

FINANCE COMMITTEE MEETING

held March 14, 2013

7:00 a.m.

Present: Councilman Mike Young
Councilman Dwight Clark
Councilman Dave Tadych

Also Present: Finance Director Mahoney, Law Director Ebert, Police Chief Wright,
Assistant Service Director Sears, Fire Chief Lyons, Operations Manager
Landers, Councilman Steve Lee

Audience: Susan Fink

Mr. Young opened the meeting at 7:00 a.m.

The purpose of the meeting this date is to review the most recent draft of the proposed 2013 Budget for the City of Bay Village.

Changes made to the last budget presentation (3-11-13) were discussed as follows:

Workers Compensation

Finance Director Mahoney advised that in 2011 the City of Bay Village went to a different kind of rating plan for Workers Compensation, known as Retrospective. This reduced the cost to the City of Bay Village by one-half of the cost under the previous plan. Retrospective requires the payment of a smaller percentage, and the payment of some of the actual claims. The transfers were not reduced when the plan was changed, resulting in a balance in the account of \$338,000. Funding less in 2013 to the Workers Compensation Fund will result in freeing up \$110,000. Mr. Clark suggested using the \$110,000 and reinstalling the 2% back to the Equipment Replacement Fund to put off having to bond more money for equipment and vehicles. Mrs. Mahoney stated that it will not be necessary to change the percentage. A transfer will be made to the Equipment Replacement Fund. Payments to the Workers Compensation Fund will be reviewed again prior to preparing the 2014 Budget. Ordinance No. 13-16 regarding the disbursement of Municipal Income Tax funds will proceed as it was presented at first reading on March 4, 2013.

2013 Budget Year-End Balance

The year-end balance for 2013 for the budget is \$948,000. Discussion has been to keep the existing balance of \$982,000. This results in a shortfall of \$34,150. If wage increases will be considered, the minimum amount of an additional \$126,000 will be have to be set aside. This will result in a net deficit of \$160,000.

FEMA/Insurance Claims

Payment of a claim is expected from First Energy Corp. for storm related damage for over \$100,000. The claim will be paid within two weeks after Mr. Galli submits the paper work. Mr. Young expressed the desire to set money aside into an emergency fund. This fund can be used for expenses due to emergency or unexpected events.

Overtime for Safety Forces

Police and Fire Personnel are permitted to bank 80 hours of overtime per individual and submit it for payment at the end of the year. Mr. Young asked to have such overtime tracked by Police, Fire, and the Finance Director to ensure overtime is kept within budget.

Police Department

Police Chief Wright stated that he was asked to prepare potential reductions in his department's budget of \$60,000.

Chief Wright stated that there will be no retirements in the Police Department in 2013.

There are two options for the Shooting Range: 1) shut down the range entirely for the remainder of 2013, or 2) use the range at the same level it has been used until the computer control for the filters and equipment shuts the range down. At that point it would be kept shut down until January 1, 2014. At least \$20,000 for equipment maintenance for the range will have to be set aside for 2014 if there is no maintenance done in 2013.

Chief Wright noted that he is willing to discuss the possibility of creating a revenue stream for the shooting range. Mr. Ebert noted that North Olmsted has expressed the desire to rent the shooting range. That possibility will be further explored.

Mr. Young asked Chief Wright to provide him the statistics as to how many hours of shooting it takes to fill up the filter and trap. These statistics will aid in determining the cost of using the range, and the charge to be assessed if renting to others. Mr. Young asked Mr. Clark to possibly review shooting range use and rental as part of his Safety Committee.

Chief Wright advised that the City of Rocky River is not saving overtime due to 12 hour shifts. Rocky River has a provision in their contract where every supervisor is guaranteed 8 days of overtime per year (56 hours).

The first option to reduce the Police Department budget for 2013 is to eliminate the proposed purchase of two police vehicles in 2013, resulting in savings of \$78,000.

If the first option is not chosen, the second option includes the following:

No training in 2013

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Major repairs to Vehicles in 2013 will not be done
No equipment (other than vehicles) will be purchased in 2013
Shooting Range will be shut down
Overtime reduction by \$8,000 including less police presence at Bay Days
(Mr. Tadych will meet with Mr. Dostal regarding the possibility of increasing the vendor fee for Bay Days)

Mr. Lee asked about the use of Auxiliary Police for Bay Days. Chief Wright stated that two auxiliary officers are used until 7 p.m. Four uniformed police officers are used in the evenings, and supplemented by auxiliaries. The largest use of auxiliaries is for crowd and traffic control on the evening that the fireworks are held.

Community Emergency Response Team (CERT) is not used for recreational or leisure time purposes. Their purpose is to assist in emergency situations.

Telephone Expense for the Police Department is high (\$14,000) but the line item includes the communication with Cuyahoga County for the data bases. Formerly known as CRIS, it is now known as the Regional Enterprise Data System (REDS).

A significant increase has been budgeted for hospitalization. Mrs. Mahoney stated that hospitalization costs are based on the COBRA rate less 2%. Each person is charged that amount of money. That money is used as a revenue item in the health insurance line. A balance needs to be kept in the fund, in the event we stop being self-insured, for the three-month lag that will still have to be paid. Mrs. Mahoney stated that from her experience this seems to be a good rate. The increase went from \$328,000 last year to \$364,000 this year and is based on number of employees.

Mrs. Fink asked if police overtime is affected by softball and/or soccer events. Chief Wright stated that the police do not become involved with those activities. These activities are covered by the Service Department.

Fire Chief Lyons

Mr. Young advised Chief Lyons of the funds from insurance reimbursement from First Energy Corporation for the power surge at the Long Beach pump station (\$100,000) that will be set aside for emergencies or unusual events, and drawn from for the use of overtime and extraordinary expenses. The overtime in such cases is to be accompanied by documentation when submitted.

Mr. Young noted that he will expect both the Police and Fire Chief to keep track of the dollar figure for overtime banked for cashing out at year's end. Mrs. Mahoney noted her intent to include the tracking of this information on pay stubs in the future.

Chief Lyons stated that he and Director Mahoney have been working on reductions for several months, and are somewhere in the range of 8 to 12% lower than 2012 for the 2013 budget.

Mr. Young noted that he wishes there to be no inference by this budget work that the Police or Fire Chief do not control their budgets.

Chief Lyons submitted a copy of Fire Department Budget Cuts for 2013 submitted January 25, 2013 to Mayor Deborah Sutherland (Exhibit A attached). Section VII includes Chief Lyon's suggestions to cut \$50,000 from Fire Department operating expenditures for 2013.

The amount of \$40,000 has been reduced in potential overtime for the Fire Department in 2013.

Additional cuts in the budget would be achieved as follows:

Maintaining full staffing in the Fire Department eliminating \$37,000 in overtime expenditures.

Reduction in participation in the WEB SWAT team. Two members accounted for 217 hours of overtime in 2012, or approximately \$8,700 in overtime expenditures.

Reduction in participation in the Westshore Hazmat and Technical Rescue Team. Three members accounted for 112 hours each of overtime in 2012. Reducing the commitment by two would mean a savings of approximately \$9,000 in overtime.

Mr. Ebert stated that the Council of Governments should review the level of mutual aid, with the thought of a possible payback by those cities whose use of mutual aid is at a higher level than the other contributing cities.

Chief Lyons noted that with a retirement coming in the Fire Department in 2013, the wages for the replacement of the firefighter would be less than the firefighter who is leaving. The new, probationary firefighter makes about \$20,000 less than the veteran. The cost of not replacing the firefighter is seen in the overtime wages.

Service Department

Assistant Service Director Sears submitted a copy of a report indicating proposed cuts in the Service Department for 2013 (Exhibit B attached). The total reductions are in the amount of \$57,000. Service Engineering has been reduced to \$5,000 from \$7,500. Engineering costs are added to the large projects. This line item is for smaller engineering costs, such as land surveys when there is a property donation to the city.

Mr. Sears stated that he added \$5,000 in snow wages shortly before the last budget was presented to Council. The line item of \$90,000 is at \$45,000 at this point of the year.

Mr. Clark suggested that rather than going through each item, the information presented by Mr. Sears today be taken into consideration.

Mr. Galli suggested that the fall street striping be held off until the spring of 2014, resulting in a saving of \$20,000 for 2013. Mrs. Mahoney stated that this cost is included in Account No. 270. The savings for 2013 will reduce the transfer needed from the General Fund.

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Mrs. Fink asked if striping is included in new road projects. Mr. Galli stated that new road projects include restriping of the roads included in the project.

Mr. Young asked that the significant transfers to Parks and Recreation, and the Street Construction, Maintenance and Repair Fund be reviewed by the Finance Committee prior to the meeting of Monday, March 18. Mrs. Mahoney stated that part of the Parks change is because instead of the hospitalization being charged to General Fund she included it in Parks. This moved the amount from the Service line to the transfer line.

Mrs. Mahoney stated that the best way to look at Parks is to take Revenue less Expenses (without the transfer) in Account 230 as the amount needed to make that fund whole.

Mrs. Mahoney noted that road improvements must be funded, either through transfers or bonded debt. Mr. Clark stated that historically the annual road maintenance improvements have been funded through transfers from the General Fund. We have bonded out the overlay and major projects, which this year is slated at \$680,000.

Mr. Clark made a presentation of the General Reserve Fund since 2010, which began with \$1.3 million. In 2010, \$785,000 of that amount was spent. In 2011, \$525,000 of that amount was spent to subsidize the operating budget of the city. In 2011 an aggregation grant of \$183,000 was received and was also used for the operating budget. In 2012, municipal income tax revenue was added to the operating budget that would have normally been used for the equipment replacement budget. A \$90,000 transfer came out of the Bond Retirement Fund and the Accrued Benefits Fund to help balance the budget when the city struggled in 2012. We have taken \$1,739,000 of Reserve Funds and other money that would have been dedicated to other accounts over the past three years to the tune of \$580,000 per year.

This gives the picture of why the discussions are being held today.

Next year \$400,000 will be lost from the Estate Tax. There will be no increase in property tax valuations next year. We have no idea of what House Bill 5 will do to the city in terms of the unification of municipal income taxes. The Mayor has said it does not look good. We can hope it to be revenue neutral, but there may be a little shortfall. Mrs. Mahoney stated that it may be a cash flow problem. We now receive payments twice monthly. We will have to bridge that gap out of the General Fund. This is the reality of how difficult it is for municipalities to fund the General Fund.

Mr. Young noted that prudent changes in staffing will have to be made and still maintain the same level of service. Once all the changes that are possible are made, increases in revenue will be considered.

Changes considered today will further reduce expenditures by \$153,000 toward the target goal of \$160,000 as follows:

\$52,000 - Police Department
\$24,000 – Fire Department
\$57,000 – Service Department

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\$20,000- Street Striping

The Community Services Department used to have three people in the department, and has gone down to two full time employees, not including part time transportation employees. It is recommended that a part time person be hired at \$16.00 per hour for 20 hours per week to assist the existing staff, beginning May 1, 2013. That brings the calculations to \$139,000 as a go forward number toward next Monday to capture another \$21,000 in other areas.

The next meeting of the Finance Committee will be held on Monday, March 18 at a time to be announced.

The meeting adjourned at 8:45 a.m.

Mike Young, Chairman

Joan Kemper, Secretary