

FINANCE COMMITTEE MINUTES
OF DECEMBER 14, 2020
VIA ZOOM

In Attendance: **Vermilion City Council:**
Steve Herron, President of Council; Monica Stark, Council at Large; Emily Skahen, Ward One; Frank Loucka, Ward Two; Steve Holovacs, Ward Three; Barb Brady, Ward Four; Brian Holmes, Ward Five

Administration:
Jim Forthofer, Mayor; Chris Howard, City Engineer; Amy Hendricks, Finance Director; Tony Valerius, Service Director; Ken Stumphauzer, Law Director; C. Hartung, Police Chief; C. Stempowski, Fire Chief

Call to Order: Barb Brady, Chairperson, RESOLVED THAT this Finance Committee comprised of the committee of the whole does now come to order.

TOPIC ONE: **PACE Financing**

Mayor Forthofer said the administration has been having conversations with the Lorain County Port Authority as there are possible opportunities Vermilion could take advantage of.

Tiffany McClelland of the Lorain Port Finance Authority said they oversee the Lorain Energy Improvement District which handles PACE financing for cities in Lorain County. She explained that Pace Financing is a mechanism through State legislation for energy improvements. They are talking about any projects that enhance the energy efficiency on a building. PACE Financing currently expanded to Elyria Township and the City of Elyria, and the City of Lorain. It is focused on commercial buildings. They do not handle residential PACE financing. She said they will go through an energy audit process anywhere from lighting, upgrades to equipment, heating, ventilation and air conditioning, insulation, windows, doors and roofs, electrical and mechanical upgrades, and solar and geothermal. She said these improvements can be financed through PACE. She explained PACE is a special assessment on a property for energy improvements. An Energy Special Improvement District (ESID) is created/joined; property owner petitions for a voluntary special assessment; assessment is levied = to payment amount; and collection method for payment is established (contingent on PACE program). She said the City of Vermilion has the opportunity to join the Lorain Energy Special Improvement District since the city is contiguous with Lorain. This will put the city in the position where they will not have to go through the entire process of creating a whole entity and managing it.

She said any property owner that wants to utilize this program will petition the city for this special assessment and Council would agree to levy the assessment on this

property for the improvement project and the property owner would be able to get financing through a multitude of organizations. The collection method would be established depending on the lending method. The process as described on the PACE Flowchart is as follows: Energy Audit Conducted; Owner Requests Special Assessment; City Creates (joins) ESID; Collection of Assessment by County; Issuance of Funds for Project; Annual Special Assessment Levied; Payment of Assessment from County to City; and Payment of Assessment from City to trustee.

Types of Lenders include: Private Placement PACE, PACE Bonds, NOPEC PACE, and State of Ohio PACE.

The benefits of pace include: Special Assessment, not a loan = off balance sheet; Energy Savings = Special Assessment payment; Assessment stays with the property; Amortized over useful life of improvement; and Rates fixed from 2% - 6%, depending on lender source.

She said the Lorain County ESID was created October. It expanded to Elyria Township in 2019, and the sponsor project was the township building. It expanded to the City of Elyria in 2020 and the sponsor project was City Hall.

The city responsibilities include passing legislation which levies the voluntary assessment to the project, certify the assessment at the County, pass through assessment payment funds to lender, and appoint two Board Members to ESID. There is no liability to the City for nonpayment and there is no cost to the city. With a private project financing it pays for the ESID creation. The second way involves a cost to the city which is attorney's fees in the amount of about \$2,500.

B. Brady asked who gets the loans – the individual? T. McClelland said this is her job and sometimes the businesses have relationships with people who do PACE loans. Although, all projects come through her. B. Brady said this seems like what the City had with Johnson Controls in years past who promised the City energy savings, but in the City's case this did not work out very well.

Amy Hendricks said a large project usually needs to be accompanied by financial statements, etc., and since this will not be an obligation of the city, she understands this will be the responsibility of the entity doing the project rather than the city who should prepare those documents. T. McClelland said the liability would be on that business and they would be responsible for putting all the financials together and doing the energy audit. By the time this information comes before Council the company would already have talked to the financing company.

G. Fisher asked if the special assessment process would be separate for each property and if so, does this assessment procedure fall on her as clerk. T. McClelland said it would entail every property that is asking for an assessment for that property to be certified. G. Fisher reminded Council that a lot of work is

involved with special assessments. She explained there is time and costs involved with bond counsel as well. T. McClelland said they would retain bond counsel and it gets paid out of the project fees, so it would not be a separate cost on the City, but most of the legal fees would be handled and passed onto the borrower.

E. Skahen asked if the \$500 assessment fee would be paid for by the city. T. McClelland said the \$500 fee would be something the city would be covering. The \$2,500 would cover the attorney fees, which is a cost to the city, but the \$500 fee would be paid back.

Mayor Forthofer thought an initial resolution would be required by City Council. T. McClelland said to establish the ESID in the community, they would have to first identify the project and then legislation would come before Council, which includes petitioning the assessment and levying the assessment on the property. They could proceed with putting together this legislation. B. Brady asked the mayor if there were any businesses who were interested in participating in PACE financing. Mayor Forthofer thought there may be two who are in process. B. Brady said they should just wait to see if they can get an interested party before they move forward. F. Loucka said council does not pass any resolution until there is a project. B. Brady said they could put the word out that this is available, so maybe they can inform Main Street this is available.

M. Stark asked if they would set up a rotary fund. A. Hendricks said she would envision that each project would have a special fund so they can track each one, so they stay on target. M. Stark said they need to have a discussion on how much work this will put on the city's staff before they go along with something like this. B. Brady agreed. T. McClelland said the City of Elyria is going through their first project, so the city can also talk with them about their burden of time.

TOPIC TWO:2021 Temporary Budget

Amy Hendricks said the 2021 Temporary Appropriations mirror the tax budget that was adopted this fall. She hopes to have the final version of the budget available in January. B. Brady asked if the appropriations are conservative at this point. A. Hendricks responded yes. B. Brady said she did not have much time to look over the ordinance today when they received it as she was at work.

Amy Hendricks said the appropriation modifications for the current year were finished before she left on vacation last week, but she did clean up additional items that came in over the course of the week. There was one additional revenue item under \$10,000, as both Lorain and Erie county each had a single entity that did not accept their CARES funding, so the county redistributed those monies back to the other participating agencies, so the city received about \$6,900 from one county and about \$3,000 from the other.

B. Brady asked if the city is still in the black with a little carryover for next year. A. Hendricks said yes.

After no further discussion came before the committee, B. Brady adjourned the meeting.

Next Meeting: To be determined.

Gwen Fisher Certified Municipal Clerk