

FINANCE COMMITTEE MEETING

held December 10, 2012

6:30 p.m.

Present: Chairman Mike Young
Councilman Dwight Clark
Councilman Dave Tadych

Also Present: Finance Director Presley, Mayor Sutherland, Councilman Miller,
Councilwoman Lieske

Mr. Young called the meeting to order at 6:00 p.m.

Police and Fire Pension Fund Payments

Finance Director Presley advised of a change in the Police and Fire Pension Fund payments. The city used to pay the pension amounts on a quarterly basis. The procedure is being changed to a monthly payment. Payment is required by the tenth day of the following month. Because of this change, in 2013 the city will be hit with fourteen months of police and fire pension payments. There is an option to pay the fourth quarter of 2012 in three payments of an amount equal to one month in 2013, one month in 2014, and one month in 2015. In order to ease the burden, Mr. Presley would recommend taking the deferral option. The form authorizing the deferral must be submitted to the Police and Fire Pension Fund by December 31, 2012. One month payment of Police and Fire Pension amounts to approximately \$56,000. Mr. Presley noted that he saw no downside in taking the deferrals. The committee will get back to Mr. Presley within the next few days.

Supplemental Appropriation Ordinance

Mr. Presley stated that he would like to prepare a supplemental ordinance for December 17, 2012. The ordinance will be based on the November financial statements, and will clean up as much as possible prior to the final meeting of Council for 2012 which will be held on December 27 or December 28. An advancement of \$325,000 must be done for the Dover Center Road Tennis Court Renovation Project. A \$700.00 cash donation was made to the Fire Department by the Kiwanis Club for the purchase of an Apple I-Pad. That appropriation will be included in the supplemental appropriation ordinance.

Mr. Young stated that the budget for the Fire Department is in a deficit position of \$6,000. Mr. Presley stated that a lot of purchase orders are going back to the departments and there is no conversation taking place about where money can be moved to cover the purchases. Mr. Presley's fear is that invoices are coming in on purchase order numbers that haven't been encumbered because funds aren't available.

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Mr. Young stated that this is a conversation that the Finance Committee should have if there are purchase orders issued that are not even posted. Outstanding purchase orders that are being held in limbo are something that must be addressed. Mr. Young noted that the Fire Department cannot buy the Apple I-Pad if their account is in a deficit position of \$6,000.

Mayor Sutherland stated that the directors were informed that if there is no money, they should not send purchase orders. However, if they do have accounts where things just need to be switched around, that has to be known in advance so that the supplemental appropriation can be prepared. That message has gone out.

Mr. Presley will also need to put more money into the Outside Legal account through a supplemental appropriation ordinance. The Dwyer Memorial Center work on the handicap renovations will have to be appropriated for payment. The Bradley/Naigle intersection payments will need to be addressed as well.

Regarding the 2013 budget, Mr. Young stated that he believes the same amount as last year can be budgeted as revenue for Municipal Income Tax as last year.

The Health Care Fund will be addressed going forward. The expenses are higher than Mr. Young would have hoped for 2012 to date.

In the General Reserve Fund there is an unencumbered balance of \$4,496.00. The total sum of revenues compared to expenses indicates that the revenues are doing very well, especially in regard to estate taxes. Mr. Young would like to move approximately \$500,000 back into the General Reserve Fund.

Mr. Tadych stated that he does not think that much should be moved back into the General Reserve Fund, suggesting \$400,000 as an alternative amount.

Mr. Clark suggested waiting until the end of December to make that determination. Since the estate tax will be lost in 2013, the General Reserve Fund should be built up.

Mr. Presley noted that by law, the amount cannot exceed 5% of the General Fund's Revenue for the preceding fiscal year.

Mr. Presley stated that there are still property tax reimbursements to come in. There is still the Homestead Exemption, the Rollback and the 2 ½% Rollback of revenues to be received.

The new lighting at the Community Gym has been paid. One-third of the cost will be paid by the Board of Education. Mr. Presley will check on the amount of the contract to determine if the amount posted is the city's portion of two-thirds of the cost of the contract, or the cost of the entire contract.

Regarding the Accrued Benefits Fund, Mr. Young expressed concern about the balance when taking into consideration that there are still a number of retirements to be announced. He asked if the fund will be close to a zero balance at the year's end.

Mr. Presley stated that he will have to see who else might still be retiring by year-end to see if they are eligible for payments. He does not see the unencumbered balance of \$150,404.24 being depleted entirely. Mr. Clark noted that approximately \$60,000 was transferred from the Accrued Benefits Fund to the General Fund this year. Mr. Young stated that this fund will have to be adjusted for 2013.

Regarding the DARE fund, Mr. Presley stated that if Council is not going to keep the DARE program he would recommend refunding the last check received from the State of Ohio. Mr. Clark stated that he spoke with Mr. Bill Selong of the Board of Education last week and he confirmed that the schools will take over drug education. Mr. Clark will send a note to Superintendent of Schools Clint Keener to confirm and notify Mr. Presley this week if he is to return the DARE funds. **Mr. Clark asked Mr. Presley to confirm the amount to him.**

Mr. Clark stated that it would be appropriate to take the steps necessary for the Infrastructure Improvement Fund transferring back in the \$1.2 million that was advanced for the Bradley/Naigle intersection project.

Mr. Clark asked if any funds are expected for the Casino Revenue Fund line item that has been included in the financial statements. Mr. Presley stated that he was informed by the state auditor that the line item must be created but he does not know how much money the city can expect to receive. Every taxing authority that has a casino within its county will receive part of the casino proceeds. Mr. Tadych asked how the Bay Village Board of Education knows that they will be receiving \$52,000. Mr. Presley stated that all he has is a memorandum from the state auditor. Mr. Clark suggested speaking with the schools to learn of their source of information. **Mr. Clark will check with the Board of Education.**

Mr. Clark noted that the city is clearly down on Building Permit revenue this year. He noted that much of the revenue sources came in very close to what they would be, but this line item did come in lower than expected.

Mr. Clark asked if the Sale of Recycling Materials revenue shortfall is because the bins are no longer operated at the Service Garage. Mr. Young stated that a great deal of labor was put into maintaining those bins. Mr. Tadych asked if the line item will be removed. Mr. Presley suggested that this be taken up with the next Finance Director.

Mr. Clark stated that the Miscellaneous Income line item budget of \$26,000 is still an unknown. Mr. Presley will check further.

Mr. Clark stated that he is surprised to note that there is no income listed yet for the Bayway Cabin. Mr. Presley stated that one month's lease payment did come in. It will first go to reimburse the expenses. The amount will go through Account 232, Youth Activities. It will be a reimbursement until such time as the expenses that were necessary to prepare the building for the tenant are reimbursed. Under Account No. 232, there were \$16,000 of expenses. After recouping that amount of money, the rental payments will be segregated into a Cahoon Buildings Improvement Fund. There is a dispute going on presently about when the tenant took possession

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of the building. Mr. Presley's records indicate that the building was turned over to Kiddie Kollege on July 30, 2012. Two rental checks should have been received to date; only one has been received. The Law Department is checking into the matter.

Mr. Clark stated that he was pleased to see that the ambulance reimbursements have been collected very close to the amount that was estimated as revenue.

Mr. Young commented that the estimated revenue for Building Permits should be reduced for the 2013 budget.

Mr. Young addressed the revenue for the recreation programs. Mr. Presley stated that he thought the numbers were very close to what was expected. Mr. Clark stated that he thinks each of the programs have done relatively well. What is challenging is trying to strip apart what is truly the recreational budget, versus the parks budget. Mr. Presley stated that it is very simple. The expenses are broken out between the two budgets.

Mr. Tadych stated that he is pleased with the interest on investments. Estate taxes have come in much higher than expected.

Regarding Expenses, the Outside Legal Fund is overspent by \$9,205.00. This amount, plus the amount necessary for the hiring of the labor negotiator, Mr. Budzik, will be addressed in a supplemental appropriation ordinance. Mr. Tadych stated that he thought a separate line item for Mr. Budzik might be necessary. Mr. Clark stated that he would like a separate line item to be able to track the expenses. Mr. Tadych stated that in his opinion the amount will grow. Mr. Presley will create a separate line item called "Outside Legal-Negotiator." An amount of \$5,000 will be placed for the remainder of the year. Mr. Young stated he would like to leave the amount at zero until someone else is hired. The amount will not be \$14,900; it will be lower. Mr. Young suggested asking the Mayor what she thinks will be spent. In the meantime, Mr. Young needs to have a conversation with the Mayor as well. Mr. Tadych stated that it seems illogical not to put in an amount in the fund. Mr. Presley will speak with the Mayor about the amount that should be put in the account.

The Clerical Wages in the Finance Department will be allocated accordingly between the sewer fund and the Finance Department.

In regard to the State Auditors line item, which was budgeted at \$20,000 and the actual expenses are \$38,838.14, Mr. Presley stated that he does not know why it is listed at \$20,000. At this point, when he adds up everything in General Administration that are the positives and negatives, the Account 119 total is still in the positive so he does not have to appropriate any additional funds.

Mr. Clark suggested that the offset may be the election expense which was budgeted much higher than the actual expense. Thirty-six thousand was budgeted for election expense and the actual expenditures for the year were \$7,186.89. The General Election expense for 2012 may still come in before the end of this year.

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Mr. Clark asked if the general liability line item is on track. Mr. Presley stated that the budgeted amount is always tracked over at other funds and the expenses taken out of this fund.

Mr. Clark asked if the line item, Network Operations, represents the city's contract with Bailey Communications for IT services. He noted that \$32,500 is the amount listed for the budget, but the annual contract amount is \$25,000. He asked if there are add-ons to the contract. Mr. Presley stated that there is maintenance of some of the software components that is necessary to be done with or without Bailey Communications. If it involves a Microsoft license, a payment would be made to Microsoft. It is not necessarily all Bailey Communications payments. Mr. Tadych asked if this should be broken out in the report and have license fees and things of that nature on a separate line so we know how much is going to Bailey Communications. Mr. Presley stated that the contract with Bailey Communications is \$25,000, anything over that is not for Bailey Communications. Bailey Communications does not get paid overtime. Their schedule is adjusted if there are any emergency call-outs.

The Fire Department overtime wages are at 126.75% of the yearly budgeted amount of \$55,000, not taking into consideration the \$40,000 traditional December overtime balance for the Fire Department. Mr. Clark asked if that \$40,000 will still be necessary to be paid, on top of the overtime wage deficit that has already been posted. Mr. Presley stated that he can't answer that because he does not know the amount of deferred overtime the Fire Department has on their books that they could submit. The deferred overtime is definitely not included in the amount of overtime wages listed on the financial statement ending November 30, 2012. There will be some funds available out of the full time wages line item because of a vacancy that hasn't been filled and the delay of filling one of twenty-four firefighters. There are three shifts of eight firefighters and a chief, and there have been some gaps in there on the regular schedule of the eight. The full time wages in Account 210, and the Paramedic Account 211, make up the total payroll amount for fire.

Mr. Young stated that public utilities for the Fire Department are at 66% used as of the end of November. He asked why the line item is so low. Mr. Presley stated that there was a mild winter last year, and mild this year so far. This represents \$10,000 in savings. The training and seminar and operating supplies line items are also low. Vehicle operating is up. Equipment replacement, where the \$700 donation from Kiwanis is supposed to be allocated, is at a minus \$3,375. Mr. Presley stated that he can take the \$700 and put it in the Emergency Paramedic Fund because that equipment line item is not in a deficit. Mr. Clark asked Mr. Presley if he had any comment on the deficit balance in the Fire Department equipment replacement line item. Mr. Young stated that Chief Lyons purchased something that was posted to the Police account. Chief Wright caught the error and when the account was posted correctly the Fire Department line item for equipment replacement went to a negative balance.

Mr. Young stated that the Finance Committee needs to have a meeting with the Fire Chief in regard to his current and future budgets.

Mr. Presley recommends that the Finance Committee look, in the future, at a gasoline computer recording system for gasoline for city vehicles. It is difficult, if not impossible, to truly get an actual reflection of gasoline being used by departments. It would be reasonable to keep the

diesel tank at the fire station because of the fire trucks, but Mr. Presley would eliminate the leaded gasoline tank at the fire station and take it to the Service Garage, adding the computerized recording system. The user would have a key fob and his own password identifying him as a user. He would enter the vehicle number and the mileage into the system. This would help track fuel usage and help with the fleet maintenance. Mr. Clark asked Mr. Presley for comments on the length of time and cost for putting in a computerized fuel recording system. Mr. Presley did not have that information. Mr. Presley suggested giving the initiative for obtaining the system to Scott White, the fleet manager at the garage. The system would be for both the diesel fuel and the unleaded gasoline at the Service Garage. Mr. Tadych stated that he thinks it is necessary. There are so many city vehicles that are fueled. Mr. Clark noted that reimbursement revenue for personal use was also lost this year, and it's important that there is accountability. Mr. Presley stated that there would also be savings on eliminating the extra tank at the fire station. A fee for the tank is paid to the State of Ohio annually in the event of a spillage or problem with the tank.

Mr. Young addressed the Police Account No. 220. He stated that the account is at 91% of the budget, where it should be. He expressed concern over the deferred overtime to be submitted in December. Mr. Clark noted that the department was down several officers this year. Vehicle operating in the account is \$12,000 over budget. Mr. Presley stated that the Police Department takes the brunt of fuel usage because they turn in their fuel tickets. Chief Lyons puts in the fuel orders and assigns it to a Police Department number. Mr. Presley charges out the fuel according to the tickets turned in, and the remaining amount stays in the Police Department budget. Mr. Tadych stated that this is something the Finance Committee should look at and do something actively about.

The Building Department Account 350 is doing okay, without posting Mr. Galli's wages to the account. The Paramedic Account is at 97.5% for the year and is supposed to be at 91%.

In Recreation, public utilities are budgeted at \$12,500 and there have been no expenses posted throughout the year. Mr. Presley will investigate further. There are utilities posted under Youth Activities.

The Community Band Fund is based on donations. The directors are paid in advance. When a check for a donation is received an appropriation for payment is sought from Council through a supplemental appropriation ordinance. Mr. Tadych asked if the Community Band is paying for itself. Mr. Presley stated that it is paying for itself. They have put in a request for an additional budget for 2013, but he does not expect to see any money coming their way.

2013 Budget

Mr. Young stated that last year's budget will become this year's budget, with the exception of a few changes, some of which have just been reviewed in this meeting. Accrued Benefits will change. The allocation of property taxes has to be recalculated because it was changed in the tax budget. The revenue source in the various funds will need to be changed. In fire alone there will need to be a reallocation of the General Fund forwarded to the Paramedic Fund.

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Mr. Clark asked if the Accrued Benefits Fund separation benefits overage was due to the situation that was negotiated earlier this year. It was budgeted at \$25,000 and the city paid out \$65,000 so far. Mr. Presley stated that this would have nothing to do with anything that was negotiated. We were off budget because of unexpected retirements.

Mr. Tadych asked how many retirees we know of for this year's end. Mr. Presley stated that there is the potential for four retirements.

The meeting adjourned at 6:50 p.m.

Mike Young, Chairman

Joan Kemper, Secretary