

FINANCE COMMITTEE MEETING

held February 13, 2012

6:30 p.m.

Present: Councilman Dwight Clark
Councilman Dave Tadych

Absent: Chairman Mike Young

Also Present: Mayor Sutherland, Finance Director Presley, Councilwoman Lieske,
Councilman Pohlkamp, Councilman Miller, Police Chief Wright,
Detective Mark Spaetzel, Detective Jay Elish, Service Director Galli,
Operations Manager Landers

Audience: Bruce Geiselman, Nancy Brown, Kent Silverberg, Jerrie Barnett

Mr. Clark called the meeting to order at 6:30 p.m. Mr. Clark explained that Mr. Young was called out of the city for business purposes and has asked Mr. Clark and Mr. Tadych to conduct tonight's meeting.

Mr. Clark provided a quick summary of where the 2012 Budget process stood last week:

February 3 rendition of the 2012 budget reflected a suggested \$300,000 deficit. Based on changes that will be reviewed this evening with Finance Director Presley, this week's run based on posted changes takes the deficit down to approximately \$36,000.

Mr. Clark expressed appreciation for everyone's input in this long process of balancing the budget. The singular goal for February 27, 2012, which is the next Council meeting following tonight's meeting, is to present a balanced budget for the 2012 year on first reading.

Mr. Clark turned the meeting over to Finance Director Presley to review changes highlighted and agreed upon last week as part of the February 6 Finance Committee meeting.

Mr. Presley stated that one of the largest adjustments discussed was a change in the allocation of the receipts of municipal income tax. On tonight's special Council meeting agenda, there is an ordinance to change, on March 1, 2012, that allocation from 94% to the General Fund, 4% to the Equipment Replacement Fund, and 2% to the Accrued Benefits Fund is amended to 96% to the General Fund, 2% to the Equipment Replacement Fund, and 2% to the Accrued Benefits Fund. The result of that adjustment is that \$89,612.00 as a budget number will be put into the General Fund as previously was budgeted in Equipment Replacement Fund. Adversely, \$89,612.00 will come out of the Equipment Replacement Fund.

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Mr. Clark asked if the \$89,612.00 projects municipal income tax revenue for ten months of the year. Mr. Presley stated that he went a little further. He actually took the allocation from 2011 and looked at what the city would have gotten from March 1, and took those dollars. The \$89,612.00 is the allocation based on the 2011 numbers, and what was paid in through the months of March through December, of 2011.

Mr. Clark stated that the ordinance that will be presented tonight will indicate that this will be a temporary move that will be in effect for the balance of 2012. The ordinance has been written that the percentages will automatically revert back to the 94/4/2 percent allocation on January 1, 2013.

Mr. Tadych stated that when using the 2011 numbers, if the 2012 collections should come in a little higher, the \$89,612.00 number could, indeed, change to a higher number. Mr. Presley agreed.

Mr. Clark stated that this measure to firm up the budget will be at the expense of acquiring some equipment and/or vehicles and this will be something we will want to be able to talk through with each of the directors when the budget is presented on February 27, 2012.

Mr. Presley stated that the other large adjustment is the posting of transfers from the Accrued Benefits Fund and the Workers Compensation Fund. Thirty thousand dollars from each of those funds is being transferred into the General Fund.

An additional adjustment is the removal of the school crossing guards from the budget effective June 30, 2012, the end of the 2011-2012 school year. The Law Director and the Mayor are at the Board of Education meeting this evening letting them know of that change. Mr. Clark noted that the plan would be to transfer that expense over to the schools for the beginning of their school year, or July 1. Mr. Tadych asked what would happen in the following year. Mr. Presley stated that if the economics should pick up this could be something that the city would bring back, or at least talk to the Board of Education if we wanted to go to a 50/50 cost sharing in the future. Mr. Clark noted that the school board would have to vote on this and it is still a work in process.

A further adjustment to the 2012 Budget is a change in the hospitalization expense based on the administrative individuals who are paying the increase in the premium on the monthly basis. This reduced the General Fund expenses by almost \$27,500.00.

A reduction in the transfers to the Parks and Recreation Account has been made in the amount of \$20,000 after tweaking some of their budget numbers.

Police wages have been reduced by \$50,510 based on information received last week as far as an individual who is resigning.

Seasonal wages in Police have been reduced by \$32,750.00 which represents the school crossing guards for a six month period.

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An increase in Police Pension represents a review by Mr. Presley of the revenue in the Police Pension Fund versus the expense in the General Fund which indicated that the figures were off balance. Mr. Presley stated that he did not catch that previously. He did recalculate the expense in the Police Pension Fund and it actually reduced the amount of the transfer between funds but still represented a \$15,000 increase in the General Fund.

The net items bring the budget down to the \$36,000 rounded that Mr. Clark referenced that expenses exceed revenues prior to taking into account the January 1, 2012 fund balance. It would be forecast at this point that the ending fund balance would be just under \$498,000. Mr. Presley stated that he is comfortable with the \$498,000 balance with the caveat that we all have to then, even more so, keep an eye to make sure that our revenues are where they are being projected and know that we cannot have expenses above what is budgeted.

Mr. Clark asked, historically, what number Mr. Presley is comfortable with carrying over to January 1. Mr. Presley stated that he would be more comfortable with carry-over of \$600,000 at the end of the year.

Mr. Clark stated that the transfer to Parks and Recreation has been reduced by approximately \$42,000. He asked Mr. Presley to highlight those reductions. Mr. Presley stated that the Recreation Director has received requests from people who coach basketball teams to rent gymnasium facilities. A line item of \$7,500 has been included as an increase in revenue for the renting out of the Community Gym. Another item is that their health care costs have been reduced because one of the individuals who was covered by health care dropped and went to a spouse's health care plan. The operating expenses out of the Parks Department have also been reviewed which enabled the reduction of the transfer out of the General Fund to the Parks and Recreation Fund.

Mr. Presley continued, stating that as mentioned previously the Equipment Replacement Fund revenue has been reduced because of the reallocation of municipal income tax funds, the expenses in the Police Pension Fund have been changed because of the amount transferred from the General Fund which reduced the expenses by \$9,300. Accrued Benefits Fund shows the \$30,000 transfer to the General Fund. The Hospitalization Fund amount was decreased by the transfers that reduced various funds but increased by the contributions by administrative individuals and the Workers Compensation Fund shows expense increase by \$30,000 to reflect the transfer to the General Fund.

Looking at all the fund balances at year end, the Street Construction, Maintenance and Repair Fund is still a concern because we are still using about 50% of the fund balance in 2012 even though there is a significant increase of the transfer out of the General Fund. Mr. Clark stated that this is the \$365,000 figure that was up from \$175,000 in the past so that we do not go below zero in the fund but also recognize that we may have to forego some potential projects this next year, possibly. Mr. Presley stated that if we do not do road resurfacings we do not issue debt. We certainly do not want to issue debt just to do the street striping and the normal maintenance. What has happened over the past three to five years is that as the economy has turned and there is less fuel use and license plate registrations to fund the revenue. The only way to make up the revenue is a transfer from the General Fund. Mr. Tadych stated that if he remembers correctly

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the license plate registration permissive fee is at the peak of what is permitted. Mr. Presley stated that it cannot be increased.

Mr. Clark stated that the \$365,000 represents normal maintenance on the striping and pot hole repair, and other normal maintenance that helps extend the life of the roads. If there were a higher balance in the account, it would not require as much of a transfer from the General Fund.

Mr. Pohlkamp stated that he spoke with Service Director Galli regarding the mill and overlay program scheduled for 2012. The bulk of that is going to be the Huntington Woods area, which we have put off for about four years now. Mr. Pohlkamp stated that there may be some other options. There is about \$100,000 allocated which includes Donald Street and city parking lots, including the one across from the post office and the parking lot at Columbia Park. Mr. Galli stated that the other city parking lots need to be gone through for areas that need to be repaired. Mr. Pohlkamp noted that the Ohio Department of Transportation (ODOT) has pulled back considerably so we should get very good pricing on asphalt this year. He suggested withholding one or two of the items until we see how the bids come in.

Mr. Presley stated that if the total street projects Service Director Galli is proposing come in at a lesser amount he would only issue debt for the lesser amount of the bid. Mr. Clark stated that we continue to be open to ideas to reduce the budget.

Mr. Clark stated that on the Hospitalization expense the \$27,000 looks like that the members of the administration that have stepped up and increased contributions to health care premiums represents about \$1,500 per year for coverage. Mr. Presley stated that the \$1,500 per year is the figure he uses for all employees in the program, not identifying between family or single coverage for this purpose. Mr. Presley explained further that he did not break out the specific between the family enrollee and single enrollee. He took the total savings as it would be for the entire population of the city and divided that by the number of people enrolled. It is \$1,510.00 on average, and that is the number he used as a reduction factor for health care expenses.

Mr. Clark stated that he has not seen the January, 2012 variance report. He asked if that will be coming soon. Mr. Presley stated that without a budget there is no variance. The variance report is actually the expenses because the budget has not been adopted. When the budget is adopted in March there will be variance reports. Mr. Clark asked if it would not be created through the actual expenses versus what was appropriated for the month through the temporary appropriation. Mr. Presley stated that the detail is not yet loaded. Mr. Clark stated that this is something we were missing at the fourth quarter last year and this is something we need to use to gauge negative variances on overtime and things such as health care and trash collection. Mr. Presley stated that as soon as the budget is adopted he will load it in and get a variance report out.

Mr. Clark stated that one of the things discussed was the possibility of putting line items in for DARE, Safety Town and Community Diversion. One of the challenges we all see at this time is trying to balance the budget without compromising the safety forces and keep those programs so this will continue to be a work in process until the budget is finalized. Mr. Clark stated that it is City Council's unanimous belief that we want to support those programs and keep those

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programs intact. The Council will have to work with the Police Chief and everyone involved to make that happen.

Mr. Presley stated that he did indicate to Mr. Young that the DARE Fund is already established to account for the grant money that comes in. That will be kept budgeted and whether the grants come in or not we can budget the appropriate wages for officers to continue the DARE Program. The Community Diversion has its own fund, and a line item will be created for Safety Town. There are some donations in the Endowment Trust Fund for Safety Town that we have and maintain a separate ledger for that if we open another Account 200 Fund for Safety Fund those could be transferred into the fund. Mr. Clark stated that the thought is to create three separate line items. Mr. Clark asked Mr. Presley if there is any idea of the cost of administering each of those programs. Chief Wright stated that the cost is almost negligible in the police budget because it is part of the individual's duties. Safety Town and DARE are part of Officer Ingram's duties, and Community Diversion is part of Detective Krolkosky's duties. The actual administrative costs of part of the officers' daily duties. Mr. Presley noted that under the DARE grant only base wages are received; the city has to pay the benefits outside of the wages.

Mr. Tadych asked if the DARE Grant increases as the wages increase. Mr. Presley stated that it is on the base salary only. Mr. Clark asked how much the annual grant has been for the DARE Program. Chief Wright stated that it is a revolving figure. The city has received as low as \$3,000 and as high as \$26,000 per year. The Attorney General takes out half of the forfeiture from the drug law violation on a state level. He takes a percentage of that for the DARE Program and that is divided by the number of DARE programs in the state. The number fluctuates both by pool money available and by the number of DARE programs. Over the last ten years the average grant has been \$15,000.

Mr. Clark stated that there has been discussion to have someone come in from the DARE Program and address the Committee of the Whole to review the program. Mrs. Lieske commented that this would also go a long way with the community given some of the comments that were raised at the Council meeting of February 6 and the concerns on the part of the residents.

Mr. Clark commented that Bay Family Services is not in the budget now and we have to consider the possibility of having them come in and talk about the value of the program. We've heard it before, proved it in the past, but we are having tough decisions to make.

Potential other items include potential cost increases. In terms of all the various parties meeting to properly allocate our part time and over time police wages given the events of the past week it is something we will continue to monitor. We may be seeing variances there. Any specific line items for DARE, Community Diversion and Safety Town will potentially be a cost addition.

Mr. Clark asked Mr. Presley if there were other discussion items that he had with Councilman Young last week in terms of cost reductions. Mr. Presley stated that the reorganization of the Building Department is not completely solidified at this point and clerical changes that may positively impact a reduction in expenses there. That is still being worked out and there are not any firm plans there yet.

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Mr. Tadych asked if the areas being fixed up in city hall for the movement of people includes the Recreation Department. The Mayor stated that eventually it would include the Recreation Department. The Mayor stated that they worked it out so that doesn't have to be an immediate move.

Mr. Presley stated that the budget does not include any capital portion such as a new phone system, the costs to do the downstairs of city hall, or any park improvements. Public Improvements are not included in the budget although we know we have earmarks in the Bond Retirement Fund for available funds to look at and prioritize needs on a public improvement basis. We will be coming back for that portion of the budget. What we have in front of us are the operations for the most part and some of the equipment, but not the public improvement portion.

Mr. Presley noted that on tonight's special council meeting agenda, there is to be presented an ordinance for the refinancing of the police station construction bond. Refinancing these bonds will save the city an average of \$32,000 per year between now and the year 2028, or roughly one-half of a million dollars in total. That is the conservative side. We won't know the exact figures until we take bids on the refinanced bonds which authorization is being sought tonight to go out and do. We have not done an advance refinancing previously because the economics of it were not such that it made sense and incur the additional cost of doing it but with all the expenses that are in the refinancing we are still looking at a half million dollar savings between now and 2028. Mr. Clark noted that the \$32,000 annual savings will not be affecting the General Fund, but will affect the Bond Retirement Fund, which then frees up dollars for additional capital improvements, road improvements, vehicle replacements, and things of that nature. Any savings there, like what is being done with the municipal income tax receipts, doesn't directly affect the General Fund but gives the city the flexibility of taking municipal income tax dollars and diverting them to the General Fund such as what is being done in 2012. It is a savings to the city and is being reflected in a couple different venues so that we can continue operating and continue to make the capital investments in equipment to keep the departments up and running as efficiently as possible. The cost of the refinancing is estimated to be \$80,000, overall. Mr. Clark stated that we need to nail down bond counsel/registrar/escrow agent and rating agency so to obtain a rating on the bonds. We will need to get some dollar figures on that and it looks as though we are going with Squire, Sanders and Dempsey. Mr. Clark asked when those figures will be available. Mr. Presley stated that the registrar costs are in the paperwork for the ordinance tonight. Squires, Sanders & Dempsey numbers are not yet in the paperwork. They are an approximate based on Mr. Sudsina's work. Mr. Presley can get those all buttoned down this week. Mr. Clark noted that it is important for all of us to have a hard dollar figure for those costs.

Mr. Clark added that what we want to be sure of is multiple bids this time. We did get a good bid on the police station note issue which we converted to bonds but it was only one, solid bid.

Mr. Clark stated that one of the other things talked about last week was different options for the personal vehicle use policy. Nothing has been finalized and alternatives have been presented. Mr. Clark is going to ask President of Council Koomar for discussion of a policy by the

Committee of the Whole. Mr. Tadych stated that the Finance Committee originally talked about 55 cents per mile reimbursement and applying that to the charges. A secondary plan of an amount per month was also discussed, based on mileage from the middle of the city to the vehicle user's home. The Finance Committee received information from the Finance Director regarding that plan for reimbursement. Mr. Tadych felt that the plan was penalizing the people that lived closer to the city and not asking the people that lived far away from the city to contribute their fair share. Mr. Presley and Mr. Tadych reviewed it and felt that it might be more fair if the same rate was applied to all miles outside the city from the first tier rate. Mr. Presley will put that suggestion into one of the options and put all three options together and distribute them to Council in their kits for review between now and February 27. Mr. Presley stated that he has not included in the budget any dollar amounts relative to the vehicle usage reimbursement policy.

Mr. Tadych noted that municipal income tax collections for the month of January, 2012, up 6.5%, look very positive. A 3% growth in income tax collections are forecasted for 2012. Mr. Tadych noted that the dollar amount collected in January of 2012 is higher than the dollar amount collected in January of 2009.

The budget figures that were reviewed this evening will be converted to an appropriation ordinance for first reading on Monday, February 27. Mr. Clark agreed that the first reading would occur February 27, so as not to back up final approval to the end of March.

Mr. Clark commented that there are two ordinances on the Council agenda this evening relative to finance. One ordinance relates to hospitalization for part time employees and the other for the disbursement of municipal income tax funds to the General Fund. The whole discussion of capital equipment as it relates to vehicle replacement will tie together with the vehicle use policy to some extent as well.

Mayor Sutherland stated that Mr. Ebert and she went over to the School Board meeting this evening to deliver the message about the school crossing guards. They were informed by the Mayor that the city would be responsible for the school crossing guards until the end of the school year. The intention is not to get rid of the crossing guards. The Mayor stated that the only other options would be to reduce the number. The City of Bay Village budget for school crossing guards is between \$63,000 and \$68,000 annually, as compared to a neighboring community whose budget is \$250,000 per year for guards. The Mayor noted that Bay's crossing guards are properly placed and they work very hard. She stated that we want to have crossing guards; it is just a matter of who is going to pay for it. Mr. Tadych noted that the safety of the children comes first.

Mr. Clark stated that he applauds the work of the administration, the Finance Director, the department heads and Finance Committee for the 2012 Budget. The process was started with a deficit of \$820,000 in October of this last year. He stated that this has been no easy task. The lessons we have learned going forward is that we are going to learn the tough stuff now and apply it to future years. There will be tougher sledding in 2013, 2014, and 2015 due to the loss of the Estate Tax and further cut in Local Government Fund revenues. We have made

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tremendous headway in the last 90 days. Mr. Tadych noted that we are not the only city going through this and he believes we have handled it very well.

Mr. Miller asked if there is a Plan B if the Board of Education cannot help with the financing of the crossing guards. Mr. Ebert stated that it is not unusual for the sharing of the costs. Mayor Sutherland stated that her office did a survey and it depends on the community. In most communities the city pays for the school crossing guards, but not all. A third of the communities indicate that the school systems pay for the crossing guards. There is some cost sharing. There are communities that do not provide any school crossing guards, e.g., Brecksville/Broadview Heights and Orange. Chagrin Falls uses volunteers.

A date and time for the next meeting of the Finance Committee will be determined later this week. Meeting adjourned at 7:20 p.m.

Dwight Clark, Chairman pro tem

Joan Kemper, Secretary