

FINANCE COMMITTEE MEETING

held December 17, 2012

6:00 p.m.

Present: Chairman Mike Young
Councilman Dwight Clark
Councilman Dave Tadych

Also Present: Finance Director Presley, Mayor Sutherland, Councilman Miller,
Councilwoman Lieske, Police Chief Wright, Fire Chief Lyons,
Operations Manager Landers

Audience: Susan Fink

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

Finance Director Presley will submit the deferral for the Police and Fire Pension payments of the last quarter of 2012 to be paid in three payments of \$56,000, one each year from 2013 through 2015. The reason for the deferral is a change from quarterly payments to monthly payments, beginning January 1, 2013. For the next three years, this equates to expenditures equal to 13 months of payments rather than 12 months. Mr. Clark asked Finance Director Presley to let the Finance Committee know the dollar amounts and payment dates for the extra payment. The extra payment will be due no later than December 31 of each of the three years.

Mr. Presley stated that he is working on the 2013 Budget. He noted that the assessed value of property in Bay Village went down almost one-half of one percent (.43%). A mill used to bring \$497,355. It will now bring \$495,218. The allocations of property tax revenue as revised by the City Council for the 2013 Budget will be calculated by Mr. Presley and included in the 2013 Budget. The loss to the city in total will be approximately \$30,000.

The budget sheets for 2009, 2010, 2011, and 2012 actual revenue and expenditures to date, and 2013 Budget revenue/expense are being prepared by Mr. Presley.

Variance Reports for the month of November, 2012

The supplemental ordinance to be presented to Council this evening there are no wages and nothing to do with the Service Department or Community Services Department.

A portion of the Service Director's salary has been allocated to Sewers and Streets (\$29,000) and Building (\$5,000). Clerical wages for the Finance Department have been allocated to Sewer Operating. The total amount is \$60,000. Budgeted amount is \$72,000.

The advance to the Public Improvements Fund to fund the Dover Center Road Tennis Court Improvement Project is not included on this evening's supplemental appropriation ordinance

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because the appropriation had been done previously, but the transfer was not made. That transfer was completed on Friday, December 14, 2012.

Mr. Tadych asked if the retroactive pay that was authorized by Ordinance 12-92 has been paid to the employees. Mr. Presley stated that will done with the next pay for the thirteen or fourteen people that are impacted by that increase.

Mr. Clark asked about the fuel recovery under Account No. 100.360, noting that this was added as a budget item. It was budgeted at \$40,000 but there has been no expense. He asked if there was stability in prices and the fuel recovery surcharge did not have to be paid. Mr. Presley stated that the new threshold for fuel recovery is \$3.90. There were no expenses to the account.

The variance on Street Lighting Wage Account is \$10,000 over budget. The Service Department will analyze their accounts to determine if there are funds in other another line item to be moved over.

Auditing costs for the 2013 Budget will be listed as \$39,000.

Mr. Miller noted that in Account No. 294.220, Alcohol Intervention – Operating Supplies, the value paid should be 50%.

Mr. Clark stated that there was some question as to when the Kiddie Kollege lease rental period started. Mr. Presley stated that they applied the first check toward November and sent an invoice for December.

Mr. Clark noted that there are variances in the Police and Fire Department Overtime Wages Accounts. Chief Lyons stated that regular overtime for the Fire Department in December should be low. There will, however, be some overtime deferrals cashed in for the last check. Chief Lyons will provide that information to Mr. Clark via email. The Emergency Paramedic Unit (EPU) overtime wage information will also be provided separately.

The variance report is through November 2012, with updated notations which include the Supplemental Appropriation Ordinance to be presented this evening. The overtime wage variance shown on the report includes the overtime accumulated as a result of Hurricane Sandy on October 29, 2012.

Mayor Sutherland stated that Northeast Ohio may actually qualify for FEMA reimbursement from the storm. The benchmark is approximately \$15 million of damage and expense. The Northeast Ohio area is very close to that amount. The City of Bay Village is submitting their information. Police Lieutenant Holliday is attending the meeting regarding the FEMA reimbursement on Tuesday, December 18, 2012. FEMA will not reimburse for items that are covered by insurance. Overtime wages may get reimbursed.

The roof damage to City Hall from the hail storm has been settled. The flat area of the roof was not impacted by this storm. Mr. Young suggested putting a peak on the flat area of the roof. Mr. Sears has been working on drawings for the current roof quantities in order to seek proposals.

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Mr. Clark asked about Account No. 270.310, Street Construction, Maintenance and Repair – Operating. Over \$1 million was appropriated but expenditures may only be in the area of \$900,000. Mr. Presley noted that road improvements are \$400,000 under. Mr. Clark commented that there is an unencumbered balance of \$168,000. The number was increased significantly this past year in the General Fund. He asked if actual costs came in less than estimated. Clarification of the reason for the unencumbered balance will provide the Finance Committee with information in regard to budgeting for 2013. It is assumed that the encumbrance of \$441,000 is for the work that the contract still has to be let in Ward 4.

Mr. Clark reminded Mr. Presley that final numbers need to be obtained from Service Director Galli in terms of getting money back into the Infrastructure Improvement Fund that were advanced for the Bradley/Naigle Roads intersection project. Mr. Presley stated that this probably will not occur until the end of the year. There is still a punch list to be done and coordination with the City of Westlake to get approval. There are some invoices that have not been received from the contractor which will need to be submitted to the state.

Mr. Presley stated that the largest issue with the Police Department account at this time is the fuel expense. Vehicle Operating Supplies line item, at the end of November, is \$12,000 over the budgeted amount. The Training and Seminar line item, because of the new hires, is \$6,143.00 over budget. Mr. Presley stated that as he recommended at the last Finance Committee meeting, a computerized system for gasoline for city vehicles at the Service Department and the elimination of the unleaded tank at the Fire Station would provide better control. With the tank located at the garage, there would be one distribution center for unleaded gasoline. The users would have a key fob and their own password. Mr. Presley stated that there would also be savings on eliminating the extra tank at the fire station. An annual fee for the tank is paid to the State of Ohio in the event of a spillage or problems with the tank. The remaining tank at the fire station would be the diesel tank used for the fire trucks and ambulances. Mr. Tadych asked for an estimate of the cost of the computerized gasoline dispensing system. Fleet Manager Scott White will be asked to research the cost of a system.

The Fire Department, Account No. 100.210 – Equipment Replacement is \$3,375.00 over budget because of the purchase of turn-out gear. Chief Lyons stated that this is the second purchase of a three year schedule. An additional purchase will be made next year to finish buying the turn-out gear. Mr. Young stated that the amount for next year's purchase is reflected in the 2013 Budget. The supplemental appropriation includes an addition of \$4,200 to the Equipment Replacement line item which represents the amount over budget of \$3,375.00 and the \$700 donation from Kiwanis.

Overtime wages for the Fire Department is \$14,714.77 as of the end of November. Overtime wages of \$110,000 are budgeted equally between the Emergency Paramedic Unit, and the Fire Department at \$55,000 each. Chief Lyons stated that the overtime expenditures to date include the overtime incurred during Hurricane Sandy, approximately \$6,000 to \$7,000. An additional reason for the overtime costs is because the department is understaffed by two members. For three-quarters of the year the department was down two positions from retirements from the previous year. There were two new hires in August, and one new hire in September. Chief

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Lyons stated that being down four positions hampered the department. Mr. Young stated that Council has no issue with hiring. He asked the turn-around time in getting a new member of the department into full service. It is approximately six to seven weeks. Mayor Sutherland stated that the hiring process was lengthy. Chief Lyons stated that there were issues with the Police Department doing background checks while being overburdened with specific detective case work.

Mr. Young stated that if they can try to reduce the overtime it will have a big effect on the budget, due to the time and-one-half paid for overtime. He stated that he understands there were three detectives involved in a trail. The Finance Committee has discussed the possibility of trying to outsource the process of background checking of eligible candidates. There are at least six retired FBI agents residing in Bay Village that would be available to do that work, and would reduce the turn-around time. Mayor Sutherland will speak with the Chiefs and with Law Director Ebert about the possibility of outsourcing the background checks as suggested by Mr. Young. The Mayor will do a cost/benefit analysis.

Finance and Claims Committee Agenda Items for the December 17 meeting of Council

The following items are included in this evening's Council meeting agenda:

Ordinance extending the refuse collection fee through 2013

Resolution authorizing the transfer of monthly operating funds. This is the monthly resolution with some rounding differences to match figures for the end of the year.

Supplemental Appropriation Ordinance:

Council – Operating - The \$75 is a correction of a negative balance that occurred due to miscellaneous expenses.

Law – Operating- The Outside Legal appropriation is for \$10,000 to fund expenses to the end of 2012. Currently the Outside Legal line item is in a \$9,200 deficit. The appropriation amount has been rounded to the \$10,000 amount.

Law – Wages \$ 1,000 Finance Director Presley explained that the clerical wages for the Law Department is being appropriated an additional \$1,000 for the hourly, part time employee. At the beginning of the month there was a \$400 positive balance in the account, but forecasting the employee's schedule for the remainder of the year the additional funds are necessary.

Finance – Operating- The amount of \$10,570 is for the 2013 maintenance contract for the Finance Department software. The 2013 Budget will not include the amount since it is being paid in 2012.

BZA – Operating – The amount of \$50 is for miscellaneous expenses for the Board of Zoning Appeals.

Fire – Operating- The amount of \$3,500 is being moved to Fire Equipment.

Fire – Equipment- Appropriation of \$4,200 is for the deficit in the account plus the \$700 donation of Kiwanis to purchase an Apple I-Pad.

Police – Operating -\$12,500 to cover the deficit in the line item due to fuel expense.

Police – Capital- \$150 – Three police vests were purchased resulting in a shortfall.

Trees – Operating -\$15,000-The amount of \$15,000 is primarily due to the enforcement of trees that are on private property. If residents have a dead, diseased, or hazardous tree that has been ordered by the city to be removed, the work will be done and the property owner billed by the city. If the amount is not paid within thirty days, it is certified to the property owner's tax for collection.

Fire Pension Fund Benefits- Being appropriated an additional \$9,525 due to the fact that wages are higher than expected.

Accrued Benefits- Amount of \$35,400 is to take care of the benefits paid to the individuals who have retired and left the city's employment.

Community Band- Appropriation is to take the appropriation up to the donations that have been received for the Community Band.

DARE Fund- Appropriation is to repay the \$14,740.20 back to the state because the DARE program will not be used going forward.

Security Deposits Fund- Appropriation is for the return of security deposits paid when city buildings are rented. The deposit is returned when there is no damage to the building.

Temporary Appropriation for 2013 will cover the expenses for the month of January, 2013, and is one-twelfth of all funds. The recalculations of property tax revenue are not included in the ordinance. Mr. Presley is comfortable with the ordinance because when the city is audited they do not audit to a temporary appropriation. The only requirement is to have one in place that shows budgeted amount of monies to be spent. They will audit back to the first annual appropriation.

Administrative Compensation Ordinance – The first section is what is currently in place. The revisions begin on Page 3. An Executive Session will be held prior to voting on this ordinance this evening. The proposed changes provide a rate for the new Finance Director. Pages 4, Numbers 8 and 9 are revised for the Director of Public Service and Properties, and the Assistant Director. The Special Projects Coordinator has been eliminated. (No.11). The ordinance includes all of the retroactive increases provided to May, 2012. The rates for seasonal employees have been held at the lower end of the range of pay. The rate for a Safety Town Coordinator has not changed. Details for the operation of Safety Town are being worked through with the Bay schools.

2013 Budget

Mr. Young stated that he reviewed a financial report from January 2012. In January, the Finance Committee received the final numbers for the year, and then did a comparison and set what was the 2012 Budget. When there is a decrease in property taxes that will affect the revenue in all the funds. In 2009, property tax revenue was \$3.7 million. In 2010, property tax revenue was \$3.622 million. In 2011, the property tax revenue dropped to \$3.570. Mr. Presley noted that in addition to the numbers just discussed by Mr. Young, the Homestead Exemption and 2 1/2% Rollback must be added to make up the entire property tax revenue. The allocation can vary from year-to-year based on the amount of people that have owner occupied housing and are on the homestead exemption.

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Mr. Young reiterated that from 2009 a substantial amount of revenue has not increased and will stay the same up to 2015. This represents six years of holding income the same. This is significant information for the department directors and residents to know. We are not holding health care costs steady, or wages and pension the same. This presents a challenge going forward. Fortunately, municipal income tax revenue has increased. Cable television franchises have increased from \$108,000 in 2009 to \$155,000 in 2012 to date. Cable franchise funds are derived from 3% of the consumer's bill; the amount can be increased to 5%.

There may be some residual income from the estate tax. Mr. Clark suggested not budgeting more than \$200,000.

An amount of \$375,000 was budgeted in 2012 for the Local Government Fund revenue. The numbers came in okay this year because the state has seen an input on receipts, but there may be a change in 2013. Mayor Sutherland stated that she does not see there will be any reduction in the Local Government Fund, and they may temporarily leave it as is. There is a formula that would apply to lower revenues at the state level that would affect Bay Village, but it may not be significant. The Governor is going to introduce his budget at the end of January, or the beginning of February. Their fiscal year starts July 1. The whole spring session will be very busy. The municipal income tax revision will be reintroduced in the new General Assembly. Mayor Sutherland stated that she will be very involved in that again. There was a meeting in Columbus today which was quite lively regarding HB 601. There will be at least three sessions for interested party testimony and opposition testimony. The Bill will probably not be finished until spring, and then there is a 90 day period after it is signed into law.

The amount of \$375,000 will be budgeted for 2013 for the revenue for Local Government Fund.

Mr. Clark asked if the cities will be receiving Casino revenue as are the schools in 2013. Mr. Presley has no information as to possible Casino revenue.

Interest earnings on investments are at \$92,000. Allocations over the funds that use interest remains to be done. The 2013 Budget for interest on investments will be set at \$65,000.

Lease income from Kiddie Kollege for Bayway Cabin goes into the Cahoon Memorial Park Buildings Fund. To date, \$16,306 has been spent for work on the cabin to accommodate the tenant. Mr. Clark suggested that approximately \$8,800 be budgeted as revenue for 2013 for rental of the Bayway Cabin to Kiddie Kollege.

Recycling revenue will be eliminated. The line item will remain on the report and listed as zero revenue expected.

A reduction in the grant revenue will decline due to the end of the SAFER Grant for the Fire Department.

Building Permit revenue will be set at \$105,000 for the 2013 Budget.

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Mr. Young has calculated a loss in revenue of \$237,000 for 2013. He noted that this is a conservative number; an additional \$60,000 should probably be added to this estimate.

Municipal Income Tax revenue will be budgeted according to the final year end receipts. Mr. Clark suggested \$5.2 million.

Court fines will be watched due to the loss of North Olmsted from the Rocky River Municipal Court system.

Mr. Clark stated that based on the discussions this evening, an estimated 2013 revenue number can be established. Mr. Young stated that the revenue will be the biggest challenge for 2013.

The meeting adjourned at 7:29 p.m.

Mike Young, Chairman

Joan Kemper, Secretary