

FINANCE COMMITTEE MEETING

held October 24, 2012

7:30 a.m.

Present: Chairman Mike Young
Councilman Dwight Clark
Councilman Dave Tadych

Also Present: Finance Director Presley, Police Chief Wright

Mr. Young called the meeting to order at 7:30 a.m.

Payroll by Department (Exhibit A attached)

Mr. Presley stated that one of the items he has been asked to do is to get an idea of what the total payroll will be at December 31, 2012. These figures represent the current salaries, plus the changes that have been in the works. Mr. Presley stated that he needs to check to see if the Council or the Mayor get a raise going into 2013. Mr. Presley stated that for every 1% of a raise is \$75,000. If the pension portion is added, 20% of the increase is used to calculate the pension cost. A 1% raise for everyone across the board is effectively \$90,000.

Mr. Young stated that certain labor groups have had a 1.75% raise increase. Mr. Presley stated that the payroll figures he provided through the end of the year do not include any adjustments in 2013. The Police salaries of \$1,713,136 include three new hires. He explained further that if you take what they make at 12/31/2012, and do nothing to it, this is what the figure will be for 2013. Some pay raises became effective January 1, 2012, and some pay raises became effective May 1, 2012. The annualized salaries for the stated individuals, as of December 31, 2012, including everything that is in place now, are listed in the figures provided by Mr. Presley. He repeated that the police figures include the 20 full time officers that are on duty today, three positions being filled, and the two clerical employees that work at the Police Department. Police overtime is what was budgeted this year. Fire payroll is shifts of 8 men per shift for three shifts daily, and the Fire Chief. The payroll does not include a full time fire inspector. All of the Service Department employees including sewers, parks, trees, leaf seasonal and summer seasonal employees are shown in the total Service Department wages. This figure represents all of the Service Garage workers.

Mr. Clark asked if there are any openings to be filled in the Service Department at this time. Mr. Presley stated that he thinks there may be one opening, but he will have to check.

The Recreation Department total is the Recreation Director, Assistant Recreation Director, and all of their summer seasonal employees. The pool wages at \$165,000 includes all seasonal wages.

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The Finance wages include the Finance Director, Assistant Finance Director, Payroll Clerk, Accounts Payable Clerk, and three part time employees.

Mr. Presley stated that they are trying to get ADP up and running for payroll, but the conversion team is not as helpful as led to believe, e.g., what they will be able to do for the city versus how much the city personnel has to do for them. The product sold is not the product delivered. Mr. Clark asked if the contract could be rescinded. Mr. Presley stated that in his opinion, the contract has not been started. Mr. Tadych asked if we are in an overtime situation in this conversion work. Mr. Presley stated that there has been no overtime to convert to ADP. Mr. Tadych asked if we are going to go into an overtime situation, in Mr. Presley's opinion. Mr. Presley said he does not see overtime, rather complete frustration at this point between himself and the city's Payroll Clerk.

Mr. Young asked how this could be accomplished in other places, and not in Bay Village. Mr. Presley stated that the City of Independence uses ADP and no one there knows of any other payroll system or any other way of doing it other than ADP. Yet, when you tell ADP to give us the people that did the conversion for Independence, they draw blanks. How are we doing the pension reports to OPERS and police and fire? They don't know anything about those. What are you doing with deduction checks? Default time sheets are nowhere to be found. What we currently have, relative to this, and it has been discussed with the Mayor, we are going to continue to work on ADP. At this time the Mayor is contemplating Mr. Presley's recommendation of working on ADP, but not going live until after the first of the year. The city is so far down the road in this in-house that to try to do it during the year-end would be difficult and it would be Mr. Presley's recommendation to finish the year in-house and look to bring ADP in after the first of the year. Mr. Presley explained further that initially he was looking at doing payroll by itself. That is, time keeping, time and attendance as a separate add-on. In listening to the conversion team, many of the things he is looking for as far as alternate rates (in police and fire alone there are probably six alternate rates because of items such as emergency overtime, shift differential overtime, what goes into a calculation for emergency overtime for police and fire) cannot be supported by the system. Mr. Clark stated that they were told that the system would support it. The conversion team says that for payroll they would need time and attendance also. The idea of Mr. Presley of just implementing payroll and bringing time and attendance on as a separate add-on after a couple of payrolls may be better with the January 1 conversion date to do payroll and time all at once. If you bring too much on at one point in time, everyone drowns. The concern is trying to get payroll to work correctly and then adding time and attendance after three or four payrolls.

Mr. Tadych noted that converting prior to the end of the year will complicate the system with the W-2 forms.

Mr. Clark stated that he would like to take a look at what the contract is. The leverage with ADP is economic. We may need to look at succession sometime down the road.

Mr. Tadych stated that he is concerned additionally that the selling point of ADP was that the person running payroll was to help in the Building Department and that would relieve some of the terrible pressure the Building Department is having. He asked if that is going to happen this

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year. Mr. Presley stated that he does not see that happening this year. Mr. Tadych asked if the Building Department is going to be manned at its current staffing for the year. Mr. Presley stated that a part time person is working 35 hours; therefore, effectively there are two full time clerical employees. Mr. Tadych stated that he heard that one person in the Building Department who is filling in on a temporary basis is no longer going to work after the first of the year. Mr. Presley stated that this is correct. There will be two full time clerical people in the department. Mr. Tadych stated that one of those clerical employees is a more technical employee. Mr. Presley stated that one of the employees is the Assistant to the Building Director, and the other is a clerical employee.

Mr. Tadych stated that the whole ADP payroll thing is starting to enter into other areas of the city.

Mr. Clark stated that this was represented to the Council that this was going to be done in September and we would be able to track numbers much more closely. We are now almost into November and we do not have a system in place. Mr. Presley stated we do not have a new system in place; the current system works like a champ.

Mr. Presley stated that one of the things he is looking into is that there is a payroll and attendance electronic time keeping measurement system that would plug and play with our current payroll system, taking off some of the burden of doing the paperwork that many of the departments are currently doing. The system that is in place has been there since 1997, as has the current Payroll Clerk. It is an off-spring and job of hers that she has worked since the conversion in 1997. She is very familiar with it. Mr. Presley has acknowledged with her that change is tough. ADP has to be looked at to see if it can work, but if it doesn't then the back-up is to look at the time and attendance from a current venue.

Mr. Tadych stated that he is not trying to manage, but is trying to find out the facts. He asked if the city has sat down with ADP and told them we are in a bind and have a problem. Mr. Presley stated that they have sat down with them. Mr. Tadych asked if ADP is uncooperative. Have they solved the problems? Mr. Presley stated that we are not up and running. Mr. Young stated that in talking to Ruth Popovich, Mr. Presley's assistant, ADP is not close to solving the problems.

Mr. Tadych asked if the plan is to put off ADP until Mr. Presley is gone. Mr. Presley stated that they are still working on it to try to get it done, but the closer we get to December 1 or year end the least likely he is to recommend to the Mayor to convert over to ADP.

Mr. Tadych asked if the city is going to be working toward turning it over January 1. Mr. Presley stated that they will continue to do that unless the Mayor has a change of opinion.

Mr. Clark stated that it would be helpful to get a copy of the contract in the Council kits this weekend to review the compensation issues of the contract. Mr. Presley stated that they do not get paid until they produce checks. Mr. Clark asked if any money has been exchanged, and Mr. Presley stated that they have not been paid a penny.

Mr. Clark stated that he believes they talked about the contract being a pay-as-you-go fee. He asked how much would be paid for a year's services. Mr. Presley stated that the figure came to \$5.50 or \$6.00 per check. Mr. Clark asked how much this equates to in gross. Mr. Presley stated that he is not prepared to provide that information. He is in a frustration point with ADP because they are stating that they are working on it but emails are received stating that this is what the city needs to do. He stated that it really is frustrating, both from his vantage point and the Payroll Clerk's vantage point.

Mr. Presley stated that a case in point is that he asked the Council for their email addresses. He asked ADP how they would set this up so that the Council would get an advance notice of what the payroll is going to look like before it goes to the portal. Mr. Presley stated that this is what they heard in the meeting before they were sold the system. ADP now says they do not do it that way. Instead of that, they want every employee to create their own password and user ID on the ADP portal so that employees can go into their own window and look at the current and past payroll checks. Mr. Young commented that his company does it both ways. He gets a confirmation of an automatic deposit with his bank, an email, and two days before being paid a picture of the check.

Mr. Tadych stated that he has noticed on some city's legal union agreements that they have actually agreed to having an electronic process for their checks. We have no such agreement in ours. Mr. Presley stated that he would not recommend putting that in an agreement. Mr. Tadych asked if the unions are giving us any problems about having the people now going to another website to get their payroll information rather than coming to a city office. Mr. Presley stated that there is no problem. After submitting their email addresses there was a concern that the information transmitted over a generic email, e.g., Yahoo or another account, is not necessarily secure. When they were informed that those email addresses were not being used and they would have to go into a secure site on ADP's portal, they were relieved of that concern. The employees are not upset with having to go to direct deposit as the required method, but it is not contractually required. Everyone gets an electronic direct deposit. If there is a hiccup in the system the city still has the option to print paper checks and explain that due to circumstances this week's payroll is going to be by check. It gives you an out in the event there is an electronic problem. Even if maintaining the city payroll system, electronic deposits are still favored.

Mr. Presley stated that they will continue to work on migrating over to ADP, but until everything is done to his comfort level he will continue to recommend doing payroll in house.

Mr. Tadych commented that the Law Department payroll of \$122,791.00 seemed high until he realized that the figure includes the Prosecutor's wages.

Bond Retirement Fund (Exhibit B attached)

Mr. Presley distributed a copy of outstanding debt of the City of Bay Village through the year 2023. Page three of the report, above the "hash marks" is everything that is sold and the interest rates are known. Mr. Clark clarified that for two issues above the "hash marks" the debt has been issued but the services have not been procured as yet, such as the fire pumper. Mr. Presley

stated that the street improvements are going on now. The longest issuance is the police station construction bond which goes out 17 years to the year 2029.

Forecast Review

Mr. Presley stated that he took the information provided by Mr. Galli and moved forward. The Issue 2 Grant for Bradley Road is believed by Mr. Galli to be finalized in the amount of \$400,000 to be paid back interest free for 20 years. Mr. Clark asked if this is the City of Bay Village share with the other half being paid by the City of Westlake. Mr. Presley will double check, but noted that even if it is overstated it can be easily handled. This represents twenty years of \$20,000 per year for Bradley Road. The first payment will most probably be due in 2013.

The Cahoon Creek Sewer Improvement, under the Ohio Public Works Commission (OPWC) the sewer improvements are thirty year repayments. This issuance will go through 2042. The actual number comes to \$1,055,000. Mr. Presley has rounded it to \$35,165.00 per year, interest free.

The Various Purpose Street Improvements have been earmarked at \$700,000 worth of road improvements in 2013. Payments will begin in 2014.

Various Purposes for 2013, Vehicles and Public Improvements have been earmarked at \$300,000. Mr. Presley noted that there is still room if the \$300,000 needs to increase. For the sake of discussion and earmarking, there is \$1 million for 2013 with the respective interest and principal payments that would come up.

In 2014, there is an additional \$700,000 in Street Improvements. Mr. Presley noted that it may come in less. The city may do \$500,000 in one year and \$900,000 in another. It depends on what roads are being done and where cut-offs can be reasonably done at intersections.

Mr. Clark noted that this goes back to the old program of redoing roads in a cycling-through fashion that began in 1997.

Mr. Presley encouraged Council to keep up with road resurfacing annually, noting that the cost of trying to catch up is 1 ½ times the yearly maintenance program.

The Cahoon Road Aerial Sewer at \$600,000 is a thirty year repayment. The Cahoon Road Sewer 2014 listed next is the city's portion that is not covered by a grant. This will have to be issued in debt. Mr. Presley will update that issuance to show the interest rate. Mr. Young stated that when you look at the three sewer issues, they will all hit for the first time for payments in 2015, at \$35,000, \$20,000, \$45,000 plus interest, for a period of thirty years for one and the other two for twenty. Mr. Presley stated that the \$900,000 issuance could be taken out for thirty years but the interest rate for the last ten years will be very high. He noted that he is in the mind of paying it off more quickly as long as it fits in the yearly budget. He noted that sewer improvements are thirty to fifty year improvements. Mr. Young noted that we are going to be taking \$100,000 per year out of the capital fund, and he questioned whether it is appropriate. Mr. Clark stated that

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much of it depends on how much is being generated from property tax millage for bond retirement.

Mr. Presley continued the review of the funds forecasted for vehicles and street improvements for 2014 and 2015.

Mr. Tadych commented that there is nothing shown in these forecasts for the Sunset area. Mr. Presley stated that most of the costs will be picked up by the residents. Mr. Tadych stated that when reviewing street improvements, he wants to make a point that the Sunset area is not included.

Mr. Clark asked about the Lake Road Pump Station. Mr. Presley acknowledged that it is not included in the reports he provided, but suggested reviewing the first page of his report which includes actual and forecasted revenue and expenditures from 2010 through 2019. The total bond principal and interest payments which tie to the third page of his report indicate that in 2013 \$1.9 million in revenue will be received. The expenses are \$1.773 million. Mr. Presley explained the numbers for the Finance Committee to look at and understand that revenues exceed expenditures. There is room within these numbers to issue additional debt and/or go for a sewer capital portion on top of the sewer rental bill, which will provide even additional revenues for the pump station, the Dwyer building, and all of the other buildings.

Mr. Tadych stated that the revenues might not be what are projected. Mr. Presley stated that this would be the case only if property values go down. Mr. Clark noted that Mr. Presley is using a relatively flat line in terms of property values, and that property values have not yet been certified for the year. Mr. Presley commented that he did a small increase in property values for 2012, and carried that forward all the way through 2019.

Mr. Clark commented that he feels comfortable with the revenue stream. He does not think that the revenue stream has been overstated. Mr. Clark noted that the Homestead Rollback should not change either. Mr. Presley stated that if the state does not make up the rollback differences, the residents would have to make up that subsidy.

Mr. Young commented that money can be spent out of the Capital Improvement Funds for special projects. Mr. Tadych stated that the money put aside is earmarked and it will be used for the purposes for which it has been designated.

Mr. Clark noted the interest savings made on the advance refunding of the police station. In one year alone, it is a \$140,000 swing. Mr. Clark complimented Mr. Presley for his work in this regard.

Mr. Clark asked Mr. Presley if he will add in the cost of the Lake Road Pump Station project to his report. Mr. Presley stated that he will add it in, but noted that \$50,000 over a ten year period is not a concern in the overall picture.

Mr. Clark commented that the outside legal expense for the bond issuances is for bond counsel, not the Law Director of the City of Bay Village. Mr. Presley explained that a rating is obtained

from Moody's, and between Squire Sanders and Moody the forecasted \$30,000 annually for Outside Legal expenses is his projection.

Mr. Young stated that it is important for the Council of the Whole to be presented with these projections. Mr. Tadych suggested that the projections do not need to go out past what has been presented, making it more complicated. Mr. Clark stated that reviewing this with the Council of the Whole would make sense because Mr. Presley will be with the city full time for the next couple of weeks. Mr. Young added that it is critical as far as everyone understanding what this means going forward with budgets. Mr. Clark expressed agreement, noting that the contingencies have been taken out, e.g., settlement of the police station, bonding out of the police station note, and all the different transfers.

Mr. Presley stated that if the Bradley/Naigle project is not finished by the end of the year the advance for that project may not come back to the city by the end of 2012. Mr. Young noted that new trenches were being dug last week for the communication lines underneath the tracks. Mr. Tadych asked Police Chief Wright how many accidents there have been at the Bradley/Naigle site during the construction. Chief Wright stated that there have been no accidents. Mr. Clark stated that the infrastructure improvement advance for the project was \$1.25 million and is the amount that needs to be reclaimed back.

Mr. Presley stated that he will update the schedule presented today relative to the interest on the 2014 Cahoon Road Sewer Improvement 20 year bond issuance. He will add the \$500,000 for the Lake Road Pump Station. He will send the revised report out to the Finance Committee for review, and when he prints it out for Council the projections will be through 2020.

Mr. Presley stated that he will be in attendance at the Council meeting on November 5. November 12 is a holiday and there will probably not be a Council meeting that date. Mr. Presley stated that his tentative schedule is to be at city hall on Monday and Wednesday evenings. If he is needed in the Council meetings he will be in attendance, otherwise he will just be working on financial items.

Police Department Computer Server

Mr. Presley stated that replacement of the police department computer server is critical, at a cost of between \$10,000 and \$12,000, and he would like to include that item for the Monday, October 29 special meeting of Council. Chief Wright stated that the cost is \$11,372. There are two separate issues. When the new police station was built the city's tape back-up was transferred to the police station, with the idea that the back-up was in a location separate from the city hall. The tape back-up cost is \$1,100, with the remainder of the cost for the replacement of the server. Chief Wright stated that they had hoped to include this in the 2013 equipment fund budget but since the summer break the rate of failure has been frequent. Time of installation for a new server is less than one week. Mr. Presley will order the equipment today with confirmation from Council on Monday, October 29, 2012.

Revenue for October

Mr. Tadych asked Mr. Presley his thoughts on the receipts for October, 2012. Mr. Presley stated that income tax collections should pick up on the year-to-date. Mr. Tadych asked if the receipts for income tax collections will then be a little less negative to date. Mr. Presley agreed. He stated that there are no unusual expenses other than the police department server. Property tax receipts have been received. Mr. Young asked if Mr. Presley will be able to review the October budget prior to leaving for his new position with the City of Pepper Pike. Thursday, November 1, will be his last full time day. Mr. Presley stated that he does not know if he will have the month closed. He suggested that Council review this on November 19.

Mr. Tadych stated that most of the investment income for next year is fixed. There are only a few investments that are going to roll over at the beginning of 2013. Mr. Presley stated that most of the investments will roll over into 2013, and should stay the same maturity-wise. Mr. Tadych stated that there are a few that won't, and will have to be rescheduled for a different percentage. Mr. Presley stated that the other side is that many of the investments that are out there right now are callable. The reason he did that is because if you take a callable issue you can almost double the rate of interest. You know it is going to be called, but in that 90 to 360 day year period, he is picking up two to two-and-one half times yield. If they are not called, then they will sit for another year. Mr. Presley will review the outstanding investments. He stated that most of the investment income happens on December 1, because of the debt issuances purchased internally. Most of the interest is already known, both expense and revenue, and will maintain itself.

Mr. Clark commented that there are principal payments and interest payments due in city treasury and through outside funding on December 1, 2012. Mr. Presley stated that bond interest payments are always due June 1 and December 1. Principal payments are due December 1. Mr. Clark stated that the principal payments for 2012 will still be unchanged. Mr. Presley stated that this is correct as long as the previous schedules include some of the refinancing. Some of the original schedules did not include the refinancing. He suggested Mr. Clark check the date stamp on the left corner of the schedules to make sure the date stamp is after the refinancing. The refinance date was July of 2012.

Mr. Presley stated that he is working on a resolution rehiring Mr. Presley on a part time basis, at the Mayor's request. This will include the months of November, December and part of January to close out the year-end.

Mr. Clark asked for an up-to-date equipment replacement schedule included in the Council packets. Mr. Presley will speak to Fleet Manager Scott White, but expressed doubt that it could be prepared by this weekend. Mr. Clark noted that the Council is working off of a dated list.

Mr. Tadych asked Chief Wright if the police department was satisfied with their new police car. One is in service and there have been no complaints. The all-wheel drive seems to have superior handling over the two-wheel drive version. The second car should be on the road by Halloween. Mr. Tadych stated that it is amazing the number of residents that have commented about the new police car.

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The meeting adjourned at 8:20 a.m.

Mike Young, Chairman

Joan Kemper, Secretary