

FINANCE COMMITTEE MEETING

held July 25, 2012

7:45 a.m.

Present: Chairman Mike Young
Councilman Dwight Clark
Councilman Dave Tadych

Also Present: Finance Director Presley, Police Chief Wright

Audience: Bruce Geiselman, Susan Fink

Mr. Young called the meeting to order at 7:45 a.m.

2011 Audit Report

Mr. Presley distributed copies of the 2011 Audit and report which has now been released by the Auditor of State's Office. It is an unqualified opinion. For the third year, the city has had no citations or management recommendations. The post-audit review has been waived.

Mr. Clark noted that the state has been tardy in getting back certifications to cities. Mr. Presley stated that it normally takes 45 to 60 days after the audit. Mr. Young noted that the audit was performed by an independent audit company. Mr. Presley stated that the state has given the authority to obtain independent audits. Mr. Tadych asked if the City of Bay Village is due for an audit by the Auditor of State's Office. Mr. Presley stated that he believes this is the first couple of years, after fifteen years of audit by the State Auditor's Office, that the city has had an independent audit. They may or may not allow the city to go back out for an independent audit. Mr. Presley will check the length of the contract. Mr. Clark asked if this is the third independent audit in succession. Mr. Presley responded affirmatively. The audit is posted on the Ohio State Auditor's website.

Request for Seminar Attendance

Mr. James Potter, and Ms. Martha Krebs, Civil Service Commissioners, have requested permission to attend a seminar in Columbus, Ohio, on August 27. The fee is \$150.00 per person, plus mileage for one car. Total expenses are estimated at \$450.00. The Finance Committee expressed approval for the expense.

Community Gym Lighting Exchange

The City of Bay Village pays 100% for the electrical costs at the Community Gym. The lights at the Community Gym can be replaced for \$10,000 to \$13,000. A capital fund has been set aside and would cover that expense. Based on calculations with a couple of vendors, over \$4,000 per year could be saved on electrical costs. The city pays two-thirds of the cost of capital projects;

the schools pay one-third of the cost. The lights will be changed from sodium lights to T5 or T8 lights. Mr. Young noted that the difference in lighting is amazing. Most warehouses in the United States have gone to that lighting, with incredible savings. The lights can also be put on occupancy mode with motion sensors, resulting in additional savings.

Mr. Clark noted that the capital fund for the Community Gym has not been accessed since the opening of the gym. An estimated amount of \$43,000 is available.

Mr. Tadych asked about the conversion of lights from twelves to eights or sevens. There are many rebates available now and it might be meaningful to look into the possibility of converting.

Mr. Clark asked if the technology being applied to the changing of lights at the Community Gym would be suitable for city buildings. Mr. Young stated that the Service Garage was changed over. All of the lights in the other community buildings can be changed as well. Mr. Young noted that this was one of the recommendations that came along with the energy study. He suggested that Mr. Miller's Planning, Zoning, Public Buildings and Grounds Committee could take on this project. Mr. Tadych recommended conferring with Director of Public Service and Properties Galli to inventory the stock of replacement bulbs and coordinate using those prior to switching to another system.

Mr. Presley will proceed with authorizing the contract for the Community Gym light replacement and prepare a supplemental appropriation ordinance for Council consideration after summer recess. The contract amount is below the \$15,000 threshold requiring Councilmanic action.

2013 Tax Budget (Exhibit A attached)

Mr. Presley presented the 2013 Tax Budget to the Finance Committee. The budget is at the same 14.9 millage rate that has been in effect since 1996, prepared with the same fund allocations. The tax budget includes a 1% increase in the assessed valuation of property. Those figures have yet to be certified by the state to the county. Preliminary results say that the valuation is flat, but that was based on residential only and not the entire valuation of the city.

In the General Fund revenues, the Local Government and Estate Tax are vulnerable to movement at this time at the state level giving more to municipalities who were hurt by the removal of the estate tax. Counties and other taxing entities were not so affected. The state is looking at a redistribution of local funds to balance this out. Mr. Presley has used an amount for the 2013 budget for estate tax of 50% of the 2012 forecast.

Mr. Tadych asked when estate tax payments are received. Mr. Presley stated that they are received in May and October, with odd settlements coming in between those two dates. Mr. Clark noted that the City of Shaker Heights has a one-half percent municipal income tax increase on the ballot, possibly to compensate for the loss of estate tax. Mr. Tadych commented that he thinks Bay Village will not feel the effects of the estate tax repeal until 2014.

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Looking at the final page of the General Fund, Mr. Presley commented that the ending cash fund balance of \$201,940 could be affected by actual revenues. He reminded the committee that the tax budget is to be submitted to the county only for the purpose of showing the need for the property tax rates. It is not an appropriation and is not the official budget for the year.

Mr. Clark stated that the committee had been working under the premise that an extension would be received for the tax budget. Mr. Presley stated that the county did not file an extension request with the state for the September 27 extended deadline. The county is still on the deadline date of August 27, causing the city deadline to be August 15, 2012 for approval of the tax budget.

Mr. Young addressed the apportionment of funds that has been basically the same since 1996. He stated that there have been a number of changes in the life of Bay Village since that time, and there have been discussions about updating the millage to match the needs of individual funds. For example, 0.30 is used for the millage for each of the Police and Fire Pension Funds, representing \$153,192 in revenue for each of those funds. Every year transfers are made to match the actual cost of the pensions, which is more than double the amount of \$153,192. Mr. Presley noted that by Charter, under Excess Limits of Taxation, the voters approved up to 9 mills for the purpose of General Fund expenditures including Police and Fire Pension. The millage between the General Fund, the Police Pension Fund, and the Fire Pension Fund, regardless of the allocation cannot exceed 9 mills. Mr. Young stated that looking at balancing that millage distribution in order to better reflect reality, he would recommend an adjustment in the millage to .68 mills for the Police Pension Fund, .68 mills for the Fire Pension Fund, and 7.64 mills for the General Fund. This would result in a total of \$347,167 for the Police Pension Fund, \$347,167 in revenue for the Fire Pension Fund, and \$3,900,526 for the General Fund. At the millage rate as it exists now, there are transfers being made every year into these funds, and this action would provide a better match between revenue and expenses. (Exhibit B attached "Tax Budget Funds and the Transfers from General Fund for 2013.")

Mr. Young noted further that as the millage exists currently, the General Fund is capturing \$4,342,586. Of that revenue, over \$1,036,532 is being transferred to the Emergency Paramedic Unit, Parks and Recreation, Police Pension and Fire Pension Funds.

Mr. Young addressed the revenue generated by the 0.50 mill for Parks and Recreation in the amount of \$258,475. The 0.50 mill is capped at that rate. The transfer projected for 2013 for the Parks and Recreation Fund is \$305,000. Mr. Young stated that at some degree he understands this because the budget includes the maintenance of the parks, which used to be part of the Service Department budget.

Mr. Clark questioned whether changing the allocations of the funding would reduce some of the need for supplemental appropriations that Council normally sees through the year. Mr. Young noted that transfers will most probably still have to be made, but to a much lesser amount.

Mr. Young addressed the revenue generated from the 1.51 Emergency Paramedic Unit (EPU) millage. He stated that roughly one-third of the cost of fire and paramedic service as a whole, or one shift, is charged to the EPU Fund. Mr. Presley noted that this does not include direct costs

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such as maintaining medical supplies. Mr. Tadych noted that paramedic service has developed over the years since this was originated. Mr. Young stated that charging one shift to the EPU seems to be an antiquated figure that needs to be justified. He suggested a 50/50 split would be a more reasonable approach in charging the cost of fire and paramedic service to each of the respective funds. He also noted that the ambulance reimbursement proceeds, instead of being credited to the EPU account, are currently deposited into the General Fund.

Mr. Clark suggested that Fire Chief Lyons be asked to provide information concerning the costs and a proper assignment of charges. Mr. Tadych commented that the City of Avon Lake has informed him that 72 to 76% of their runs are paramedic runs. If the numbers are really that significant, then even half isn't the right number. Mr. Clark noted that the income statement from Mutual Aid must also be factored in.

Mr. Young stated that although runs are one way of determining the cost, there are other measures such as training time, etc. The point is, one-third is not enough. Mr. Clark noted that while we are collecting 1.51 mills, we are approved by the electorate to collect 2.5 mills. The concern is that we would not want to collect the additional amount for other than paramedic use. Mr. Tadych stated that he is not even thinking about collecting additional millage at this point.

Mr. Young reiterated his suggestion of using half the costs of the fire department, including salaries, benefits, overtime, equipment, etc. and backing out ambulance reimbursements, to determine funding for the EPU. The actual amount spent is even greater. The total would be closer to \$1.121 million in comparison, which is more than we are paying now. This is reasonable and more aligned to the actual costs, and would require an increase in the millage up to 2.2 mills as opposed to 1.51 which is being collected now. In order to make this increase a net zero for residents of the City of Bay Village, there could be a reduction in fees for refuse collection. He noted that this idea would have to be discussed further with the Mayor and Council of the Whole.

Mr. Young noted that the change of the apportionment of the millage must be done before the submission of the tax budget to the county, or August 15, 2012. Mr. Presley stated that if this is not ready to be done this year, it can be taken under consideration for the tax budget for the year 2014.

Mr. Clark stated that further discussion will need to take place with Fire Chief Lyons. He would like to try, as much as possible, not to raise the millage for EPU from the current 1.51 mills.

Mr. Presley stated that the suggestion of the reapportionment of the millage will eliminate fund transfers due to the reallocation of revenue fund sources. Mr. Tadych stated that by eliminating those transfers it makes it easier for people to understand how monies are being placed and spent.

Mrs. Fink asked if the county takes a percentage of the property tax collection, versus the fee for the trash collection and sewer rental going directly to the city without a service charge. Mr. Presley stated that the total expenses of the county fiscal officer are allocated on a pro-rata share based on what all the taxing authorities collect. It amounts to approximately \$100,000 for Bay

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Village. Mr. Young noted that there is still a cost for Bay Village to collect their local fees. Also, taxes can be written off on year-end tax returns. Mr. Presley noted that for every dollar levied in property taxes, the state is paying 12 ½ cents due to the rollback provision. Also, theoretically a property tax is more equitable because of value to value, versus a flat amount for every resident.

Mr. Presley noted that the City of Cleveland is now raising their quarterly fee for water meter reading to \$6.80.

Mr. Young recommended that Mr. Presley change the General Fund, Police Pension Fund, and Fire Fund millage allocation to match the suggested millage of 7.64 for General Fund, .68 for the Police Pension Fund, and .68 mills for the Fire Pension Fund. There will be no increase in the EPU millage collected at this time.

Mr. Young suggested, for future discussion, that a further recommendation would be that if the EPU millage collection is increased, the fees charged to residents for refuse collection be eliminated as an offset. A further suggestion would be to increase the EPU millage collection and reduce the General Fund millage collected, since we are currently taking money from the General Fund for the EPU Fund.

Mr. Clark reiterated the need to find the cost of the fire service versus the emergency paramedic unit service, and the assessment of the budget needs for next year for other funds.

Mr. Presley noted the effort of the City Council to establish the refuse fee, and the fact that the residents are used to paying the fee at this point. He questioned whether it wouldn't be easier to maintain it then reinstitute it again later.

Mr. Presley will contact Fire Chief Lyons for accurate information as to the costs of the Emergency Paramedic Unit. Mr. Young asked to be included in the fact finding discussions with Chief Lyons.

Mr. Tadych asked Mr. Presley for information as to the cost to the City of Bay Village for the central dispatch center. Mr. Presley stated that 10% of the actual cost of the dispatch center is shared equally among the participating cities. The remaining 90% is based on population of the city. These costs will be included in the determination of the expenses for the EPU.

Mr. Young noted that capital funds are an area that must be reviewed, especially in trying to balance the 2013 budget. Mr. Clark stated that there are three sewer projects going on at this time. The City of Rocky River has taken steps to place a capital improvement charge on their sewer collections. The City of Bay Village has to determine what needs to be done with their sewer fund going forward.

Fund 494, Infrastructure Improvement Fund of \$2,754,549 is an accurate reflection of the fund balance once there is a reimbursement of the payment of advances in the amount of \$1.2 million for capital projects. The September meeting of Council will include an ordinance authorizing the repayment of advances. The Bond Retirement Fund will also replace \$395,500 to the Equipment

Replacement Fund. Sewer project advances totaled \$930,000.

Mr. Young noted that further discussion is necessary for sewer improvements. He and Mr. Koomar have discussed that some of the improvements being made now can be drawn from the Infrastructure Improvement Fund, but at some point in time we must start to charge a sewer fee for capital improvement costs for the sewers. At some time in the future, this must be discussed with the Council of the Whole.

Mr. Presley informed the committee that the City of Westlake uses a portion of their income tax collections for infrastructure improvements. They have an automatic revenue stream for roads and sewers. The City of Lakewood has a 2 mill property tax for sewer improvements. Mr. Presley will provide the committee with a list of charges by neighboring communities.

Mr. Young stated that allocations from municipal income tax collections to the Accrued Benefits Fund and the Equipment Replacement Fund have been changed in the past. The additional 2% being allocated to the General Fund from the income tax collections, reducing the Equipment Replacement Fund allocation by 2%, will expire at the end of 2012. The 2013 tax budget is based on the 96% to General Fund allocation remaining in effect. Mr. Presley stated that the 2% for equipment replacement can be made up through the bonding capacity. It was noted that municipal income tax collections have increased.

Mr. Young stated that it makes more sense to fund equipment replacement through bonding at this time. Mr. Clark noted that keeping the fleet up-to-date saves maintenance costs later. He agreed with Mr. Young's comments but noted that a lower debt load is not necessarily unfavorable. Mr. Presley noted that the city is very aggressive on debt repayment.

Mr. Presley distributed a Bond Retirement Fund debt schedule to the members of the Finance Committee. Interest expense has been reduced by \$150,000 due to the expiration of debt mid-year, and the advance of funding to pay for what was outstanding and due on the old debt.

Mr. Clark suggested a mid-year review of the finances through 2012. A meeting of the Finance Committee will be held at 7:30 a.m. on Friday, August 3, 2012. Information to be included for review will be a variance report and the July financial statements.

Health Care Consultant proposals are due to the Finance Director on Friday, July 27, 2012.

There being no further business to discuss, the meeting adjourned at 9:05 a.m.

Mike Young, Chairman

Joan Kemper, Secretary