

FINANCE COMMITTEE MEETING

held February 1, 2012

7:30 a.m.

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

Also Present: Mayor Sutherland, Finance Director Presley, Police Officer Smith, Police Officer Fifer, Police Chief Wright

Audience: Bruce Geiselman

Chairman Young called the meeting to order at 7:30 a.m.

2012 Budget Review

Mr. Young stated that he met with Finance Director Presley on Monday, January 30 to review changes that were discussed previously with the Finance Committee. A spreadsheet dated January 31, 2011 prepared by Mr. Presley, entitled "1/31/2011 General Fund Changes still in process and not posted" was distributed by Mr. Presley to the Finance Committee for review.

Also distributed by Mr. Young was a list of 14 questions and pending items that Mr. Clark had submitted to Mr. Young in regard to the budget.

Mr. Young stated that he asked Mr. Presley to do a mark-up of the 2012 budget changes, not including the first item at the top of the list on the spreadsheet submitted.

Mr. Presley outlined the revisions:

- Municipal Income Tax Receipts adjusted to reflect a 3% growth
- Police Shooting Range Usage Fee based on \$125.00 per hour as proposed to the Council of Government (COG) cities and Westshore Enforcement Bureau (WEB)
- Ambulance Reimbursement changed to reflect the ordinance that will be adopted on February 6, changing the rates and establishing a mileage fee
- Bay Way Rental Income rental income of \$12,000 with the hope that it is rented out for an after school function
- Income Tax Expense Acct. No. 100.117 – The number has been adjusted to reflect the 3% increase in municipal income tax collections
- Transfers – Acct. No. 100.119- The transfer to Parks and Recreation has been reduced
- Transfer to the Street Construction, Maintenance and Repair Fund needs to remain at \$365,000

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- Transfer to Emergency Paramedic Unit (EPU) added to cover additional overtime wages
- Fire Department Overtime Acct. No. 100.210 changed to \$55,000
- Public Utilities – Street Lighting, Acct. No. 100.311 Minor adjustment made to \$220,000
- Acct. No. 100.420 – Adjustment made to Clerical Wages reducing from \$32,640 to \$13,000
- Acct. No. 100.510 Telephone – Reduced by \$10,000 – Entered into a new provider (First Communications) agreement on January 31, 2012 saving \$1,000 per month.
- Bayway Cabin Utilities have been reduced to \$2500, due to plans to lease out the building with the tenant paying the utilities. The residual from any construction that the city will do from the Youth Activities Fund of \$28,000 is not shown coming back into the General Fund since it is still a work in progress.

The clerical wages for Boards and Commissions will be removed since the positions are now covered under a salaried position.

Mayor Sutherland asked what is in the police budget. Mr. Presley stated that it represents everyone that is there as of December 1, 2011, including those individuals whose labor contracts expire and increasing for those individuals covered under a different labor contract. There have been no changes to the police department personnel budget. Mr. Presley stated that the anticipation is that there will be a reduction.

Mr. Presley continued, stating that the General Fund with no transfer, and no additional revenue from any other source, is \$413,590.00 current revenues minus current expenses. For the operating year we are under the deficit. With the January 1, 2012 fund balance of \$534,000, the year will end with \$120,000. Mr. Presley stated that under no circumstances is that a number he is comfortable with based on all the variables in the budget. Mr. Presley stated that his comfort level and what is recommended under general practices is somewhere between \$500,000 and \$600,000 of a \$12 million budget. In order to add the \$15,000 to the Emergency Paramedic Fund, it was necessary to add a \$10,000 transfer from the General Fund, leaving that balance at \$972,000. Mr. Presley stated that he is not comfortable with that figure based on a \$775,000 budget. The rest of the funds are reasonable based on the purpose of the funds and the estimated balances.

Mr. Young asked what is shown as the Reserve Fund balance. The balance is \$53,960.00

Mr. Presley noted that he did not change any of the hospitalization accounts to reflect the increased contributions being paid by the administration employees toward their health care. Mr. Presley stated that it is marginal at best when it is only 12 or 13 individuals, but, if so desired, he can go back and make those adjustments.

Mr. Clark stated that what we are trying to do is squeeze out some additional revenue to reduce the shortfall. The additional revenue amounts to \$165,000 which leaves the budget about \$413,000 short.

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Mr. Clark noted that there has been a significant increase in cable television franchise fees over the past couple of years. Revenue was \$142,000 for last year which appears to be a record for the city. For 2012 we are budgeting \$130,000, and for previous years we budgeted \$125,000. He asked if an increase should be considered. Mr. Presley and Mr. Tadych felt it not prudent to increase since many residents may be seeking ways to reduce their cable bills.

Mayor Sutherland stated that under Community Services she would like to resurrect the idea about outsourcing Community Services. Transportation is costing the city \$100,000 when factoring vehicles and labor. Even though we are charging, the revenue does not offset the expenses. Mayor Sutherland stated that she will need to go back to Mr. O'Neill and recalculate.

Mr. Presley stated that the \$55,000 per year for operating expense for providing transportation does not include vehicle cost. A number of years ago he calculated that the per trip cost was over \$5.85. Mr. Tadych asked if the city would maintain the cars. Mr. Presley stated that the city would maintain ownership and lease the cars at \$1.00 per year to Mr. O'Neill at Bradley Bay Nursing Home.

The Mayor stated that the 2012 budget should not include expense for fireworks or Bay Family Services after the end of the school year. Cost-significant memberships have been eliminated and the city will no longer take part in the Heritage Home Loan Program through the county which was \$8100 annually. With the low interest rates available through lending institutions, it is felt that the sponsorship by the city is not needed at this time.

There will be Building Department reorganization resulting in some reductions.

Mr. Young asked how the administration will advertise the need for outside sponsorship of fireworks. The Mayor stated that when the budget is finalized the word will be put out because the city will no longer provide fireworks and decorate the streets with flower baskets. The Mayor stated that she may go back to the Kiwanis Club for help with Bay Days.

Mr. Clark stated that it is important to be sure that the revenue and expense indicated for the trash collection fee is calculated correctly. Mayor Sutherland commented that the fee should be reviewed; Fairview Park is charging \$10.00 per month for trash collection.

Mr. Young stated that he has discussed the viability of trying to use the 4% of municipal income tax revenue that is now used for capital equipment toward rebuilding the General Reserve Fund. There is the ability now to move toward rebuilding the fund. As far as the sense of using today's dollars to purchase a capital good as opposed to spreading it out over five years and bonding it, it makes more sense to do that instead. Mr. Young asked if the Finance Committee members are agreeable to proposing that to the Council as a whole. Mr. Tadych stated that he would be in favor of trying to rebuild the fund but does not know if 4% is the number that should be used. He suggested that maybe 2% of the municipal income tax revenues might be a way of not robbing the capital improvement fund all the way.

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Mr. Clark asked if the money is used does it help in terms of keeping the city in good stead as far as the financial rating of the city. Putting short term money into long term assets doesn't always make sense. Mr. Clark stated that he would be in favor of trying to build the General Reserve but does not know the kind of revenue momentum we will have in 2012. He suggested making it an item to discuss for 2013 and going forward. He noted that we have gone through \$1.3 million in reserve the last couple of years and this would be an attempt to ratchet that back up to the tune of \$200,000 per year. He suggested making this a placeholder to discuss further and tying it into sewer capital expenses and the overall financial plan of the city. He suggested keeping it where it is this year and revisiting for 2013.

Mr. Presley stated that the flexibility of the funds depends on whether or not a sewer capital fee is addressed and put into place by Council as to whether money then could be freed up out of the Bond Retirement to absorb the additional needs for capital improvement. With the \$2.3 million placeholder in Bond Retirement there is no additional room to take on the annual \$200,000. If sewer capital is addressed in a manner similar to Rocky River's then flexible options could be looked at for the 4% that is earmarked for equipment replacement.

Mr. Clark stated that the Finance Committee should be charged this year with working on all the long-term components of the budget as it relates to sewer capital, equipment replacement and municipal buildings and tie that all together. Mr. Clark stated it would make sense to put that in an Excel spreadsheet since all these parts are going to be interrelated.

Mr. Presley noted that the Auditor and Treasurer Fees of Cuyahoga County (Acct. No. 100.119.53264) have been reduced the last two years due to the efficiencies of the new administration in Cuyahoga County. If the budget is reduced to match the actual expenses it would free up \$10,000. Election expense is not included; it has its own line item.

Mayor Sutherland asked what is being done in the budget with the part time police account. Mr. Presley stated that there was discussion about the part time wages being reduced. The part time wages are still in the budget at \$75,000. Overtime wages are slightly reduced from the 2011 actual, and the Police Chief stated that he is hopeful that he can meet that. Chief Wright stated that he works with what he is appropriated. The Mayor stated that if the chief says he can do it for \$100,000 he will do it for \$100,000. Chief Wright stated that the larger variable is what happens out in the criminal public.

Mr. Young stated that there was discussion about the elimination of a full time officer and asked what that would do as far as a dollar figure relative to full time wages. The Mayor stated that the figure would be \$51,939.00 plus \$1100 in efficiency pay, or a total of \$53,039.00 and \$1200 in uniform allowance.

Mr. Clark stated that the biggest expense that continues to be difficult is hospitalization. The 2011 budget for the city was \$903,000, and the actual was \$1,171,000.00 across all departments. That is a \$270,000 increase. Mr. Presley noted that the administrative employees have gone from a \$35/\$70 (single/family) monthly contribution to \$90/\$220.00. If that is adopted across the board it will significantly impact the hospitalization charges to each of the departments. The

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revenue from the monthly contributions would be recorded in the Health Insurance Trust Fund to offset what is charged to the departments.

The budget deficit with the reduction of a police officer is \$350,000. Taking into consideration the additional savings of potential health care contributions, Bayway Cabin transfers, and clerical, it gives an idea of what might have to be done to stretch further.

Mr. Tadych asked if farming out Community Services would also save money on the Public Employees Retirement System. The Mayor responded affirmatively.

Mr. Clark stated that the Central Dispatch budget represents a 7.5% increase at \$147,805. Mr. Presley stated that this is based off the budget numbers that Westlake has provided; generally it comes in less than what they budgeted.

Mayor Sutherland stated that she is working on the crossing guards shifting to the school system. The Mayor suggested reducing the police part time wages by \$25,000.

Mr. Young asked if looking at one less officer, would reducing the part time police wages be a recommended course of action. The Mayor stated that the recommended course of action is to balance the budget. Mr. Clark cautioned that reducing the part time police budget might cause the need for a supplemental appropriation ordinance at the end of the year. The budget is at \$75,000 presently.

Mr. Clark asked about the potential change in the police station bond. Mr. Presley stated that refunding the current outstanding debt on the police station would net the city \$495,600, reducing the burden on bond retirement. Mr. Presley noted that the cost for reissuance is a little higher than the placeholder set for that cost. Mr. Young stated that he would like to see the city act as soon as possible. Mr. Presley is obtaining the cost on legal fees.

Mr. Clark clarified that Mr. Presley is discussing the recall of the police station bonds before they actually hit the call date of 2014. Mr. Presley stated that two of the issues cannot be called. The 2012 and 2013 are non-callable. Beginning with the 2014, through 2028, bonds would be called in and as a result of the interest rates on those compared to today's interest rates, on any given year we would save between \$27,000 and \$32,000. Mr. Presley stated that he does not know if the ordinance will be prepared by the 6th of February, but he will make that attempt. If not done on the 6th, a special meeting agenda could include that item on February 13, 2012.

The Mayor asked if there could be any savings by mothballing the Bay Lodge. She stated that at this time it is a money-loser. Mr. Presley stated that it would have to be winterized, but the possibility could be reviewed. He noted that the rental paid by the non-profit organizations is used entirely to clean the building after use. Mr. Clark suggested looking at the possibility of increasing the rental rates. The Mayor stated that the loss over a year's time is approximately \$2,000. Mr. Tadych stated that overcoming that loss with fee changes should be possible. The non-profit organizations may have to pay a little more. Mr. Presley will seek detailed information from the city's records.

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Mr. Young discussed the money left in the Youth Activities Fund which will have to be used partially to make the needed repairs to the Bayway Cabin. Mr. Young stated that he does not want to spend \$28,000 repairing the building in order to make \$12,000 this year and \$25,000 next year for rental income. The most Mr. Young would be comfortable spending would be \$18,000 with a transfer of \$10,000 back into the General Fund.

Mr. Presley noted that the other issue is that if \$20,000 to repair the building is deemed too high then plans would have to be made to shut the building down and make other office space available for the Recreation Department. Mr. Young stated that if the building is going to be rented out we are probably looking at moving the Recreation Department offices. The Mayor stated that it is a matter of timing. It probably won't be done right away because the downstairs of city hall is not ready. The Building Department will be moved first. There are other modifications that they would like to make in the lobby downstairs that would mean instead of having several points of cashiers in different buildings they would consolidate with security downstairs. Most of that work would be done in house.

Mr. Clark stated that once the cost is isolated for the Bayway Cabin the determination would have to be made as to whether it is reasonable. The Mayor stated that she has the letter of intent. The Council would then be able to make a decision on moving the money out of the Youth Activities Fund because the lease would be required to maintain upkeep, utilities, and insurance.

Mr. Young stated that there is still a \$350,000 deficit. There are some items that can be posted toward that later on in the year, and the goal would be to be able to tell the Council of the Whole how that would reduce the deficit. Mr. Young stated that he is trying to make realistic projections to give an idea of what the balance would be at year end.

Mr. Clark stated that there will be three readings of an annual appropriation ordinance, and some additional information may be known by the time we get to the second reading, hopefully regarding crossing guards and consideration of trash fees.

Mr. Young asked Mr. Clark and Mr. Tadych, if the numbers can be quantified to a reasonable degree, although not yet posted, and if that would bring us to the year end a zero balance, would they be comfortable in making a transfer out of another account. Mr. Clark stated that it may not be desirable but that would be a first step. Mr. Tadych stated that it would have to come out of various funds. Mr. Young stated that he would give Mr. Tadych and Mr. Clark some time to think about how to quantify that amount. Mr. Presley will provide additional information about clerical wages, the dollar figure for health care that could possibly be saved, crossing guards' savings, and savings on some of the various funds.

The Mayor asked about funds in the bond retirement fund that require court approval for removal, approximately \$13,000 to \$19,000. Mr. Presley stated that it goes from special bond retirement to general bond retirement.

Chief Wright asked if there has been any savings in the favorable winter we have experienced so far this season. Mr. Presley stated that the difficulty is that the savings is not calculated until

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December, 2012 to see if it would reduce the amount required to be transferred from the General Fund to the Street Construction Maintenance and Repair Fund.

Mr. Presley will have an ordinance ready for Monday, February 6 to reflect the fact that health care will no longer be provided for two part time employees.

Mr. Young discussed the personal vehicle use policy provided to the Finance Committee by Mr. Presley. The individuals using city vehicles who did not live in the city will be responsible for reimbursing the city 55 cents per mile for personal or non-business miles. Commuting miles are personal miles. Emergency calls during non-business hours are not personal miles. The employee will be responsible for keeping a record of their use and reimbursing the city the first ten days following the end of the month. An alternate method of charging a flat fee for use of the vehicle will be examined and both options presented to the Finance Committee for review and ultimately presented to the Council as a whole for discussion. The Mayor cautioned the Finance Committee not to insult the employees when the discussion arrives because these are detectives and the cream of the crop of the city and they take great offense, and have taken great offense.

Mr. Tadych stated that the Environment, Safety and Community Services Committee, when he was chairman in 2010, studied the building rental fees. When fees were increased it was done so with the objective of not trying to make a lot of money but to give back to the community. If the Bay Lodge will be reviewed again as far as cost, a review of the Community House should be included in the study.

Mr. Presley will redo the actual numbers and post something in regards to savings within those individual items the Finance Committee wants left open.

Mr. Presley will provide information in the packets regarding the authorization of the repayment of the police station construction funds.

Mr. Young noted that the remaining funds will have to be studied further. Mr. Presley briefed the committee on the possibility of renting the community gym for basketball time as a non-recreation program at the rate of \$35.00 per hour as a source of additional revenue. This will reduce the amount of money needed as a transfer from the General Fund to the Parks and Recreation Fund.

Mr. Tadych asked if any significant swimming pool expenses are anticipated this year. Mr. Presley stated that there are no expected expenses. Mr. Presley commented on the need to address the manner and building in which the pool chemicals are stored.

The next meeting of the Finance Committee will be held Monday, February 6, at 6:30 p.m. Meeting adjourned at 8:35 a.m.

Michael Young, Chairman

Joan Kemper, Secretary