

FINANCE COMMITTEE MEETING

held January 23, 2012

6:00 p.m.

Present: Councilman Michael Young, Chair
Councilman Dwight Clark
Councilman Dave Tadych

Also Present: Mayor Sutherland, Councilwoman Lieske, Finance Director Presley,
Operations Manager Landers, Fire Chief Lyons, Police Chief Wright,
Vince Wright, Detective Mark Spaetzel

Audience: Bruce Geiselman, Nancy Brown, Kent Silverberg,
Carole Roske, Tom Phillips

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

City Vehicle Usage

Mr. Young stated that he is having problems with the current policy. There has to be, as with any thing you do in the city, some measure of oversight, transparency, and accountability. In this instance we have been operating on an honor system. As far as public finances, that is probably not the best policy. Whatever we have to develop, it is one that should be something, as far as reimbursements to the city, ones that have to be a little more transparent, and ones that have to be done more than once per year. Reimbursements once a month or once a quarter should be the policy going forward.

Mr. Tadych stated that looking at the report that was furnished to the Finance Committee, he does not understand why some people pay quarterly, some people pay monthly and skip a few months, and some people just paid the last quarter. Mr. Tadych stated that looking at the last five entries he does not understand that only September, October, November and December were paid and nothing before that. It does not seem to be structured well. Mr. Tadych asked the scenario on those last five entries.

Finance Director Presley stated that there is no set policy that individuals have to pay monthly or quarterly or semi-annually. It is up to the employee. Some people prefer to pay monthly, others quarterly. There was an allowance made to the Police Chief and Fire Chief which may explain why the Police Chief only started paying in September of 2011. Chief Wright stated that his fuel reimbursement did not start until September 2011, because of a credit granted.

Mayor Sutherland stated that it was her opinion because of the position of Fire Chief and Police Chief, to give them a credit of \$450.00 each in fuel reimbursement for the year. Mr. Presley

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stated that it does appear on their W-2 form for the year as non-cash income and they will have to pay taxes on the income.

Mr. Clark stated that there has been discussion that about 57,000 miles per year for commuting miles are put on city vehicles. He suggested that at \$1.00 per mile cost to the city, calculated with considering cost for insurance, etc., at 57,000 miles that is \$57,000 per year. The fuel reimbursements for the year were \$4,300.00. The subsidy of the city is about \$50,000 per year. This is a significant burn for the city, not only this year but previous years as well. Mr. Clark asked how this should be gapped – either by curtailing use or increasing allowances, or doing away with some of the city vehicle use.

Mr. Clark asked Detective Spaetzel if each detective has a vehicle that is driven from home. Detective Spaetzel stated that each detective does have a city vehicle. The total vehicle assignments are one each to the Mayor, Service Director, Police Chief, Fire Chief, three detectives, and three Service Department vehicles. Mr. Tadych stated that the list received originally stated that there were eleven vehicles assigned to city employees. Mr. Presley advised that the Recreation Director has not taken his vehicle home for more than one year. Mr. Presley acknowledged that the vehicle assignments were higher in the past. Mr. Tadych stated that he calculated a fact sheet that indicated the city was buying a new vehicle every three years, based on an accumulation of 180,000 miles, for commuting back and forth from home to work alone.

Mr. Clark stated that the current reimbursement to the city calculates out to about 7.5 cents per mile, which is far from where we need to be. Mr. Presley commented that the IRS calculates the rate of use of a private vehicle at 55 cents per mile for reimbursement for use, including fuel costs. Mr. Clark stated that even at the IRS rate there still is a gap for the city between reimbursement and cost of about \$25,000. Mr. Young stated that 55 cents per mile is the rate his company uses, and his company calculates that 10% of the use of the vehicle was for personal use and takes that amount out of his paycheck every two weeks. Mr. Young stated that he is in favor of that method because he does not have to record the mileage he uses for personal reasons. Mr. Young stated that the present way the city is doing it has to be changed, and the amount received for personal use reimbursement of \$4,700 is too low. It should be based on how much time the detectives are using the vehicles for personal use. Police Chief Wright commented that the detectives do not use their vehicles for personal use. Mr. Young stated that what he meant was personal use for driving the vehicles to and from home and work without the necessity to stop at another location for city purposes.

Mayor Sutherland stated that it would be difficult to track on a monthly basis and suggested payments for reimbursement on a quarterly basis. Mr. Clark commented that there needs to be a regular payment schedule and a change in the amount of reimbursement because even the \$25,000 based on 55 cents per mile is a large subsidy. Mr. Clark noted that the city maintains an expensive insurance policy for safety purposes. Mayor Sutherland stated that while it is reasonable to expect commuting miles payback, it must be remembered that these employees are on call 24 hours a day, seven days per week. Mr. Clark stated that the Finance Committee reviewed the report and they are certainly not arguing with the good job they do but the number of call outs show that out of the 92 days in the fourth quarter the actual call outs for situations was about ten percent of the time. Mr. Clark noted that this is what concerns him because the

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commuting miles then do rack up. Mr. Tadych stated that the alternative is a car pool where the employee comes to work, checks his car and then uses a city vehicle. Mr. Clark noted that it doesn't affect the city just in 2012; it is the years beyond and the years behind as well.

Mr. Young stated that he believes there is a benefit to having a number of people having a car on an emergency basis, actually having a city car at home. Mr. Young also stated it would be his vote to tighten up the payment schedule for reimbursable miles to the city. Mr. Young stated that he has no interest in applying these rules to the employees who live in Bay Village and have only a two mile commute per day. The committee is concerned with those employees who live outside city limits who take city vehicles home. There should be some type of more reasonable reimbursement for personal use for commuting on days when an emergency drive or driving to a training class or court case is not necessary.

Mayor Sutherland asked the Finance Committee to keep in mind that they do get volume discounts on fuel so the cost is much lower. The 55 cents per mile might be a little excessive based on what the city pays for gasoline. The Mayor stated that she really appreciates the idea of not having those who live in Bay Village have to pay reimbursement for commuting miles, especially for Don Landers and Dan Galli who are in their vehicles all the time and here at the drop of a hat, but for herself as the Mayor as long as any of her employees are paying mileage she will continue to pay.

Mr. Clark asked Mr. Presley if there is any way he can project the cost of what a mile would be. Mr. Presley stated that he would attempt to come up with a vehicle use policy with the following guidelines:

1. Specify the actual per mile reimbursement rate
2. Clarify personal use
3. Specify reimbursement period (10 days after each end-of-month)

Mr. Young addressed the Mayor stating that the Finance Committee has no problem with the Mayor believing that an employee deserves an extra amount of money or bonus for the job they are doing but it should not be done through the fuel policy but should be brought up in front of the Finance Committee for approval. Mr. Clark stated that it makes sense to collaborate.

Mr. Clark noted that if it is agreeable to use the IRS standard of 55 cents per mile for reimbursable miles, the goal would be approximately \$25,000 to be captured in reimbursements. Mr. Young stated that realistically he does not expect \$25,000 in reimbursements, but it should be more than \$4,700. Mr. Young related the example of duties his wife performs in her employment which requires that whenever there is a function in the church in the evening she has to drive back to work to lock up the building. This is part of her job; she is not reimbursed for mileage and does not get a car. He would apply the same principle to personal use of cars. There are times, emergency-wise, when it is not applicable for the employee to reimburse the city but commuting to and from home to work without an emergency call or using the car to report to court or a training class, is something that should be reimbursed.

Mr. Tadych commented that if an employee is on vacation days the assigned vehicle should be available to someone else who is taking that person's position. Chief Wright stated that when he is on vacation his car is left at the police station. Mayor Sutherland stated that the administration has copies of all the keys and cars can be picked up from the employees' homes if necessary.

Mr. Clark suggested setting a time to reconvene the topic of use of city vehicles after the Finance Director and Mayor have time to formulate a policy. A mid-February timetable was set for completion.

2012 Budget

Mr. Presley commented that since the last meeting he made the following changes:

- Municipal Income Tax – left at \$5,034,640.
- Shooting Range Usage Fee – Chief Wright has been asked for information before creating anticipated revenue
- Electrical Permits- Adjusted
- Plumbing Permits-Adjusted
- HVAC Permits- Adjusted
- Interest on Investments – Anticipated revenue reduced to \$75,000
- Transfer to General Fund – Reduced from \$750,000 to \$600,000
- BayWay Rental Income – Reduced from \$50,000 to \$12,000

As a result of those changes, a summary of all funds (Exhibit A attached) was distributed to the Finance Committee with the beginning balances available and the current 2012 budget to give an idea of the projected ending fund balance for General Fund. The General Fund would then have a \$20,000 deficit, tempered with the \$600,000 transfer. Without the \$600,000 transfer the deficit would be \$620,000.

Municipal Income Tax anticipated revenue has been left at a projected 1.3% increase. Total appropriations on the summary sheet is the correct number of \$11,962,690.00.

Mr. Tadych suggested that Mr. Presley check the Interest on Investments line item which shows an investment at 6.25%. Mr. Presley stated that he probably paid a large premium for that investment.

Mr. Young noted the increase in hospitalization expense for the Service Department. In 2010, the expense of \$273,000 increased to \$336,000. Mr. Presley stated that when the renewal comes in from Medical Mutual of Ohio and it is worked out where the health care plan is going to be for all city employees he feels comfortable changing the numbers that will reflect the cost to the city.

Mr. Young addressed the unemployment insurance for service. In 2011, the budget was for \$25,000. He asked the cause of the increase. Mr. Presley stated that normally in the Service Department summer employees and leaf season employees will file for unemployment benefits and be paid. He stated that the increase is for the custodial employees that were laid off in 2011.

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Mr. Young asked if we are expecting that to continue throughout 2012. Mr. Presley stated that the former employees will continue to receive unemployment unless they obtain other employment or until the benefit time elapses. Mayor Sutherland asked Mr. Young to keep in mind that it is still less expensive to outsource.

Mr. Young addressed fire wages stating that he is comfortable that the \$95,000 in overtime wages incurred in 2011 will not be seen again since that amount was largely due to retirements and injuries. He asked if the budget should be set at \$40,000 for 2012. Chief Lyons stated that standard budgeting practice would take an average of the past five or ten years without considering unusual circumstances. The amount of \$55,000 for overtime wages will be set for the 2012 budget in each of the fire overtime wages accounts. (General Fund and Emergency Paramedic Unit [EPU] Fund).

In Fire Department Hospitalization in 2010 the amount of \$194,000 was spent. In 2011 the figure increased to \$282,000.

Mr. Clark stated that there should be an allowance made in the budget to accommodate when the city goes to an RFP for a health care plan consultant. The question is how much to put in the budget, possibly \$15,000 or \$20,000. Mr. Presley stated that this could be put under the Health Insurance Fund, listed as Other Expense. Mayor Sutherland stated that she did not realize that a consultant was going to be hired. Mr. Clark commented that it is the direction that is necessary. Mr. Young suggested asking the Council of the Whole to see if they are interested in pursuing the assistance of a health care consultant.

Mr. Young asked Mr. Presley how the expense for other studies that have been commissioned appeared in the budget. Mr. Presley stated that it can be placed under the General Administration as Professional Services. Mr. Young stated that it would be favorable to keep the expense listed separately for easy identification, rather than lumping it into other expenses. In Health Insurance Fund 600, an additional account number could be created for Professional Services.

Mr. Young stated that the City of Rocky River does have a health care consultant and he would be interested in knowing the amount of money that they have saved with this service. Mayor Sutherland noted that the City of Rocky River has a full time Human Resource Director.

Mr. Clark noted that health care costs have increased significantly and it became clear that changes needed to be made. The Legacy policy that we had was a bit dated. Mr. Presley noted that if changes are not negotiated with bargaining units, the time has been wasted. Mr. Clark stated that the goal is to have all of the bargaining units with the same expiration date. He reiterated the need to budget some cost to standardize the plan. Mr. Tadych agreed, stating that he has no problem in providing an additional line item as Mr. Presley suggested. Mr. Young stated that the question is if having a consultant makes sense financially in planning health care policies for the future. Mr. Presley stated that it makes sense to have a consultant come in to advise the future direction of health care and some of the targeted rates for comparable sectors. Once the plan is negotiated it may not make sense to have a consultant involved. Mr. Clark stated that with health care being about \$1.5 million of the total budget it is a significant item.

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He noted that we have done municipal energy audits, and a Cleveland State audit, and that wasn't even close to the sum of health care in terms of General Fund expenditures.

Mr. Young stated that we would leave this as a discussion point for now, and include it in a committee session of Council as part of the 2012 Budget discussions. Mr. Young suggested putting a number in for a consultant but would like to know where it will be placed.

Mr. Presley stated that he did trim the Police Overtime budget figure for 2012. In 2011 they used \$110,000, and Mr. Presley has set aside \$100,000 in that line item for 2012. Chief Wright stated that overtime cost projections for the city are simply an average of the last five years of money actually spent. Mr. Young asked if there is any reason to reduce the figure when taking into consideration some of the anticipated changes for Bay Days. Chief Wright stated that for the last three years the number has gone down slightly. Three or four years ago the department was understaffed by four or five employees. When fully staffed the overtime demand is reduced. The average over the past five years has been \$115,000. Chief Wright stated that 2011 was the first year the department has been fully staffed in the last six years.

Mayor Sutherland asked the committee to keep in mind that the \$11,000 for the fireworks contract is not included in the budget. Sponsors for the fireworks will be sought. Mr. Presley stated that he will have to go back and check to make sure it was not included. He noted that the Mayor did direct him not to put it in the budget but he may have done so in error.

Mr. Clark commented that the hospitalization for the Police Department increased from \$263,000 to \$350,000.

Regarding the shooting range, Mr. Young stated that either revenue be generated or the expenses reduced. Mr. Presley asked the committee to refrain from making that decision until he determines an hourly rate for the surrounding Council of Government (COG) cities that use the shooting range. There may not be an answer until February. Mr. Presley has asked the Police Chief to give him statistics on the percentage of use by City of Bay Village employees versus outside agencies.

The Fire Hydrants line item will be taken to \$25,000. The \$50,000 expense in 2011 was due to a double payment. Mr. Presley noted that the Reimbursement line item was high due to the \$20,000 of hydrant reimbursement from the City of Cleveland. Mr. Young asked the Fire Chief about hydrant painting. The Mayor noted that this is the responsibility of the Service Department. The 1000 hydrants in the city are serviced as manpower is available and weather permits. Mr. Young asked about the changeover of hydrants that was discussed in the past to newer standards. Mr. Galli noted that the existing ordinance is dated back to 1964.

Tree removal expenses vary widely according to needs. Mr. Presley noted that if a hazardous tree is reported it is necessary for the city to contract to have the tree removed and seek reimbursement from the resident or the cost is certified to the resident's property tax bill. The Mayor stated that storms also contribute to the cost of tree removal. Mr. Clark noted that the cost was \$25,000 in 2010 and \$17,000 in 2011.

Regarding the Bayway Cabin, Mr. Presley stated that \$28,000 is available in the Youth Activities account to bring the cabin up to rentable condition. Mr. Young asked if the renter will assume the cost of the utilities and the Mayor responded affirmatively. The Mayor stated that renovation of the Bayway Cabin will not be necessary but the flooding issue in the basement must be corrected and there is a problem with the men's restroom floor in the older section. Mayor Sutherland stated that the cost should just be a few thousand dollars if the work is done in-house. Money not used from the \$28,000 available in the Youth Activities Fund will be rolled back into the General Fund. Mr. Tadych noted that the date that the building will be leased may vary. The Mayor stated that the figures will still come out ahead for the city.

The next review of the 2012 budget will start with the Paramedic Unit.

Capital Sewer Improvements

Mr. Young stated that he does not want to see the city taking some of the capital sewer improvements that are planned out of the Infrastructure Fund beyond what was already done. Mr. Young would like to create a capital fund and draw from that in the future.

Mr. Presley stated that currently in the 2012 Bond Retirement Fund there is an earmark of \$2.3 million for sewer improvements. Mr. Presley has calculated that the \$2.3 million amortized over twenty years at 3.5% interest would equate to \$215,000 per year to service the account. Breaking it down further, that would mean a capital portion added onto the current utility bill of \$15.00 per quarter for the residential. A corresponding commercial portion would have to be considered. The residential portion would service the \$2.3 million. The commercial portion would be able to meet anything above and beyond the \$2.3 million. It would therefore be possible to freeze the sewer fund to absorb any increase at the Rocky River Wastewater Treatment Plant. With the \$2.3 million not being an expense of the Bond Retirement Fund, you could then eliminate the Municipal Income Tax revenue of 4% going into the Equipment Replacement Fund. Discussion followed concerning the possibility of changing a percentage of that revenue to the Rainy Day Fund. Mr. Young stated that to date we have \$50,000 in that Rainy Day or General Reserve Fund, and if you don't have sufficient money to cover unexpected expenses there is no alternative but to rob other funds or other departments. Mr. Young stated that at this point in time given the circumstances we are under he would like to see the General Reserve Fund rebuilt.

Mr. Clark stated that we have talked about aligning the operating and capital portions of our sewer projects going forward so that we have a good idea of what our needs are going to be and how to best fund them. Mr. Clark noted that the \$2.3 million is dependent upon how much we are going to get in potential grant funding. The Mayor stated that it appears as though the city may be granted a no interest loan. The Mayor stated that the first ten applicants for funding will be funded as grants, and the City of Bay Village application is marked at 13th or 16th. The possibility exists that if one of the applicants in the top ten doesn't have matching funds to do a project the chances of Bay Village for a grant may increase. We will have to consider whether to wait it out to see the outcome, or take the no interest loan. The no interest loans have a twenty year payback. Mr. Young asked the Mayor to keep the committee informed, possibly within the next week or so.

Mr. Clark stated that numbers may have to be refined. The total cost of the three outstanding projects is \$2.8 million. We were hoping for 40% in grant money, but, we will now have to figure out how much we are going to borrow and how much we are going to pay out of own Infrastructure Fund. Mr. Clark noted that this lines up with the capital and operating strategy for the sewers going forward. The operating portion is set for 2013 with the current rates. Mr. Clark noted that he believes the \$2.8 million includes the CT Consultant Fees for their work which has been funded already. Those fees can be taken off the \$2.8 million.

Street Construction Maintenance and Repair Fund

Mr. Clark stated that the amount from the General Fund for transfers to the Street Construction Maintenance and Repair (SCMR) Fund has been budgeted at \$165,000 per year. Mr. Presley has increased it to \$360,000 because of the concern that the Street Construction Maintenance and Repair Fund was going to go below zero. Mr. Presley stated that there has been a reduction in gasoline tax revenues which are allocated to the SCMR Fund because fewer people drive when unemployment is high. Mr. Clark stated that in doing the street overlay program that was not done last year the cost is about \$700,000. To be considered is whether it is taken out of the General Fund or one of the other funds. Mr. Presley stated that the capital portion is always going to be taken out of the Bond Retirement Fund. The ongoing maintenance portion of \$365,000 is not taken from the Bond Retirement Fund. This year's ongoing maintenance program will end the fifteen year cycle of road maintenance. Mr. Clark noted that the city has been paying for all of this road maintenance, and the question for the future is whether a cost sharing strategy should be adopted. Mr. Young stated that he feels an assessment process should be started keeping in mind that Estate Tax revenues will be abolished. He suggested a 7.5% assessment beginning in 2013. Mr. Clark stated before implementing any of these we have to look good and hard at it because we are looking at capital sewer charges for the residents as well.

Mr. Tadych asked if the flow meters have been installed on Lake Road. Mr. Galli stated that they will be installed in February. Preliminary work has been done the last couple of days.

Mr. Presley stated that he has not yet updated the revenue for the 2012 budget but will do that this week. The \$750,000 transfer to the General Fund has been changed to \$600,000. Mr. Clark noted that this may change due to increased expenses.

Municipal income tax revenue projected increase will stay at 1.3%.

Mr. Tadych reviewed the Estate Tax and asked when receipts will officially end. The Mayor stated that the official ending of Estate Tax is year 2013, but there may be some lag time and receipts received due to the time it takes to settle estates. In 2012, the Estate Tax is still in force. Mr. Young encouraged the Finance Committee to think long and hard about how the \$450,000 anticipated Estate Tax revenue loss will be managed.

Discussion followed concerning the possibility of increasing the millage of the Emergency Paramedic Fund. Mr. Presley advised that the time has passed for increasing it for 2012; it

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would have to be considered for 2013. Mr. Clark noted that this goes back to the discussion of increased costs to residents.

Mr. Pohlkamp commented that sewer fees tie into a larger discussion. We have identified some major projects which we are going to be undergoing but we also have to look at the inflow and infiltration issues and develop a long term program.

A date and time for the next meeting of the Finance Committee will be determined later this week. Meeting adjourned at 7:25 p.m.

Michael Young, Chairman

Joan Kemper, Secretary