will have to go out a few more years even with a 1% income tax increase, they are hitting the same problem just further on down the road. She would like to look at what they could do or what it would take to have something where they follow the same trend line. Mrs. Franklin stated she does not know they could get that without being able to increase the city tax consistently. Ms. Fry stated that is not a reasonable expectation for the amount of tax collected every five year be increased. That isn't something they can answer tonight, but between now and then, she thinks that is something they need to really understand. What would it take; what are the factors at play?

Mr. Denning stated they may want to look at the increased income tax with the carryover and where does that hit that line and how far out does that take us. Ms. Fry stated she does not think they should use the carryover. Mr. Denning replied it was in their bank. Ms. Fry stated the raises to personnel is outpacing the actual bring in of income tax. Mr. Denning stated it is only increasing at 1% a year. He stated that if people's income actually increased then the income tax revenue increase would be like 2% or 2.5% per year, then those lines would change. They are making projections on a moving target and thinks they need more information looking at the numbers in 2024 to look at the average increase per year to be able to give more realistic numbers than what they have. They are looking at 9 years out. Ms. Fry stated that what they want to get to is something that is sustainable for the future. Not sustainable for another five years. Mayor Williams stated that Brenda was right. If they take the chart out a few more data sets they are still hitting the same point; it is a matter if it is 2024 or 2029, but if it is not in 2029, then it is probably in 2034. Ms. Fry stated she is open to an increase. If they have an increase, then she wants that to resolve the sustainability issue not delay it. Mr. Carpenter agreed. The biggest factor in the equation is the health insurance; it makes a huge difference. They are projecting 11%, which is high, but they have had increases higher than that. They saw some relief with 10% over two years; it made a big impact. This is just maintaining what they currently have. Mr. Denning stated they probably will need more police officers and firefighters rather than just maintain or even less. Deputy Mayor Lommatzsch stated that was up to the voters. Mr. Denning stated they need to have a plan and present it to the voters on what it will cost and are they willing to pay for it. Mrs. Franklin stated they talk about the increase minus the people who work within the officer, the rest are under contracts and most of them have averaged at least 2%/year. Mr. Carpenter stated that was correct and it is based on 2.5% and some of those increases have been below that as well. Mr. Denning stated they have been talking about going to a full-time fire department, which would move them from 19 to 38 or some number like that, which is double what it is now.

Mayor Williams stated they will follow up at the February work session on the items mentioned. Mr. Denning asked when they will have to have something in to put it on the ballot. Mr. Carpenter stated that it is too soon for May. Discussion was held on filing dates. Mr. Carpenter stated he would wait until November. The clerk stated the filing deadlines for the May ballot; the August ballot; and the November ballot. Ms. Campbell asked if the street levy would be on any of those. Mayor Williams stated they have not discussed that. Ms. Campbell stated they may want to put them separate. Mr. Carpenter stated that some of the gas tax is used for road work, but nothing additional. Ms. Campbell stated she was talking about not putting them both on at the same time. Mr. Denning commented they were talking about doing one instead of the other. Ms. Campbell asked if they put the first one out for the tax and it doesn't pass, will they put the street levy out. Mayor Williams replied they haven't discussed any of that, right now it is about the operational side of the ledger, which is tied to income tax. Ms. Campbell asked if they got one then they wouldn't need the other. Mayor Williams replied they never said that. Ms. Campbell stated that when she mentioned separating them that Mike said they just wanted to do the one. Mayor Williams stated he didn't think he said that. Mr. Denning stated they aren't moving on a road levy that doesn't mean if they pass the income tax they won't try to put it back out there. This only keeps them where they are even if they get it to pass. It doesn't give them any additional. Ms. Campbell stated she didn't want to kill one of them because the other is out there.

Deputy Mayor Lommatzsch stated there was an article in the DDN on how Kettering uses their gas tax, and our residents are questioning how we use our gas tax. Can they put out some kind on public information from the service department explaining how they use the gas tax. Mr. Carpenter stated they have done that the last three years. Deputy Mayor Lommatzsch stated she understood but wanted a notice to the newspaper in information that explains the city uses their money the same way Kettering does. Ms. Fry stated she believes the concern of the residents is that they have said the gas tax money cannot be used for residential, but the article about Kettering suggests they are using gas tax money for residential streets. Mr. Carpenter stated he did not see the article but will look for it. Mr. Denning stated they can't use federal grant money for residential. Mr. Carpenter added they have never said they can't use gas tax for residential streets. Mr. Denning stated they have used gas tax before. Ms. Fry stated that is the crux of the thing that needs to be cleared up. Mr. Carpenter added they may be thinking of permissive tax that is for thoroughfares. Deputy Mayor Lommatzsch stated they fill pot holes in residential areas all the time. It is also used for salt to put on all the roads. Mr. Carpenter replied they do use it for residential streets. Mr. Denning stated that needs to be put out there.

COUNCIL MEMBER COMMENTS: Mayor Williams welcomed Mr. Teaford back to council. He mentioned the suggestion of using letters of appointment versus using resolutions of appointment to save time and introduce efficiencies. He asked if it is okay with the rest of council then they can begin to do this in April 2021 when people are up for nomination or re-nomination to boards and commissions. It sounds like a way to improve efficiencies.

Mr. Denning stated he agreed with the mayor and any efficiencies they can put in the system they should do.

ADJOURNMENT: Mr. Denning motioned to adjourn. Mrs. Franklin seconded the motion. All were in favor; none were opposed. **Motion carried.** The meeting adjourned at 7:05 pm.

Peter J. Williams, Mayor

Clerk of Council