

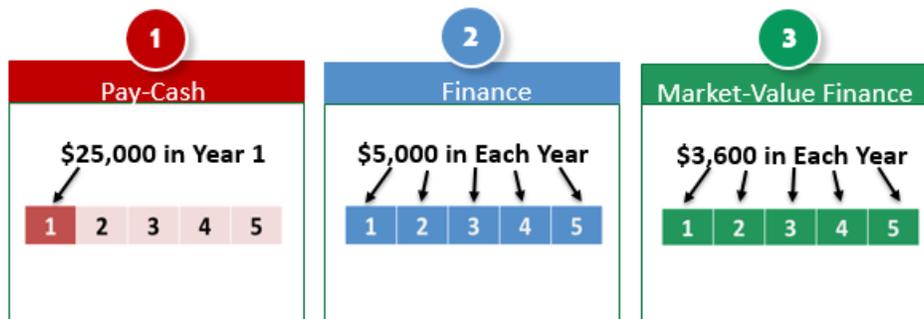
**XENIA CITY COUNCIL
SPECIAL SESSION
MEETING MINUTES
JULY 25, 2019**

1. CALL TO ORDER: President Engle called the July 25, 2019, Special Session to order at 7:00 p.m. in the Conference and Training Room, City Administration Building.

2. ROLL CALL: Vice President Edgar Wallace, Councilman Will Urschel, Councilman Dale Louderback, Councilman Wesley Smith, Councilman Levi Dean, Mayor Sarah Mays, and President Michael Engle were present.

3. DISCUSSION:

Vehicle Lease Fleet Program. Mr. Merriman said the Fleet Leasing Program was piloted a few years ago as a trial run, which has proven to be successful. He then turned the presentation over to Assistant City Manager Jared Holloway to provide an update on the program. Mr. Holloway said the City’s Fleet Leasing Program began in 2017 with two trucks for the Planning and Zoning Department for its Code Enforcement Officers. The program was limited to two vehicles as a test case to determine viability. The first two trucks were Toyota Tundras, which replaced two Chevy S-10s that were about 20 years old and purchased through Option 1 (below) back in the 2000s. With Option 1, which is how the City buys most of its vehicles, the City pays cash and maintains the vehicles to the best of their ability for a period of up to 20+ years or until it is no longer financially feasible, at which time they are sold as surplus for a few hundred bucks. Overall, that is not a bad strategy, but for certain vehicles, the City can purchase and finance them in a different way and save the City money in both the short and long term, which is when the leasing program came to fruition. There are many ways to buy a car including cash, finance, lease or rent a car, or as shown below in GREEN, a market-value finance, which is what they did with the Toyota Tundras through Enterprise Fleet Management. With Enterprise’s help, staff evaluates the costs and expected resale value for the vehicles in a year or two. The vehicles are still priced off the State Bid (where the City buys most vehicles), so even with the initial purchase price, they are getting a good deal as if they paid cash. Enterprise estimates—based on the City’s usage and care for the vehicle—how much the vehicles will be worth in a year or two. Essentially, the difference is then financed over the term that the City keeps the vehicle.



Mr. Holloway showed the table below. He said the yellow line shows the as-delivered cost, and the green line shows the value they sold them at 13 months later. A big part of the savings came from the City’s ability to buy at State bid prices and sell at public market rates. They then put the equity earned from the two Toyotas into the two Fords that were recently acquired to reduce the overall

annual payment. He noted that staff took very good care of the Toyota Tundras, which helped with the resale value noting some staff are harder on vehicles than others based on their duties and responsibilities.

	<i>Initial Analysis</i>	<i>First Round Actual Performance</i>		<i>Current Round</i>
				
	2018 Toyota Tundra Crew Max 4x4	2018 Toyota Tundra Crew Max 4x4		2019 Ford F-150 XL 4x4
Term in Months	12	13	13	48
Estimated Annual Mileage	10,000	9,988	4,184	10,000
Vehicle Price	\$ 35,314.97	\$ 35,314.97	\$ 35,314.97	\$ 28,537.68
Money Down	\$ -			\$ 5,734.65
Delivered Cost	\$ 35,564.97	\$ 35,564.97	\$ 35,564.97	\$ 22,951.53
Base Monthly Payment	\$ 631.50	\$ 631.50	\$ 631.50	\$ 397.12
Residual at Term	\$ 30,100.35	\$ 30,100.35	\$ 30,100.35	\$ 8,954.48
Value at Term	\$ 35,000.00	\$ 35,700.00	\$ 36,000.00	\$ 21,000.00
Estimated Equity at Term	\$ 4,899.65	\$ 5,584.65	\$ 5,884.65	\$ 12,045.52
Fuel Economy (50/50)	15.0	15.0	15.0	20.0
Fuel Pump Price	\$2.20	\$2.20	\$2.20	\$2.20
Monthly Fuel Cost Estimate	\$122.22	\$112.69	\$47.20	\$84.62
Maintenance Cost	\$ 9.58	\$ 7.08	\$ -	\$ 24.38
Est. Monthly Insurance	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00
Total Cost Per Mile	0.480	0.477	0.842	0.360
Annual Payment	\$ 7,578	\$ 7,578	\$ 7,578	\$ 4,765
Annual Gain On Resale	\$ 4,900	\$ 5,155	\$ 5,432	\$ 3,011
Yearly Cash Outlay	\$ 2,678	\$ 2,423	\$ 2,146	\$ 1,754

Mr. Holloway said the figures in blue shading above show the yearly cash outlay for the trucks for minimum maintenance, gas, and the lease payment. As shown, the first round of leasing was very successful financially in addition to boosting the morale of staff when they get to drive around brand new trucks. Therefore, they are seeking Council’s direction with regard to expanding the Fleet Leasing Program for specific vehicles where it makes sense (a good resale value is projected) as follows:

- Evaluate fleet at end of life cycle for transition into lease program
- Consider RFP if warranted and work through the CIP process
- Assess the overall financial performance of the program annually

Councilman Urschel asked how many vehicles the City has in its fleet. Mr. Holloway said about 80 vehicles would be lease eligible, but trailers, specialty equipment such as a street sweeper, tractors, and even police cars would not be eligible. He noted police cars are so heavily used with lots of engine hours that they are not worth much after three or four years. In addition, they would have to pay to outfit the cars with lights/sirens and decals. He said water and sewer staff vehicles may be eligible for the lease program. He noted when considering a vehicle for the lease program, they consider maintenance expenses, mileage, and the value left at the end of its useful life.

Councilman Louderback asked if the two Toyota Tundras were leased for one year. Mr. Holloway said they were leased with an open-ended term; therefore, they watched the market to determine the

best time to sell, which was at 13 months. Councilman Louderback asked if they could lease for two-year terms. Mr. Holloway said the lease term depends on the vehicle's projected resale value.

Councilman Louderback said even if the City Manager can approve expenditures up to \$25,000, he would like vehicle leases to be presented to Council first. Mr. Merriman agreed and noted Council was presented with the idea and endorsed the initial fleet lease program. As they look at expanding the program, they will look at water and sewer treatment vehicles. He noted the pick up trucks in the Maintenance Division that hold tools, materials, and supplies are harder to take care of to ensure the maximum resale value. They are fortunate that they were so successful with the Toyota Tundras. Councilman Louderback agreed; he was pleasantly surprised at the result. Mr. Merriman said new car sales are not doing well, and used car sales are on the rise.

President Engle inquired about the anticipated number of leased fleet. Mr. Holloway said as an existing vehicle needs to be replaced, they would evaluate whether a replacement vehicle would be a good fit for the lease program. Mr. Merriman estimated 2 to 3 dozen vehicles would be eligible for the lease program, noting they have ruled out police and fire staff vehicles due to required modifications and hard frontline use. Leased vehicles make sense for Code Enforcement Officers, Inspectors, etc.

Councilman Louderback asked the representatives from Enterprise how they rate vehicles that are returned. Jack O'Keefe, Area Sales Manager, said Enterprise staff completes a condition report on every vehicle that is returned in terms of damages and wear and tear. Councilman Louderback assumed that more stringently used trucks would not rank very high. Mr. O'Keefe said he and his staff would help City representatives predict the right life cycle for every vehicle depending on its use. For example, a police vehicle's life cycle might be three years. For the recently leased lightly used pick up trucks, the right time to sell was only one year later to get the max resale value.

Mayor Mays asked if the City has to sell the vehicles. Mr. Holloway said Enterprise sells them to dealerships. Councilman Smith asked if the City is required to contact Enterprise when they feel it is time to sell. Joe Regula, Enterprise Account Manager for the City of Xenia, said he sets up the leases with lots of checkpoints including meetings with clients several times per year to predict and determine all the variables associated with the market demand, resale value, best time to sell, etc.

Vice President Wallace asked the Enterprise representatives if they had any experience leasing police and fire vehicles to other clients. Mr. O'Keefe said they started leasing emergency vehicles about 4 to 5 years ago; however, they never start with emergency vehicles for new clients. They seek operational efficiencies over a period of time and then run an analysis based on the numbers.

Councilman Urschel said if the City procures vehicles at the State bid rate and then pays a discounted lease rate, he asked if the City has the titles for those vehicles. Mr. Holloway said the vehicles are financed through Enterprise. Mr. O'Keefe said Enterprise holds the titles and the vehicles are in the City's name. Councilman Urschel asked if there was any stipulation with regard to how long the City needed to keep a vehicle that was purchased from the State bid. Mr. Merriman said no; the City can purchase off the State bid as a governmental entity. There are no restrictions or stipulations. Councilman Urschel said he hoped the lease program did not negatively affect the City's ability to purchase from the State bid. Mr. Merriman said if vendors are selling cars and the City gets a discount, then everybody is happy. Mr. O'Keefe said volume discounts are offered by automobile

manufacturers, and each manufacturer has a high volume bid number per model year, which he and his staff evaluate to get the best buy on each vehicle.

Councilman Smith asked about maintenance on the leased vehicles. Mr. Merriman said maintenance can be done by Enterprise, but the City has the ability to do routine maintenance such as oil changes, tire rotations, etc.

Mayor Mays said the Code Enforcement Officers took great care of the Toyota Tundras. The more vehicles they lease, the less control they will have, and they really need to keep the leased vehicles in great condition. She asked if there was any expectation, policy, or agreement that employees must agree to that they will take care of City vehicles. Mr. Merriman agreed there needed to be somewhat of a culture change that includes pride in service and pride in the staff vehicles. However, Maintenance Workers currently drive older, well used vehicles. Staff has begun to make changes and noted the Fire Division staff cleans their fleet every day, and he wants to establish a similar habit with Public Service staff so they can take advantage of programs like the lease program.

Councilman Louderback asked if employees were supposed to refrain from smoking in staff vehicles. Mr. Merriman emphatically said yes—smoking in City vehicles was inappropriate and unacceptable, and he encouraged anyone to call City administration if they see that happening.

Mr. O’Keefe said as the City’s fleet gets refreshed and replaced, employee attitudes and behaviors will change. Further, they expect vehicles to incur the typical door dings and scratches. However, when a vehicle is expected to be well used, they take that into consideration when presenting an analysis to a client. He agreed it is tough to sell vehicles that are in very rough condition, and he would not present a proposal to a client that overpromises and is unrealistic.

Councilman Urschel thanked staff and the Enterprise representatives for the information and offered kudos on a successful program. President Engle and Vice President Wallace agreed. Vice President Wallace asked if staff was seeking a motion. Mr. Merriman said the presentation was just an update on the program.

Building Inspection Services. Mr. Merriman said this presentation centers around a deeper analysis of the future of Building Inspection Services and subsequent implementation plan, which could be a significant endeavor that requires a lot of steps if they start from scratch. He reviewed the following steps to date and key planning decisions:

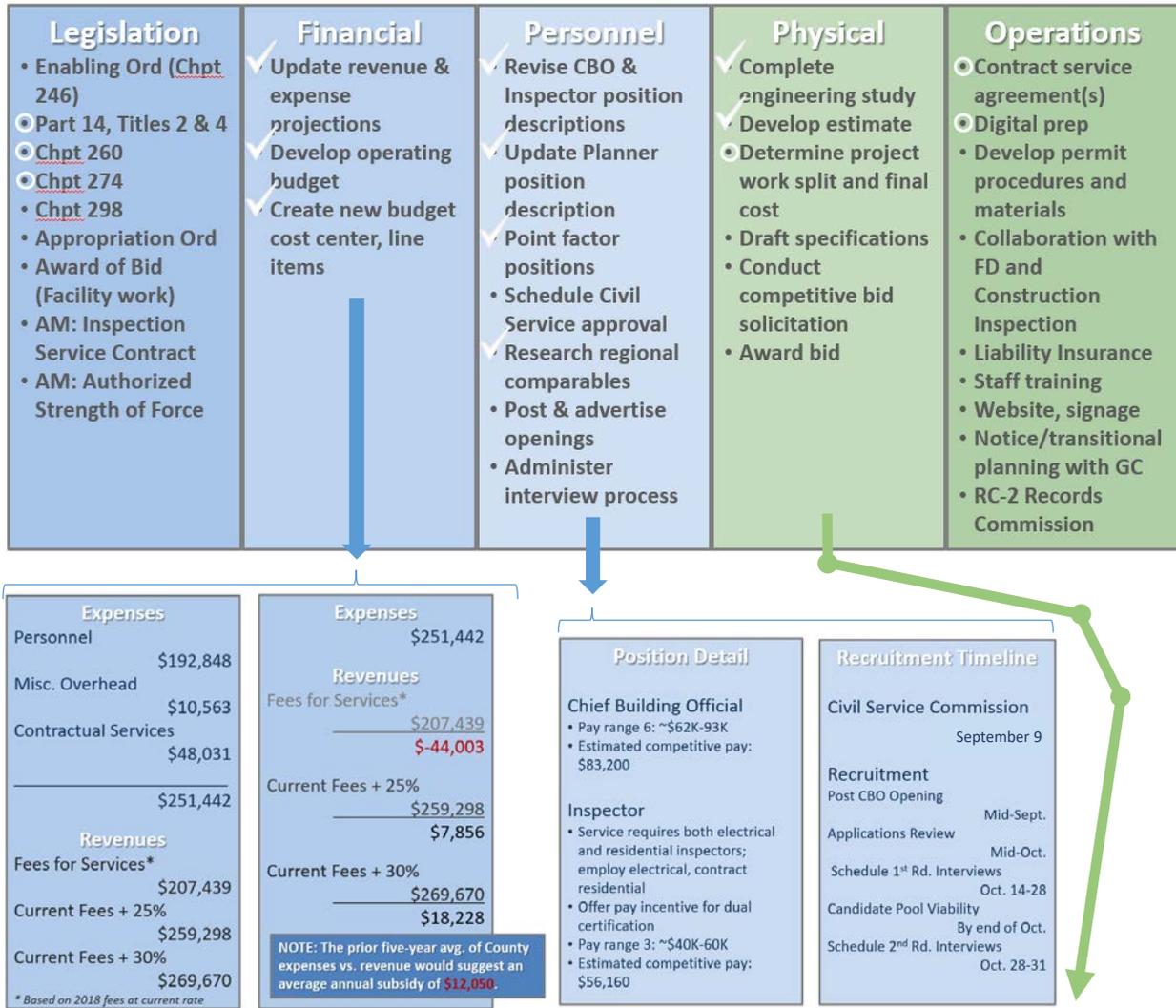
Steps to Date:

- Special Session on April 25, discussed concerns with current service delivery, and reviewed several alternative service models
- Council consensus: transition to new model; Council majority preferred option of in-house service
- Staff was directed to develop implementation plan with further examination of feasibility, estimation of transition costs, etc.

Key Planning Decisions:

- Position Building Inspection Division under Planning Department
- Locate service in current Planning/Development office
- No new clerical staff—current clerical staff can be cross-trained
- Create two full-time employees (FTEs): Chief Building Official (CBO) and Inspector (electrical)
- Utilize contract services for residential inspections
- No new fleet required

Mr. Merriman reviewed the following implementation of tasks, noting some have already been completed, as indicated by the checkmarks, or are in process, as indicated by the circles:



Mr. Merriman said the expenses are estimated based on where they think the City will be with personnel, overhead, and contractual services, and the revenues are based on 2018 fees for services, which would require the services to be subsidized by approximately \$44,000. He noted the City could remain competitive when looking at other area communities even with a fee increase of 25 to 30 percent. If fees were increased by 25 percent, they would be in the black by about \$8,000, and if increased by 30 percent, \$18,000. In terms of revenue, if they put the County's numbers for the last five years into this model with estimated expenses, the services would have to be subsidized by about \$12,000 per year. That said, the net gain or loss will fluctuate based on the amount of construction in the community. Numerous



construction projects may result in net gains, but if there is a wane in projects, the revenues would obviously decrease for a possible loss. Projections into the next year, there are good indicators for growth in residential construction and many commercial projects are pending.

Mr. Duke said when considering some of the risk, they have discussed using contractual services instead of hiring a third employee. If there is a downturn, the contractual services could be eliminated instead of laying off an employee. They may still need to subsidize the services in the down years. Mr. Merriman said he tried to be conservative with the estimates noting that personnel costs are somewhat fixed, but the personnel decisions are the most critical. There is a lot of demand for these services, and they may not find a CBO that hits all the desired marks to make the transition successful. As noted above, they need to attract CBO candidates in the ballpark of \$83,000 per year and \$56,000 per year for the Inspector. If they wish to move forward, the Civil Service Commission can take action on the position descriptions at their September 9th meeting. He reviewed the Recruitment Timeline (Page 5 of the minutes). The capital component of the transition includes work to be done at the City Administration Building (CAB) to accommodate new staff and relocate existing staff (Physical Plan information on Page 5 of the minutes). He distributed a copy of the floor plan for the CAB improvements, which is currently estimated to cost \$108,000. However, he felt the cost could be reduced to \$70,000 to \$80,000 by making some changes to the plan and doing some of the work in house (flooring, drywall, painting, etc.). He explained that the changes include moving the Information Technology Department from the second floor to the basement into newly built-out space that includes a restroom and would exactly replicate their existing office space, moving Development Department staff from the first floor and relocating interns to the vacated IT offices, and using the vacated office and existing conference room in the Planning Department for Building Inspection Services.

In conclusion, Mr. Merriman said if Council desires to move forward with alternate service delivery, he respectfully recommended the following “pivot” strategy:

1. Pursue in-house service by posting job openings and evaluate labor market for CBO
2. Pursue implementation of necessary legislation and other operational needs
3. Move forward with capital project to build out needed accommodations

→ *Determine in October if staffing search will present a viable option for CBO and Inspector.*

If **yes**, proceed toward February 1, 2020, changeover to in-house service. If **no**, pivot toward contract service with an RFP process in November:

1. Pursue RFP in November
2. Award a one-year contract for private service in December
3. Proceed with changeover in February 2020
4. Repost for a CBO in late 2020 and re-evaluate in-house option feasibility for 2021

He then entertained Council comments.

Councilman Urschel asked about the legislative impact with contract vs. in-house services. Mr. Merriman said the enable ordinance could be written to allow in-house services with the provision to authorize private contractual services. Councilman Louderback asked if a study had been done to determine how much private contractual services would cost. Mr. Merriman said he has had a general conversation with National Inspection Services, and he would have the ability

to negotiate a fee structure with them, which is typically 90/10. He noted there would be some in-house expenses, but the small 10% profit would probably equal the expenses.

Councilman Urschel assumed if the City hired its own staff, the CBO would have the responsibility to oversee supplemental contractual services. Mr. Merriman concurred. Councilman Urschel said if all building inspection services were provided under a contract, he asked who in the City would have the professional knowledge to oversee the contractual services, make assessments, and adjudicate anybody who has a problem with those services. Mr. Merriman said the City has construction and fire inspectors, but they do not have knowledge in other functional areas. There are currently no staff members who are fully qualified to provide internal quality control and make those assessments. Vice President Wallace asked what the City would do if the contractor was not doing what they are supposed to do. Mr. Merriman said with a private option—a completely legitimate and viable option—Building Inspection employees must meet State certification requirements, and it is in their best interest to follow the code and apply it properly. However, the debate with contractual services has been relative to customer service standards and in-house control. He was not suggesting that a private entity was not safe, but they need to be careful with these services.

Councilman Louderback asked if it was feasible to hire a CBO for \$93,000 a year. David McGlothen, National Inspection Corporation (NIC), felt that number was on the low end. Scott Young, also from NIC, said he has seen salaries between \$88,000 and \$115,000 per year for a CBO and \$70,000 per year for an electrical inspector. He noted the market for those with these certifications is slim. Councilman Louderback asked if NIC employs a CBO and electrical inspectors. Mr. Young said NIC employs three CBOs and six dual building/electrical inspectors who are all certified in the State of Ohio. He noted the State of Ohio requires them to have backup CBOs and inspectors. Mr. Merriman said the City would not have to employ two CBOs; a backup CBO could be provided contractually. Councilman Louderback asked if NIC served several communities. Mr. Young said they serve 16 jurisdictions in southwest Ohio. Vice President Wallace asked if they have worked or currently work with any municipalities that are similar in size to Xenia. Mr. Young said yes, including Monroe, Englewood, Blue Ash, and Montgomery.

Vice President Wallace said if they elected to go with all contractual services, the transition from Greene County Building Inspection Services could take place much sooner versus the in-house and contractual backup option. Mr. Merriman said based on Council's previous instruction, the majority wanted in-house services, which is why this presentation was focused on in-house services with contractual backup. If they go the all contractual route, they would need to develop an RFP and go through that competitive process. Even though he has had a conversation with NIC, there are other companies who provide that service; therefore, he cannot speak to the specifics of that option. Either way, the transition from the County needs to be addressed. The biggest question is in regard to what the City can afford. Vice President Wallace said regardless of how they proceed, he wants the services to be provided well. Mr. Merriman agreed, but he needs Council's direction before proceeding. He noted they would not know if they can attract the right people to provide the services if they don't ask. Further, if they proceed with the capital improvement project, they need to get started sooner rather than later.

Councilman Smith said he personally would not have a problem paying a higher fee to get better service and to cover the City's costs. He feels the biggest issue with Greene County or a private contractor is the lack of control. He would like to pursue in-house services.

President Engle said he also supports the proposal as presented to pursue in-house services.

Mayor Mays said there are too many other things happening right now. She was not opposed to proceeding with the required legislation, but she felt that adding the pursuit of in-house building inspection services was too much. They need to get EMS and other things under control first. She was in favor of contractual services.

Councilman Urschel asked NIC about the length of their contracts. Mr. Young said the contracts are typically for a minimum of one year with an automatic renewal clause as well as a 30-day cancellation clause for either party. Councilman Urschel was in favor of pursuing the legislative changes, which are needed regardless, contractual services for a one-year period, and the CAB improvements, which are needed to provide additional office space. Mr. Merriman noted with contractual services, there would still be some in-house responsibility with intake, etc. Councilman Urschel said he understands the accountability issue, but NIC employees are licensed by the State of Ohio and will have their own liability. He was glad to hear that NIC did not want a five-year commitment. The City can operate in-house services at a loss, but he asked how a loss would be built into the contract and how incentives could be provided to accomplish shorter turnaround times, etc. Mr. Young said they already have a 7-10 day commercial turnaround time and a 3-5 day residential turnaround time. He said NIC has been in business for 20 years, and they assume all risk. It is in their business model to provide the best customer service.

President Engle said based on the conversation thus far, he asked Council if they wished to proceed with CAB improvements and legislative changes but not proceed with the Civil Service Commission action and solicit for a CBO and Inspector to see what is available in the market. Councilman Louderback said he was not certain that was the majority consensus. He asked everyone to share their opinions.

Councilman Urschel said they need to focus on filling the vacancies in the Fire Division and focus on other critical areas. He said they would not be losing much by utilizing private contractual services and then assessing the situation after a period of time.

Mayor Mays said she was not interested in recruiting Building Inspection staff right now. There are too many other things going on right now, and there are only so many staff members to accomplish all that needs to be done.

Councilman Dean felt they should contract with a private company for a year and then evaluate how it was going.

Councilman Louderback said when Council discussed this issue the last time, he wanted the City to have control over the services, and the City would make \$18,000 in revenue by bringing the services in house. Mr. Merriman said the revenue depends on many variables including an increase in fees, staff salaries, the number of permits issued, etc. Councilman Louderback said he wishes to pursue the in-house option. Councilman Smith agreed there was a majority consensus during Council's last conversation on this subject, and they asked staff to pursue the in-house route.

Councilman Urschel said it would be easier to transition from the contractual route versus the employee route. If they hire employees, they are committed, and there is no pivot after that. The

risk is small with a one-year private contract. Mr. Duke agreed it would be very difficult to eliminate a department versus sending a 30-day notice.

Mr. Merriman said they have not pursued the RFP process yet, so there are no true numbers and they are working with incomplete data. Vice President Wallace agreed; he felt they should pursue both options (soliciting for staff and issuing an RFP). Mr. Duke said he did not like the dual track idea of issuing an RFP without an intent to award a contract and soliciting for employees without an intent to hire. He did not believe it would be fair to those responding.

Councilman Smith asked how these changes would affect the City's relationship with Greene County. Mr. Merriman said he has been very upfront with Greene County; unfortunately, after many conversations, he did not believe any substantive changes would occur. Mayor Mays agreed. She further noted that Greene County is struggling to keep Building Inspection staff, which could partly be due to their pay scale.

Motion by President Engle, seconded by Councilman Louderback, to adopt the City Manager's plan as presented and pursue the in-house option. Vice President Wallace called for the question; therefore, there was no discussion on the motion. The Roll on this was the following:

Ayes: Louderback, Smith, Engle
Nays: Wallace, Urschel, Dean, Mays motion failed.

Motion by Mayor Mays, seconded by Vice President Wallace, to pursue the necessary legislation, move forward with the capital project, and pursue an RFP for contractual services. Discussion followed. Councilman Louderback asked if the capital project would still be needed with contractual services. Mr. Merriman said there is no room to accommodate any additional staff or interns, noting the current interns are working in a storage closet. The Roll on this was the following:

Ayes: Wallace, Urschel, Dean, Mays
Nays: Louderback, Smith, Engle motion carried.

4. ADJOURNMENT: President Engle entertained any additional comments. Hearing none, he entertained a motion to adjourn.

Motion by Councilman Louderback, seconded by Councilman Dean, to adjourn the Special Session at 8:39 p.m. No discussion followed. The Roll on this was the following:

Ayes: Wallace, Urschel, Louderback, Smith, Dean, Mays, Engle
Nays: None motion carried.

Michelle D. Johnson
City Clerk

Michael D. Engle
President, Xenia City Council