

FINANCE COMMITTEE MEETING

held May 7, 2012

7:00 p.m.

Present: Chairman Mike Young
Councilman Dwight Clark
Councilman Dave Tadych

Also Present: Finance Director Presley, Councilwoman Lieske, Fire Chief Lyons,
Police Chief Wright

Audience: Bruce Geiselman

Mr. Young called the meeting to order at 7:00 p.m.

City Vehicle Use Policy

Mr. Young stated that the Mayor has written and forwarded a city vehicle use policy for review by the Finance Committee. Mr. Young will be out of the city for the May 14, 2012 Committee meeting. He suggested that the Finance Committee, in his absence, consider a meeting to discuss the policy, devised by the Mayor, with the Mayor present at that meeting. Mr. Clark asked if Mr. Young would like the Finance Committee to make a recommendation to the Committee of the Whole for a vote. Mr. Young stated that he would like the Finance Committee to compare the Mayor's policy with the policy that the Finance Committee has proposed, and see if the Mayor's policy can be incorporated with the Finance Committee's policy. Before going to the Council of the Whole, Mr. Young would like discourse between the Mayor and the Finance Committee.

Health Care Fund

Mr. Young stated that actual costs for year to date for employee health care for 2012 are \$398,649.00, down 17% from the previous year. There were cost experiences in 2007, 2008, and 2009, that were approximately \$1 million total for each of those years. In 2010, that took a major jump to \$1.43 million and \$1.34 million in 2011.

Mr. Presley stated that since we have just finished the first quarter of the year, it is very difficult to predict that the decrease will stand. In addition to the savings on claims, the administration has increased the contributions from employees and reimbursement figures will be up as compared to last year. It is a combination of the two that is working well at this point. Mr. Presley noted that part of the percentage change is that there are fewer employees in the city, compared to 2011. We are currently down two policemen, and two firemen, and for the first quarter two individuals in the Service Department and one in the Building Department.

Mr. Tadych asked Mr. Presley if another employee has just been hired. Mr. Presley stated that an individual was hired in the Service Department. As of today, the city is down six employees.

Mr. Presley advised that full time employees work at least 35 hours per week, but a majority work 40 hours per week.

Mr. Tadych stated that in other employment areas, people who work 35 hours per week as a full time employee may be eligible for health insurance but are required to pay more for their insurance even though they are full time employees.

Municipal Income Tax Receipts

Mr. Young stated that municipal income tax receipts are down slightly less than 1% compared to the prior year. The 2012 budget was based on a 3% increase in municipal income tax receipts.

Mr. Presley noted that there are timing differences in the way the cut-offs by the Regional Income Tax Agency have fallen. Mr. Presley is hopeful that by the time the April collections are reflected the collections will be back up to a positive number.

Revenues

Mr. Young stated that in the General Fund, the item Property Taxes, Residential, Commercial, and Industrial, the city has received almost \$2 million or 53% of the anticipated total year collections. Mr. Presley stated that the county went through a property tax sale resulting in collection of some of the delinquent taxes in addition to the normal year's collections. Mr. Tadych noted that some residents also pay their taxes for the whole year at the beginning of the year. The line items representing the rollbacks of 2% and 10%, and the Homestead Exemption, will be at 50% at this time of the year because of the way that they are paid in with the first half settlements. These payments do not come in each month throughout the year.

Mr. Young noted that the Local Government Fund is estimated at \$375,000 annual revenue. The collections to date are \$163,000. Mr. Young asked if this amount is for a full half year. Mr. Presley stated that the payments come in monthly, and the collections are up. The revenues for the state are high in the areas of sales tax and income tax revenues. Mr. Clark noted that the same benefit was experienced in 2011. Mr. Presley stated that as a result of these higher collections by the state, the city is seeing more funds than anticipated, but less than the amount normally accustomed to being received.

Mr. Young stated that court fines for 2011 were approximately \$75,000, as compared to previous years tracking of \$35,000 per year. At this point in time, the collections are at 42% of the annual anticipated revenue. Mr. Presley stated that the revenue so far this year for court fines may reflect some of the cases during the last quarter of 2011. He noted that being down two police officers may result in less citations this year.

Mr. Clark noted that grant revenue is shown at approximately 80% collected for the first quarter of the year. Mr. Presley stated that grant revenue is high at this point because of the inflow now of the SAFER Grant through the Fire Department. The money was due in 2011, but did not come through until 2012. The SAFER Grant money is used to partially fund the wages of a firefighter position.

Mr. Tadych asked when the grant money will have to be used for the Senior Center disability access. Mr. Presley will check with Mr. Galli.

Mr. Clark asked Mr. Presley if there should be a concern about the relatively small amount received for building permits. Mr. Young stated that permit revenue for all other categories in the Building Department, electrical, plumbing, plan review, certificates of occupancy, have gone up significantly.

Mr. Tadych stated that the Estate Tax revenue is significantly favorable.

Mr. Clark noted that total consideration has not been given to many of the specific funds, such as the Emergency Paramedic Unit fund and the pension funds. He suggested setting a Finance Committee meeting to review those funds. Mr. Young stated that this may be something to focus on after summer adjournment. Mr. Presley will include the detail for all funds in the Council kits on Friday, May 11, 2012. He noted that specific departments may need to be reviewed, whether it is the operating in total or wages in total. Many at this point in time have reached the 60% mark. The encumbrances will need to be checked to see if they are truly going to be spent or released back into the departments' budgets.

Mr. Clark stated that at the next Finance Committee meeting, with Service Director Galli present, he would like to discuss capital sewer plans. Although we did not get grant money for the Bradley/Naigle Road Intersection Improvement Project, we did receive interest free loans and he would like to be able to tie all of that together as it relates to other projects being bid now. We have discussed an overall operating and capital fund for sewers through the city and that is something we have to tackle this year. Mr. Young noted that the same thing can be said for the Emergency Paramedic Unit fund. He would like to see how much is funded on a yearly basis for maintenance of ambulances. Mr. Clark noted that everything needs to be reviewed breaking down the operating costs from capital expenditures so that we are self funding over time. That would include a percentage of the operating cost of the fire station.

Mr. Clark stated that it is incumbent upon the Finance Committee to prioritize what will be covered in the next couple of meetings.

Health Care (continued from previous discussion)

Mr. Young stated that Mr. Clark and he have met with two nearby cities to see how they handle their health care, and whether they have Human Resource Directors and assistants, and/or whether they have consultants that work with them. An additional resource for information will be contacted.

Mr. Young stated that Mr. Clark and he have also met with health care consultants to learn what the consultants provide. He noted that the City of Bay Village does not have a specific Human Resource Director. It is hoped to possibly have the consultants meet with the Finance Committee or the Council Committee of the Whole.

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Mr. Clark suggested that for the Finance Committee to make any decisions as to whether changes will be made to what we are doing now, it is necessary for the committee to be informed. The place to start is looking at how other municipalities address their health care, and talk to consultants to see if it makes sense to have a consultant. Part of this was a result of the claims experience the city had in 2010 and 2011 years, which are higher than they have been historically. Hopefully, the numbers are good in 2012. The thought is to accomplish this task of review as informed and educated as possible. If something is to be done, it will be a project for the spring and summer. Health care costs will continue to go up. The goal is to make a recommendation to Council in the next thirty days.

Mr. Presley stated that he believes the goal of the Finance Committee is to look at the overall compensation package that employees have and understand that to be able to offer a full package to the employees everything has to be looked at in total. Health care is the second largest benefit to employees. The Finance Committee should look at what can be done as a cost per employee associated with the total benefit to the employee and going into contract negotiations to know and manage the expenses going forward, knowing that the revenues of the city are declining.

Mr. Young stated that the cities of Rocky River and North Olmsted, who were consulted concerning their health care provisions, have health care consultants in addition to having Human Resource Directors and Finance Directors. One city had an Assistant Human Resource Director as well. He noted that we do have an opportunity to reach out and use some expertise that we have not had in the past, as other communities have done. If you look at their overall cost experience compared to the City of Bay Village, they have been able to do it better and wiser. We must harness that expertise and work with the bargaining units to try to make the best package for the city and for the employees in the city. The goal would be to try to reduce health care costs but not be punitive to the employees, and to do this fairly and openly.

Mr. Clark stated that when looking at the two items, other than salaries and benefits, which are the biggest cost for the city, one is health care and the other is the trash contract. We have been able to negotiate a reduction in the trash contract with some good input from a lot of people, and we are following the same parallel on health care.

Mr. Tadych stated that it is very noble that Mr. Young and Mr. Clark have taken it upon themselves to review health care, but must remember to follow the regulations of the Ohio Sunshine Law for public meetings, which would require posting of those meetings.

There being no further business to discuss, the meeting adjourned at 7:30 p.m.

Mike Young, Chairman

Joan Kemper, Secretary