

FINANCE COMMITTEE MEETING

held February 4, 2013

8:00 a.m.

Present: Chairman Mike Young  
Councilman Dwight Clark  
Councilman Dave Tadych

Also Present: Mayor Sutherland, Finance Director Mahoney, Councilman Steve Lee,  
Police Chief Wright, Police Detective Mark Spaetzel

Audience: Susan Fink

**2013 Budget Revenue**

Mr. Young called the meeting to order at 8:00 a.m.

Finance Director Mahoney had delivered to the Finance Committee an update of the 2013 Budget preparations including:

Revenue Budget	(Exhibit A attached)
Expenditure Budget	(Exhibit B attached)
General Fund	(Exhibit C attached)
All Funds	(Exhibit D attached)
Bond Schedule	(Exhibit E attached)

Mr. Young noted the absence of Fund No. 150, General Reserve Fund, on the list of all funds. Mrs. Mahoney stated that the fund is at zero at the present time. Mr. Young stated that what has happened is that the General Fund has become the defacto General Reserve Fund. At some point in time, Mr. Young would like to see some money in Fund 150. Mrs. Mahoney stated that the budget is still at a deficit; there is no money to put in the Reserve Fund. Mr. Clark stated that it is hoped that this will change in the future.

Regarding the Emergency Paramedic Fund, Mrs. Mahoney had notified the Finance Committee that she hopes to add one more Paramedic to the fund. Mr. Young stated that with the projected ending balance of \$226,595.51 he would be happy with the transfer of two more paramedics from Fire Department in the General Fund to the Emergency Paramedic Unit Fund.

Mrs. Mahoney will ask Assistant Service Director Sears to be present at the next Finance Committee meeting to go over the Street Construction Maintenance Fund and the Equipment Replacement Fund. Mr. Young noted that information concerning these two funds is critical to moving forward with the budget.

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Mr. Young asked about the \$240,000 listed as expenditures in the Accrued Benefits Fund. Mrs. Mahoney stated that this is just a guess; it is unknown who is retiring this year. Mr. Young noted that he has been told that there will be no police and fire retirements this year. This constitutes half of the city employees not retiring. Mr. Clark suggested looking at the historical numbers of retirements the last few years and budgeting the average of that as a possibility.

Mr. Young asked Mrs. Mahoney to include the year 2022 on the next bond retirement schedule. Mr. Clark advised that 2022 is the last payment on the Aquatic Center bond issuance. The Community Gym pays off in 2017. The bonds are not callable. The Finance Committee's hope is that these bonds would have been callable half-way through the life of the bond issuance, which was done in 2002. This would have been an opportunity to redo the bonds at a lower interest rate. Mr. Young questioned whether the callability of the bond issuance in 2002 was discussed and thought through. Mr. Tadych advised that it was clearly discussed and was a fully informed decision. He asked at that time about it being looked at as a callable situation. Mr. Young stated that since we are questioning the idea of not having a callable debt, he would like it reflected in the minutes that it was discussed and that you can get a lower rate on your bonds if you don't have a callability feature. Mr. Clark stated that the fact that we could have saved 2% would have saved \$30,000 on a run rate on this transaction from 2013 if there were a callability feature. Mr. Young stated that hopefully in the future someone will take a broader approach toward that discussion when looking at bonding to include a callability feature.

Mr. Young asked Mrs. Mahoney if there is a way to clear some of the balances on funds that are no longer being used. For example, the Bassett Road Fund (No. 440) has a balance of \$4,897.03 remaining. Mrs. Mahoney stated that if the funds are meant for those specific projects it is difficult to get the money out of those funds. The auditors do not like transfers out. Mr. Clark stated that the Walker Road Fund may be an ongoing account because of the cooperative agreement with Avon Lake. The Bassett Road project is completed and certified. Mr. Tadych asked about the dead trees on Bassett Road, and if that money could be used to finish the replacement effort of those trees. Mr. Young questioned whether street maintenance work on Bassett Road, such as tarring or street striping, could be charged to that fund balance.

Mayor Sutherland stated that with accounts that have assessments the Law Director has to go to court to close the accounts.

### **General Fund**

The 2013 Budget Revenue for Estate Tax has been estimated at \$400,000. The Finance Committee is comfortable with that estimation since a distribution of over \$200,000 has been received in January.

Expected revenue for Ambulance Fees has been established at \$300,000.

Regarding the possibility of increasing the Cable Television Fee as an additional revenue source, Mr. Young stated that at this time he would like to review expenditures in the budget. There will have to be additional revenue sources, but he would rather finish the discussion on expenses first.

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Mayor Sutherland commented that if the deficit in the General Fund is down to \$400,000 based on moving two more firefighters to the Emergency Paramedics Unit Fund, she can get pretty close to \$325,000 or \$350,000 with potential changes. There are always opportunities and they are constantly looking at streamlining and redeploying. Mr. Clark stated that the Real Estate Taxes and Rollback Taxes have increased in number since last week's review of the budget and the suggestions of the Finance Committee put into place. This has resulted in an increase of estimated revenue of about \$80,000.

Mrs. Mahoney noted that for the year 2012, the municipal income tax allocation of funds to the General Fund of 96% of the municipal income tax receipts reverts back to the 94% established in the administrative code (Section 181.36 (b)). Ordinance 12-08 changed the allocation to 96% of municipal income tax collections to the General Fund, but only until December 31, 2012.

Discussion followed concerning spending revenue from income tax receipts on capital equipment. Historically, interest rates were high. At this point in time, interest rates are less than 2%. This poses the questions of why you would want to spend cash as opposed to taking out debt at the low interest rate. Mr. Clark stated that the city has been conservative in funding their capital needs out of the current General Fund. One thing that could be considered is foregoing the 2% of municipal income tax into the Accrued Benefits Fund this year because there is a balance in the account. If there are no retirements anticipated, the city may not need to fund the Accrued Benefits Fund out of the municipal income tax receipts. Mayor Sutherland commented that she does not know if you can go by history. It really depends on the age of the people and when they decide to stop working. The first indication in some cases is when notification is received from the state. Mr. Young noted that some of the money could also be transferred out of the Accrued Benefits Fund if it is needed elsewhere.

Mr. Young stated that he is comfortable with the allocation of municipal income taxes at 96% to the General Fund, 2% to the Accrued Benefits Fund, and 2% to the Equipment Replacement Fund. He would prefer taking equipment replacement out of debt through the city treasury as opposed to using cash.

The amount of \$381,000 is shown as a transfer to the Street Construction, Maintenance and Repair Fund. Putting the expenses in the account will require those funds. Information is pending from Service Director Galli and Assistant Service Director Sears for the Equipment Replacement Fund, and the Street Construction, Maintenance and Repair Fund. That information may be available by the end of this week.

Mr. Clark stated that the transfer to Cahoon Income is being shown at \$50,000 in 2012 and \$25,000 in the 2013 Budget. Mrs. Mahoney stated that the rent from Kiddie Kollege will make up the \$25,000 difference.

Aggregation Grant and Reimbursements listed on the Revenue Budget were discussed. Mrs. Mahoney stated Assistant Finance Director Popovich informed her that the sources of Reimbursements are miscellaneous things, such as an R.I.T.A. retainer fund. There is no longer any expected income from the Aggregation Grant, which was a one-time source of funds. The

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Grant Revenue line item receives grants received from various sources, such as the grant received for the bullet proof vests for the Police Department.

Mr. Young asked if the \$56,000 to be paid annually for the next three years for the Police and Fire Pension Funds in addition to the regularly scheduled monthly pension funds is listed as an expense in the budget.

Mr. Young asked if there will be an anticipated revenue figure for the 2013 Budget for the Health Insurance Fund. Mayor Sutherland suggested using the figure from last year. The plan is a subject for the collective bargaining discussions. Mrs. Mahoney stated that if the number goes down or up, the transfers just go down or up. If the employee contribution goes up, the transfers go down.

The Cahoon Park account indicates revenue of \$30,000 for the Bayway Cabin rental. It was agreed that number was acceptable to include the rental payment and utility payments of the cabin.

Mrs. Mahoney is investigating to see if the clerical wages for sewer collection can be broken out of clerical wages for the Finance Department every paycheck instead of waiting until the end of the year.

The 2013 Budget Item for Election Expense should show \$22,200 instead of \$7,200 as discussed at the Finance Committee meeting.

The Uniform Allowance for the Fire Department has been increased by \$7,500 for the 2013 Budget. Mrs. Mahoney will check to see how the expenses are posted. The uniform allowance is paid according to what is contracted. Mr. Young noted that personnel are being moved over to the Emergency Paramedic Unit and the uniform allowance expenses should go down accordingly. By transferring over the expenses to Emergency Paramedic Unit, two men were taken out of the Fire Department account for full time wages, hospitalization, and pension. Those totaled about \$188,000 as a reduction from the Fire Department budget.

The Building Director and Assistant Salaries were at \$44,066.46 in expense in 2012 and are budgeted at \$60,260.00. This includes a portion of Mr. Galli's payment and the salary of the Assistant to the Building Director, Liz Carey.

Discussion followed concerning the allocations from municipal income tax collections to the General Fund, Accrued Benefits Fund, and Equipment Replacement Fund. With the expiration of Ordinance 12-08 changing the allocation from 94% to General Fund, 2% to Accrued Benefits Fund, and 4% to the Equipment Replacement Fund, a decision must be made as to whether to resume the allocation as it had been changed for the year 2012. Mr. Clark suggested waiting until information is received from the Service Director and Assistant Service Director regarding needs for equipment replacement prior to making that determination.

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Mrs. Fink asked when the municipal income tax receipts are received by the city. Mrs. Mahoney stated that they are received twice per month. Mrs. Fink asked if a transfer would then be required to adjust the allocation back to the appropriate funds.

Mayor Sutherland stated that one of the reasons they do not want the state to take over the distribution of municipal income tax funds is because the cities would not receive their funds twice per month. They are discussing the possibility of disbursements quarterly.

Mayor Sutherland suggested that Overtime Wages for the Fire Department should be shifted according to the number of employees in the Fire Department Account and the Emergency Paramedic Unit Fund.

Mr. Young commented that Uniform Allowance went from \$7,200 in expenditures to \$9,600 budgeted in 2013. He asked Mrs. Mahoney to check to be sure these numbers are correct.

Mr. Young referred to the question of Mrs. Fink at the Finance Committee meeting held January 28, 2013 regarding road salt being listed in two separate accounts. Mrs. Mahoney stated that both of those amounts, totaling \$110,000, were spent in 2012. A portion of the funds are taken from the State Highway Fund which is revenue from gasoline and license plate taxes.

Mr. Clark noted that Mrs. Mahoney has provided the numbers that represent bond retirement payments for 2013 at \$1,615,000 for principal payments, and \$306,381 in interest payments.

Mr. Clark stated that the Rocky River Plant Operations is shown increasing slightly from the 2012 Expenditures of \$566,446.80 to the 2013 budget of \$575,000, but is down from the original revised appropriation of \$637,520 for 2012. Mayor Sutherland stated that she will double check because the 2013 budget for the Rocky River Wastewater Treatment Plant has already been approved. There are capital improvements scheduled. This year the City of Bay Village will have to do another flow study as they are required to do every three years. The percentages of the four communities that individually pay in are then adjusted. The study takes place in March, April, and May. Mayor Sutherland noted that this is one of the reasons why they continue to look at tightening up the city's sewer system.

Mr. Young asked Mrs. Mahoney to work out what a 1% increase in salary for all of the members of the bargaining units would cost the city.

Mr. Young stated that further discussion will also need to be held regarding possible cost reductions. He asked the Mayor for an Executive Session copy of what potential changes would mean in regard to the budget.

Mr. Young stated that looking at the staffing of the city's departments he does not see where there could be any cuts as far as the number of personnel without sacrificing safety and critical services. Mayor Sutherland expressed agreement. Mr. Young stated that anything that needs to be done has to do with changing the way things are done as opposed to reducing. At that point in time, once those changes are made, they can then get a feel for what they have to do on a revenue side to make things sustainable for the city. Mr. Clark agreed, stating that we do not want to

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sacrifice personnel. Efficiency is the key going forward. Figuring out the expense side will be the driver in figuring out how to handle the revenue side. Mr. Clark is not interested in spending the General Fund carry-over balance because that is really the General Reserve Fund balance. Mayor Sutherland stated that former Finance Director Presley always recommended at least a \$900,000 carry-over balance. Mr. Clark stated that \$700,000 to \$800,000 would be a good number.

Mr. Clark clarified there is a possibility of getting a reimbursement from FEMA or First Energy for storm related expenses. Mayor Sutherland stated that she would rather not include that in the budget because we don't know what we are going to get or when we are going to get it.

Chief Wright advised that the Police Department copy machine is at the high end of usage. The particular model goes out of production at the end of 2014. Beginning in 2015, replacement parts will not be available. Replacement of the machine is estimated between \$6,000 and \$8,000. He asked if there is interest in setting aside \$3,000 per year for the next three years. Mr. Clark stated that the machine is a critical component of the Police Department and should be considered under Equipment Replacement. Mr. Young asked that quotations be received to compare purchasing versus leasing a machine. Mayor Sutherland suggested that Assistant Finance Director Ruth Popovich who handles the copier issues look into the replacement.

Mayor Sutherland discussed the potential impact of State of Ohio House Bill 5 regarding municipal income tax receipts. Information from the Cuyahoga County Mayors and City Managers Association has been provided to Council, as well as a spreadsheet of the projected impacts for Ohio communities. The information has been prepared to let the state legislators know how this bill would affect Ohio communities if it is passed as introduced. The low number of the bill signifies importance to get it passed. It will be heard in the Ways and Means Committee which is not chaired by Representative Grossman, who is the Bill's sponsor. Mayor Sutherland will go to Columbus on Wednesday, February 6, 2013 for prep work. The Mayors have been meeting with legislators since last fall regarding the impact the bill would have on their communities. Mayor Sutherland suggested that Representatives Nan Baker and Tom Patton receive comments from Council, and it would be prudent for City Council to pass a resolution in opposition to HB 5. A standard resolution form will be available from the Mayors and City Managers Association.

Mrs. Fink asked how many entities are going to be impacted by this bill. Mayor Sutherland stated that it could be in excess of 600 communities across the state.

The meeting adjourned at 9:03 a.m.

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Mike Young, Chairman

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Joan Kemper, Secretary