

FINANCE COMMITTEE MEETING

held February 6, 2012

7:30 a.m.

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

Also Present: Mayor Sutherland, Councilman Miller, Finance Director Presley, Police Chief Wright, Fire Chief Lyons, Recreation Director Enovitch, Operations Manager Landers, Service Director Galli

Audience: Bruce Geiselman, Jeff Gallatin, Vince Wright, Nancy Brown

Chairman Young called the meeting to order at 6:30 p.m.

Mr. Young advised that Council was originally handed a budget with \$750,000 in transfers. The budget showed a transfer in, but did not indicate where that transfer would be coming from, so basically it meant that the budget had a deficit of \$750,000. That hole can be filled either through revenue, or through cuts, or a combination thereof.

Estimated revenues are shown through February 3, 2012 on a report distributed by Finance Director Presley. Funds and a budget report have also been updated by Finance Director Presley and distributed to the Finance Committee. As of this time, the \$750,000 gap has been narrowed down to \$299,484.00.

Mr. Young stated that these numbers include the termination of one (1) full time police officer on February 18, 2012. Wages for police in 2009 were \$1,566,000.00 for full time officers. In 2010 they were \$1,610,000.00 million and in 2011 they were \$1,628,000.00 and this year, even with the cut, wages are \$1,633,000.00.

Mr. Young called upon Mr. Clark to present ideas for further reductions in the budget. Mr. Young noted that these are "out of the box" suggestions and not meant to frighten people but may be the only way we can get to where we need to be.

Finance Director Presley commented that the wages for the police quoted by Mr. Young are based on a contract that expired December 31, 2011. If there are any negotiated changes in those wages those will need to be reflected in this budget going forward.

Mr. Clark stated that the Finance Committee has met weekly for the past three months with the goal to do this in the right way. Mr. Clark stated that he has been the largest proponent of trying to find a way to balance the budget without continuing to take money out of the General Reserve Fund, as there is only have about \$54,000 remaining.

Mr. Clark distributed a list entitled “Bay Village – 2012 Budget Observations and Summary Financial Overview-Exhibit A attached.

He stated that under item (b) Recent changes from prior budget package dated 1/31/12, the changes are reflective to what has been agreed. There is one increase in Miscellaneous Income from \$5,000 to \$15,000, and the other changes in expense give us \$104,000 from the previous budget run, which brings the budget to today’s \$300,000.00 (rounded) budget deficit.

A breakdown of the General Fund Expense Forecasts by segment (based on \$11.8 million total) is broken down by various departments in Section (c) of the report.

Section d. is the Health Care Summary. Mr. Clark noted that health care costs from 2010 to 2011, initial budget versus actual, were 30% of the budget, or about \$270,000 over budget, which happens to be close to the figure of our deficit for 2012. At this point in time we can’t forecast exactly how we might pick up on that policy because labor negotiations are in process.

Section e represents Transfers from the General Reserve Fund. In 2008 there were no transfers. In 2009, the transfer was \$38,810.00; in 2010 \$795,000 was transferred. Even with the increase in municipal income tax revenues, in 2011 \$525,000 was transferred, bringing the total transfer from General Reserve to \$1,320,000.00. Coupled with the aggregation grant received of \$183,630.00 from First Energy which went into General Fund, \$1.5 from General Fund revenues have been taken to pay for operating deficits.

Mr. Clark stated that the final \$300,000 deficit for 2012 will be the most difficult to approach. Most of the trimming of \$400,000 from the deficit has come in the form of some revenue increases which have been built into the forecast. Mr. Clark noted that Chief Lyons was kind enough to provide numbers from increases in the Life Force Management billing services for emergency ambulance runs.

Mr. Clark stated that he would like to suggest other areas to make up the deficit, noting that none are final. He stated that the Finance Committee has been tasked to try to find a way to make this work. Mr. Clark presented the following seven different options:

1. **Vehicle Purchases** – Original Forecast was \$795,000 – Possible elimination of the purchase of a detective vehicle, community services vehicle, parks and recreation vehicle, and a police cruiser. Total Savings (\$81,000). By ordinance, we take 4% of our municipal income tax and dedicate that to equipment replacement. The thought is to change the ordinance this year to free up some money that will be projected into municipal income tax revenues that will give us another \$81,000 of revenue by foregoing these vehicle acquisitions. Mr. Tadych stated that 4% may be excessive; 2% might be a better number. Mr. Young commented that he would like to see that 4% go to the reserve fund more than anything else, so he would have no problem seeing that go back into the General Fund. Mr. Clark stated that the Finance Committee has talked about this being a one-year situation because of the deficit we have and the fact that we don’t have

anything left in General Reserve to draw on. All of the moves are to minimize the loss of any human capital. That is the singular goal without sacrificing services to the city.

2. **Salary Reductions across the Department Heads-** If there were a 5% to 7% cut for 9 months, starting April 1, 2012, there would be a savings of anywhere from \$25,000 to \$35,000. Mr. Clark stated that he would rather look at the possibility of something like this as opposed to getting rid of somebody.
3. **Health Care Plan** – Citizen Rich Chelko who is in the business of consulting for health care plans has visited the Finance Committee and there is a potential for us to save significant dollars going forward. The administration and directors have gone on board with increasing sizably their monthly plan premiums. There are a couple of negotiating units that are not required to open their contracts at this time. The increases that the administration has approved will go into the Health Care Trust Fund as revenue and will reduce the expenses out of the corresponding budgets for the directors. Mr. Young suggested that Mr. Presley post these numbers in the budget. The total savings would be \$1,510.00 per employee. Approximate total savings is \$18,000.
4. **Furlough Days** – It depends on how many people and how many days but a total savings is estimated somewhere in the range of \$50,000.
5. **Vehicle Reimbursement for Personal Computing Mileage** – Finance feels that if we have about 220 miles per day for commuting miles for those employees outside of Bay Village, a 55 cents per mile reimbursement would be attached. If some people end up parking their cars, there might be cars available then for the other areas where vehicles are needed, e.g., recreation, community services and building department.
6. **Available Funds** – Do we have funds in other accounts that dollars can be appropriated from to help the budget this year. Mr. Presley mentioned that there might be room in the Accrued Benefits Fund and Workers Compensation Fund. Thirty thousand from each fund would allow an additional \$60,000 toward budget deficit reduction.
7. **Retirements** – There is one known, at this time, the Mayor’s assistant. We don’t know if there are others. Total savings \$50,000. Mayor Sutherland noted that the assistant is not retiring; she will be replaced.

Total Savings \$288,000

Mayor Sutherland stated that salary reductions for the directors are absolutely off the table. She noted that these people have not had raises in three years. The Mayor added that they are not doing furlough days unless the unions are going to do them. The Mayor added that the Finance Committee is expecting way too much of twelve people.

Mr. Clark stated that he is not suggesting that these are going to be enforced but he is trying to open the variety of opportunities. The Mayor stated that she can appreciate that but those recommendations can be taken off.

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Mr. Young stated that the health care savings of \$18,000 and the available funds transfer of \$60,000 are clearly funds that will be agreed upon by Council of the Whole.

Mr. Young stated that the committee has discussed the recall of bonds for the police station to free up additional money. Mr. Presley stated that this would result in some savings this year.

Mr. Presley would like to review the vehicle purchases further to see if he can save the current debt service to such an extent that some of the vehicles would still be purchased. He noted that if vehicles are not replaced the increase in repair and maintenance for an eight to twelve year vehicle comes out of the operating budget. Vehicle purchases come out of capital dollars. He noted that it doesn't make sense to spend \$1,000 to \$2,500 in repairs to put a 10 year old vehicle back on the road. Mr. Presley will review the refinancing of the bonds and what that would free up for capital dollars for vehicles, looking at the 2% reclassification of the municipal income tax from the Equipment Replacement Fund to the General Fund, and the total of the debt service as to whether we can replace two or three of the vehicles. Mr. Presley would like a week to do that and report back next Monday.

Mr. Presley stated that the transfer from available funds totaling \$60,000 is reasonable. The vehicle reimbursements policy may result in the employees leaving the vehicles at work.

Mr. Presley will go through all of the numbers again to see if we can get this to the \$300,000 number.

Mr. Tadych asked if there is any money coming back against the old fire truck. Chief Lyons stated that he hasn't been given the go-ahead for the new fire truck. If a new fire truck would be ordered it would come in late in the year. The old one could certainly be sold. Estimated revenue of \$30,000 to \$40,000 would be an optimistic guess. Chief Lyons will do additional research.

Mr. Tadych asked about the possibility of changing the financing of school crossing guards to the Bay Village City School District. Mr. Presley stated he spoke with Superintendent of Schools Keener today and the only he would take it to the Board of Education is if the city could not afford to pay for them. Mr. Tadych stated that it is not our intent to jeopardize the safety of the children. Mr. Presley suggested that if the city kept the crossing guards in the budget until the end of the school year and demonstrated that they would not have the money in the budget beginning the 2012 and 2013 school year, Mr. Keener would approach the Board of Education to obtain that funding at that time. Mr. Keener indicated that he would then look to see if the Board could afford that for the fall opening of school. The amount is approximately \$34,000. Mr. Clark added that the School Board will be discussing that this weekend.

Mr. Tadych asked Mr. Presley if he personally had any ideas for the budget. Mr. Presley stated he will go through the budget again. He noted that it is not an easy task to not only get the city through 2012, but also provide some ground work for 2013. He noted that there will be even less money from the state in 2013. Year 2013 is also a reappraisal year for property values and he does not see those increasing. The last reappraisal lost two percent of property values.

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Mr. Tadych noted that the committee talked about increases for rental of city buildings. Mr. Presley stated that the non-profit clients are the area that may need increases, based on the cost for cleaning the buildings. Rental fees in all other categories are reasonable.

Mr. Presley stated that another option may be the \$65,000 to \$70,000 per year spent on senior transportation. Mr. Presley stated that he does not know if outsourcing this would save money. Mr. Tadych stated that he thought there was some interest in reviewing that option again. Mr. Clark stated that another reason that was not looked at is because the Community Services Department has already sustained budget cuts.

Mr. Tadych stated that the refuse collection contract is still to be discussed. Mr. Presley stated that the contract expires in March of 2013. Mr. Tadych stated that potential changes could help with the 2013 budget. Mr. Clark stated that the administration was able to negotiate keeping the rate in place for residents when switching to automated collection. This year the cost went from \$15.36 per household per month up to \$15.82 per month, which is about \$35,000 more per year. If we go to a regional bid there might be savings. Mr. Tadych added that there might be savings in going back to a five day collection. Mr. Tadych stated that he has had some discussion with Mr. Sears regarding this and he intends to pursue further discussion regarding the contract.

Nancy Brown asked about the \$50,000 outstanding to be paid to the Board of Education for the Field of Dreams. Mr. Tadych stated that this was done in good faith. Mr. Clark stated that you also have to look at the partnership with the schools, because this is something that benefits the entire community. Mrs. Brown stated that they may have reached their fund raising goal; Mr. Clark and Mr. Presley stated that it certainly something work looking into.

The next meeting of the Finance Committee will be held Monday, February 13, at 6:30 p.m. Meeting adjourned at 7:15 p.m.

Michael Young, Chairman

Joan Kemper, Secretary