

FINANCE COMMITTEE MEETING

held January 14, 2013

7:30 a.m.

Present: Chairman Mike Young
Councilman Dwight Clark
Councilman Dave Tadych

Also Present: Mayor Sutherland, newly appointed Finance Director Mahoney, Police Chief Wright, Steve Lee

Audience: Susan Fink

2013 Budget Revenue

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

Mr. Young explained the changes in the tax budget allocation of funds. Transfers were being made each year to the Police and Fire Pension Funds and the Emergency Paramedic Unit (EPU) Fund. Property Taxes, Homestead Exemption, and the Rollback Funds will receive less money in the General Fund due to the reallocation. Correspondingly, we will have an increase in the EPU Fund and the other two pension funds, reducing the transfers that have been required.

Mayor Sutherland asked if additional personnel will be shifted into the EPU Fund to make sure that the increased funding balances with expenses. Mr. Young stated that originally one-third of the total hours were used for the EPU. In time, however, the number of ambulance runs have steadily increased to the point where now one-half of the total hours for both Fire and Emergency Paramedic are now being used by the EPU. This had made it necessary to make monthly transfers in order to make that account whole. With this reallocation, additional taxes will be received in the account and the number of transfers required will be reduced.

Finance Director Mahoney commented that if Council is shown the revenue and expense together and compare it to last year's, it will make sense.

Mr. Young reviewed the 2013 Revenue Forecast (Exhibit A attached) as provided by Finance Director Mahoney. The forecast includes actual figures from 2010 through 2012, and the three year average of those figures. Mrs. Mahoney stated that she received some of the 2013 Budget figures from former Finance Director Steve Presley. If there were figures that he did not provide, she did the three year average.

Property Tax

Mr. Young stated that the first four rows of the General Fund: Property Tax, Homestead Exemption, 10% Rollback and 2 ½% Rollback are affected by the reallocation of the tax budget.

A total of \$655,617 has been reallocated out of the Property Tax. Subtracting that from the 2012 Budget, it works out to be significantly less than the 2013 Budget. Mrs. Mahoney distributed Worksheet No. 1. The total of all funds is \$20,000 less than what the county estimated. The property valuations went down about \$2 million from 2012 to 2013. Mr. Clark noted that this ties into looking at all the other funds to make sure that the numbers that are replenishing the funds are not overfunding the accounts. Otherwise, the Finance Committee will have to revisit that process again. Mayor Sutherland stated that if the reallocation is overfunding the EPU Account, they may want to add more firefighters that are being paid out of the General Fund to the EPU Fund to be paid from that fund. Mr. Young noted that the payroll for the Fire Department was redistributed by the Finance Committee to a 50/50 percentage between Fire Department General Fund and the Emergency Paramedic Unit Fund. Mr. Young stated that he does not think there will be a significant overfunding in the EPU Fund.

Municipal Income Tax

The city received just under \$5 million (\$4,996,000) in 2012 in municipal income tax receipts. Projection for 2013 is \$4,827,000. Mr. Clark noted that the \$4,996,000 represents 96% of income tax collections. The other four percent of collections are divided equally into the Accrued Benefits Fund and the Equipment Replacement Fund.

Mr. Young stated that he does not understand why the city would budget \$180,000 in anticipated revenue less than what was received in 2012. In 2012, municipal income tax revenue was projected to be at \$5.2 million, and it did come in gross at that number. The amount of \$5,046,000 will be established for the 2013 anticipated revenue in municipal income tax.

Cable Television

Mr. Young asked Finance Director Mahoney to check and confirm that the city is now collecting 3% of the residents' fee for cable television, and we are allowed to collect up to 5%. Three percent yields \$155,000 per year. If it is raised to 5% it would raise an additional \$100,000 per year. Mr. Clark stated that it is a number that has done better than projected. The city has the ability to raise the fee. Mr. Clark would like to find out how much revenue is generated from every one percent increase.

Mr. Young stated the need to discuss the possible revenue increases based on some of the losses that are occurring. Significant cuts have been made in the expenses. Mr. Tadych noted that an increase of two percent in cable fees is a large increase. Mrs. Mahoney suggested that the Finance Committee might want to phase in the increase over a period of time. Mr. Young stated that he would be more comfortable raising something that is more of luxury. Mr. Clark noted that it would not penalize those that do not have cable television.

Local Government Fund

Mr. Young asked what the estimate for Local Government Fund proceeds were in 2012. Mayor Sutherland stated that 2012 was a blended year. The estimate of \$375,000 for the 2013 Budget as revenue for the Local Government Fund line item is realistic.

Court Fines

Mr. Clark stated that approximately \$80,000 was collected in 2012 for court fines. The 2013 Budget indicates estimated revenue in the amount of \$75,000. He asked if the number is affected now that North Olmsted has left the Rocky River Municipal Court and established their own Mayor's Court. Mayor Sutherland stated that it is not affected by the changeover in North Olmsted. The fact that the City of Bay Village was down four police officers would affect revenue. The estimated revenue could probably go back to \$80,000 because the department is still down two police officers.

Mr. Tadych asked if the court expenses will be higher for the cities who are still part of the Rocky River Municipal Court. The Mayor stated that the expenses should not be higher because the court has made significant reductions in personnel.

Estate Tax

The estimated revenue for 2013 is \$200,000. Mrs. Mahoney stated that it would not be a good idea to rely on more revenue.

Interest on Investments

The estimated revenue for 2013 is \$65,000. Mr. Clark stated that rates will not go lower unless there is a liquidity drain. Revenue for interest in 2012 was \$82,033.70. Mr. Clark suggested estimating the revenue at \$80,000. Mr. Tadych stated that estimated revenue probably can be figured by what is coming due on the list of investments on the monthly financial sheets. Mr. Tadych suggested the figure of \$70,000 to \$75,000 be used for estimated revenue for 2013.

Grant Revenue

There is no estimated revenue figure listed for 2013. Mr. Young asked what the actual grants are for, such as the ADA doors at the Dwyer Memorial Center. Mayor Sutherland stated that it could be something such as the ADA doors. Mrs. Mahoney stated that she will be meeting with the department directors and will ask them about anticipated grant revenue. In the case of Hurricane Sandy, expenses were paid from last year's funds and reimbursement would be credit to the 2013 funds. Mr. Young questioned what the city may have incurred in expenses in 2012 for the ADA doors at the Dwyer Memorial Center. Reimbursement through the grant has not been received because the work has not yet been completed. The grant funds will be 2013 revenue.

Mr. Clark asked Mrs. Mahoney to find out what the \$81,204.70 in revenue in 2012 represented.

Building Permits

Mr. Clark stated that estimated revenue for 2013 is \$105,000. Actual receipts for building permits in 2012 were \$73,428.94. Mr. Young noted that the building permits for the Bradley

Bay Nursing Home and the Bay Village Schools may affect that revenue line. Mayor Sutherland commented that the city many times waives the permit fees for the schools. If costs are incurred they are passed on to the schools, but application fees are not charged. Mr. Young stated that he does not have a problem with staying with the \$105,000 figure of estimated revenue.

Transfers

The amount of \$143,960 was transferred in 2012. Mr. Clark stated that \$3,960 is the remaining balance in the General Reserve Fund. The \$90,000 number, the difference between the actual that is left in reserve is something that the Finance Committee could not reconcile.

Reimbursements

The reimbursement amounts are listed from 2010 through 2012, but there is no further information as to the source at this time.

Ambulance Reimbursements

The amount of \$275,000 is estimated for 2013 revenue, and is acceptable to the Finance Committee.

Rental Bay Lodge

The amount of \$18,000 estimated for 2013 is acceptable to the Finance Committee.

Sale of Recycling

The estimated revenue of \$1,000 will be reduced to zero due to the fact that the city no longer maintains the recycling trucks at the service garage.

Senior Van

Mr. Tadych stated that the senior van has been pulling in significantly more money than budgeted in the past. The riders are being more generous. The amount of \$8,000 in estimated revenue for 2013 will be increased to \$10,000.

Refuse Collection

Mayor Sutherland suggested increasing the estimated revenue to \$293,000. The goal has been to collect \$300,000 (6250 homes at \$48.00 per year).

Miscellaneous

The estimated revenue of \$7,000 for 2013 will be reduced to \$1,500 to be more in line with the actual number for 2012.

Emergency Paramedic Account No. 210

Mrs. Mahoney pointed out that the first four numbers of revenue items, from property tax through the 2 ½% rollback, are tied to what the county determines as estimated revenue for 2013. Mr. Clark suggested that a small narrative be added to the information provided on reports to indicate when numbers are tied to in other categories.

Emergency Paramedic Account Transfers

Mr. Young stated transfers to this fund are usually due to overtime wages, which are paid in the last month of the year as deferred overtime. Mrs. Mahoney stated that the transfers should not be needed because of the increase in reallocation of property taxes to the fund. Mr. Young noted that methods to reduce overtime wages are an important factor going forward, although overtime occurred can be a savings as compared to new hires. Mr. Clark stated that it will be necessary to watch how the numbers we now have on the revenue side match the historical actuals so that the fund is being properly funded, and not overfunded.

Parks and Recreation Account No. 230

Mr. Tadych stated that the estimated revenue numbers don't seem to be going higher in the winter and spring programs. They seem to be staying about the same. The costs will probably go up on those programs, especially baseball and football. Mr. Tadych stated further that he thought the city was charging more for those programs and we should have seen these numbers change.

Mr. Clark stated that Mrs. Lieske is going to have another Recreation and Parks Improvement Committee meeting with numbers that Recreation Enovitch has provided for her. These figures can perhaps be refined with that information.

Mayor Sutherland stated that you are always trying to do a balancing act with recreation programs because you want to be competitive with other communities. A lot can be driven by participation. Our population is down slightly and program participation can be affected by fluctuations in population.

Mr. Clark stated that there was discussion about basketball teams playing in leagues over the winter. It is surprising that the Community Gym numbers are down.

Transfers to Parks and Recreation

Mr. Young stated that historically over \$300,000 has been transferred to the Parks and Recreation Department. The city has been able to cover that \$300,000 transfer based on having things like estate tax and other revenue that is totally going away. There is no longer \$300,000 to transfer.

Mr. Clark stated that it has always been evasive for the Finance Committee that this is a combination of parks and recreation. The two should be isolated because recreation tends to be

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self-sustaining, for the most part. The transfer may represent the cost of maintaining the parks, but the committee would like to be able to see that breakdown. That would help in making a decision on where we would be making the transfer this year because it is clear that we don't have the \$300,000 to put aside. The pool tends to be a very strong, self-sustaining operation. The recreation numbers we certainly want to separate.

Mr. Young stated that if you look at the tax allocations for recreation, it is not Parks and Recreation. Mayor Sutherland stated it is lumped together in the accounts as Parks and Recreation.

Mayor Sutherland stated that Parks are allocated in the expense side. Mr. Clark suggested reviewing that more closely. He noted that we did not have to focus on it as much when the revenue was there, but now we have to focus on it.

Mayor Sutherland stated that the Recreation Department does only the recreation programs. They do not do any maintenance of the parks. That work is done by the Service Department. Dragging a ball field and mowing is done by the Service Department with overtime and a three hour minimum call out.

Mr. Clark asked why we would not, then, move Parks over to Service where it rightfully belongs and isolate recreation as its own department.

Mr. Tadych suggested adding a line that says Parks Service or Service of Parks.

Mrs. Mahoney stated that you can't really have a baseball game without the Service Department lining the fields. So it is an expense to recreation.

Mrs. Mahoney stated that she does not know of any city that does not have to subsidize their Parks and Recreation Department. Mr. Clark stated it is not a question of whether we have a problem subsidizing; we are just not sure what accounts the money goes into. A clear trail is what is being sought.

Mr. Young stated that he has found in his private employment in safety training for school systems that the schools are maintaining all the parks. Bay Village pays for all the mowing and striping. Almost all of the cities that Mr. Young does safety training for have indicated that the schools have paid for the set up of the fields. Mayor Sutherland stated that the schools would then be able to utilize the fields at will.

Mayor Sutherland noted that the situation in Bay Village is different because of Cahoon Memorial Park. The city has the direct responsibility for the maintenance of the park.

Mr. Young stated that he is not saying we should bill the schools for this maintenance, but it has not been his experience in the Cleveland area that the cities are paying for the park maintenance.

Mayor Sutherland stated that the overtime in the summer is not that substantial. There is overtime that we can control and we have worked very hard with the baseball clubs and with

Kiwanis to capture some of those expenditures back. Part of the city's mission is to provide recreational opportunities for all people of all ages and of all abilities, or lack thereof. We will continue to see what we can do to reduce expenditures. We are all very proud of our parks and in comparison to other communities we actually have higher per capita green space/parks than most other communities.

Online Registration Fees

Mr. Clark asked if online registration fees will increase this year with the website up and fully utilized. Mrs. Mahoney suggested that the registration fees should be included in the program fees for which the participant is registering. Mr. Clark stated that part of the reason for isolating the figure was to validate the cost of changing the web site. Mayor Sutherland noted that with the new system at the Recreation Department, the figures shown probably captured only the end of the summer season.

Mrs. Fink asked where Bay Days falls into the budget, because the city has overtime and the Service Department gets involved. Mrs. Fink asked if any revenue from Bay Days is reflected in the Parks and Recreation Department. Mayor Sutherland stated it is not in Parks and Recreation. It would be through the Police, Fire, and Service Departments. A check was recently received from the Kiwanis Club for approximately \$2,300 for a percentage of ride tickets sold at Bay Days.

Street Construction, Maintenance and Repair Account No. 270

Transfers

The transfer dollar figure is something that covers the in-house work that the city does, such as street striping or patching. In 2012, that number was increased to do some extra work. The question is what the Service Director, Dan Galli, has in mind specifically for 2013. Mr. Miller, as Chairman of the Public Improvements Committee, will inquire of Service Director Galli of anticipated needs for 2013.

Mr. Clark noted that there was a lower carry-over balance going into 2012 that was replenished. There was a very robust discussion with former Finance Director Presley about this last year.

Mayor Sutherland stated that she would have to excuse herself from the meeting at this point to attend to a conference call with President of Council Koomar.

Mr. Young commented that the only other items he would have for discussion for this meeting would be Health Care and Sewers.

Mayor Sutherland stated that the discussion regarding Sewers has already been initiated. In many cases they have done what they can do in some areas in the public right-of-way. Improvements are now going to have to move into private property and there should be a discussion about capital funds for sewers. The Environmental Protection Agency is going to continue to ratchet down.

Mr. Young stated that the existing sewer fund only covers operation costs. It does not cover capital improvement costs. Mayor Sutherland stated that she thinks the city has done a spectacular job of drawing down financing and leveraging grant dollars and low interest loans to get the sewer improvement work done. We are going to have a huge project on Cahoon Road. The needs are not going to go away. The city has minimized the amount of flooding, but you cannot completely eliminate it by nature of how our community is structured. This is another year where the city does the strength and flow study at the Rocky River Wastewater Treatment Plant so there may be some fluctuation in what percentage the city is paying. While the EPA has been concentrating on Bay Village and Rocky River, they are also watching the Rocky River Wastewater Treatment Plant and there may be some significant enhancements that are going to have to happen, probably in the next five years. Mr. Tadych stated that would go back to the people.

Mayor Sutherland left the meeting at this point.

Police and Fire Pension Funds- Accounts 280 and 281

Mr. Clark stated that the transfers into these funds came out of the General Fund last year and that is what we are trying to cure with the change in the property tax allocations. Mrs. Mahoney stated that it is just about there. The millage reallocation takes up about \$160,000 for each fund. The property tax change equals about \$333,000 to be allocated to those funds, and the average transfer has been \$334,000.

Mr. Young noted that there is an extra payment of \$56,000 per year to the Police and Fire Pension Funds for the next three years. That will be indicated in the expenses and there may need to be a transfer for that expenditure.

Accrued Benefits Fund

Mr. Clark stated that some of the balance in the Accrued Benefits Fund, approximately \$30,000, was used in 2012 to help the General Fund revenue balance. Mrs. Mahoney stated that also there was a large hit to this fund because many people retired.

Mr. Young stated that in talking to the Police and Fire Chiefs there are no planned retirements specifically for 2013.

Two percent of municipal income tax receipts are deposited to the credit of the Accrued Benefits Fund.

DARE Fund Account No. 295

Mr. Clark stated that due to the fact that the city has attempted to put as many patrol officers on the streets in the city and have the schools handle the drug awareness programs, there will be no budget for the DARE Fund for 2013.

General Bond Retirement Fund

Mr. Clark stated that there will be a more robust discussion on property tax for General Bond Retirement Fund because we will want to review the debt service going forward. Mr. Tadych noted that it would be wonderful if the city could retire some of those funds. Mr. Clark stated that we refinanced the Police Station Bond Issue. This next year Mr. Clark would like to look at the possibility of refunding the Aquatic Center Bond Issue and the Community Gym, which he believes they may now be callable since they were done in 2002. They are twenty year bonds which typically have a ten year call period. Mr. Clark asked Mrs. Mahoney to prepare to review those by tracking with the bond counsel. The bonds are priced at 4 to 4 ½ percent.

Public Improvements Account 490

Mr. Young questioned the source of the figure of \$163,121 listed under Grant Revenue. Mrs. Mahoney will investigate to determine the source of those funds.

Service Salt Garage Account No. 492

Mr. Clark explained the event of the collapse of the salt garage to Mrs. Mahoney. The city had to redo some of the work by a certain period of time, otherwise they would not receive the insurance settlement. The revenues listed for 2010 and 2011 may be due to that settlement. Mr. Colin Dean of McGowan Insurance Company may be helpful in providing information.

Bradley Road Improvement Account No. 493

This revenue represents monies advanced out of the Infrastructure Fund. Reimbursement will be received from the state. The project came in so far under budget that there is a minimal amount that the Cities of Bay Village and Westlake have to fund for the project. The total cost of the project was budgeted at \$2.6 million and came in at around \$1.7. Grant revenue was \$1.3 million. The city had to fund the project up front with the state providing reimbursement. There will not be a need for much state borrowing for the remainder of the cost of the project. The state will not release the grant money until the project is certified. A meeting will be held specifically with Service Director Galli regarding this and other projects. Mr. Clark noted that Service Director Galli has a comprehensive spread sheet of all the public improvement projects.

Sewer, Account No. 580

Sewer Revenue is for the operation of the system. The \$1 million advance shown is the money that was advanced out of Infrastructure Improvement for the Cahoon Road Aerial Sewer Project that is currently underway. Mr. Young noted that if you look at the collections for the sewer rental it does not cover the cost of these major projects. We can no longer afford to advance out of the General Fund the capital improvement projects for sewers.

Mr. Clark stated that it is incumbent upon the Finance Committee to figure out how these improvements will be paid for in the long term. Ultimately, the state won't provide their funding until the fourth quarter of 2013 until the projects are done. Even then, we will have to borrow

the money as currently constituted.

Mr. Young noted that this is a discussion that needs to take place with the Council of the Whole as to how to handle some of these capital costs of the sewers and the Rocky River Wastewater Treatment Plant.

Mr. Clark noted that there was discussion in 2011 about finding the actual cost of operating the sewers and the cost of making capital improvements to the sewers and how we will end up paying for those. The sewer rental charge went up slightly for the 2013 year. The ordinance has been approved through 2013. We have not had a capital component. The City of Rocky River pays \$25.00 per quarter for resident for capital improvement costs.

Health Insurance Account No. 600

Mr. Clark commented that the Finance Committee is going through a robust analysis of the city's health care plan for employees. The goal is to try to reduce the overall cost of health care for the city for 2013 and beyond. The committee will work with Findley Davies in that regard and Council will be updated sometime in the next few weeks.

General Insurance Account No. 601

This transfer represents payment to Travelers Insurance Company, the city's insurance provider for general liability and property damage insurance.

Summary

Mr. Young summarized that the cable television fee will be looked at for an increase as a possible revenue source. Sewer capital improvements will be discussed. Parks and Recreation are to be broken down to define the actual costs. Mr. Tadych stated he would like to see some effort to break out the difference between the two. Mr. Clark stated that we have worked hard to properly fund the Police Pension Fund, Fire Pension Fund, and the Emergency Paramedic Units. There is no reason we can't drill down further into the Parks and Recreation Department and fund those operations based on the cost of operating them. Part of this is an increase in the transparency we need given the revenue drop off this next year. There will still be a large hole, whether we set the Estate Tax at \$200,000 or \$400,000 of anticipated revenue.

The next meeting of the Finance Committee will be held the week of January 21. Mrs. Mahoney will provide 2013 Budget Expense information to the Council in their packets on Friday, January 18, 2013. The Finance Committee will meet with Service Director Galli regarding public improvements. Mr. Tadych noted that new costs such as those for the Findley Davies contract will be charged to health care. Mr. Tadych also noted that there will be costs with the Sunset area improvements. Mr. Clark noted that the Community Gym is underused. The number of memberships continues to go down due to the need for improvements. Mr. Young stressed the need for discussion of sewer capital costs to find a solution to pay for the capital improvements. Mr. Clark asked Mrs. Mahoney to check with other west shore communities as to what they have in place in terms of billing for operations and for capital costs for sewers.

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Mrs. Fink noted that the City of Rocky River allocates their Estate Tax receipts to capital projects. All of these past years they have taken their Estate Tax and put them into capital projects. The City of Bay Village has taken their Estate Tax revenue and put it into the General Fund for operational purposes.

Mr. Clark noted that Council has tried to be considerate in charging only \$12.00 per quarter for refuse collection. There was a small increase in the sewer rental fee. People in Avon are paying \$20.00 per month for trash collection. Bay Village residents pay \$4.00 per month. For the Finance Committee to get a full picture and make an informed decision, all of these things need to be looked at in total.

Mr. Young stated that determinations need to be made going forward about fees charged and the best way to achieve that determination is to make a comparison with what is being charged in other cities.

Mrs. Fink noted that the residents in Sheffield Village contract with the trash collection company individually. Seniors receive a senior rate. Sheffield Village does have automated collection. It is an option to consider.

Mr. Tadych noted that in Avon Lake the people pay their trash collection fee directly to the trash collection company. There is no bookkeeping done by the city, reducing administrative costs. The cost that the City of Bay Village is incurring in processing might be able to be alleviated.

Mrs. Mahoney will email neighboring cities Finance Directors for comparison figures for sewer fees and cable television fees.

Mrs. Mahoney will provide a preliminary expense 2013 Budget report in the Council packets on Friday, January 18.

Mrs. Mahoney noted that the City of Shaker Heights has 33,000 expense accounts. There are some advantages to being able to clearly see the expenses.

Mr. Clark stated that it would be helpful to have Ruth Popovich, Assistant Finance Director, at the next meeting of the Finance Committee.

The Casino Revenue line will be removed from the 2013 Budget since there is no money anticipated to be received.

Mr. Tadych stated he would like to see revenue from donations reflected in the parks line, e.g., revenue received from the Kiwanis Club for Bay Days.

The meeting adjourned at 9:10 a.m.

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Mike Young, Chairman

Joan Kemper, Secretary