

FINANCE COMMITTEE MEETING

held March 25, 2013

6:30 p.m.

Present: Councilman Mike Young  
Councilman Dwight Clark  
Councilman Dave Tadych

Also Present: Mayor Debbie Sutherland, Finance Director Mahoney, Police Chief Wright, Fire Chief Lyons, Community Services Director Bock, Service Director Galli, Operations Manager Landers, President of Council Koomar, Councilman Steve Lee, Councilwoman Karen Lieske, Councilman Clete Miller

Audience: Susan Fink, Bruce Geiselman

Mr. Young opened the meeting at 6:30 p.m.

**Annual Appropriation Ordinance**

In comparison to last week's budget, there were changes in the Building Department Revenues. Finance Director Mahoney explained that SAFEbuilt will give the city all the deposits, and the city will then pay SAFEbuilt 85% of the deposits. In order to do that, the 85% must be appropriated instead of just showing revenue at 15% of permit fees. The net is zero.

There is also a change in the Community Services Department. Director Bock's salary is based on 80 hours for a two-week period, rather than 70 hours. An additional change was taking off someone who had been on the payroll last year for approximately \$5,000.

There were also changes in Fire Department Overtime Wages. The amount in SWAT has been reduced.

A balanced budget has been achieved.

Mr. Young stated that the target was to try to make the budget neutral, and to try not to shift things into next year to make the budget work. Capital equipment has been discussed on numerous occasions. An ordinance on the Council agenda this evening addresses the disbursement of municipal income tax funds. Last year the disbursement was made to the Equipment Replacement Fund for capital equipment purchases in the amount of 2% of municipal income tax receipts. The ordinance this year for municipal income tax disbursements does not include the 2% of receipts to the Equipment Replacement Fund. However, 2% has been removed from the General Fund and placed into the Equipment Replacement Fund. Director Mahoney stated that if some of the funds in the General Fund are not needed for Equipment

Replacement, the transfer does not have to be done. It is always safer to put all of the money in General Fund and transfer it out as necessary.

Mr. Young noted that the need for Accrued Benefits will always be there. It is a relatively known number based on the number of employees and history of resignations and retirements. Equipment Replacement can vary and can depend on interest rates and large expenditures in certain years. A large sum of money was brought forward from last year because funds were held for the purchase of a new fire truck, \$450,000, which was not spent last year and will be spent this year.

Director Mahoney stated that in the last couple of years the State Auditor has requested that all money be placed in General Fund and transferred out to other funds as needed.

Mr. Koomar asked if the 2% of municipal income tax receipts are put into the budget, but flowing through the General Fund for flexibility, will the Equipment Replacement Fund run low if we don't have bids come in lower or we don't transfer some of the money over at the end, or do we think there is a chance with that flexibility that we won't need to make that transfer.

Mr. Young stated that there are two things to look at. One is the principal, the other is the specific case of this year's budget. As far as this year's budget, there is not a problem anticipated by this procedure. We've already allocated \$120,000 toward Equipment Replacement this year. In the future, this is something we will have to be cognizant that in general we want to try to keep at least 2 to 4% going towards that fund. And, it can vary depending upon the expenditures planned or high interest rates.

Mr. Clark noted that what the Finance Committee tried to do was not only factor Equipment Replacement for 2013, but also for 2014, because it will be a lower number next year based on what the departments have preliminarily submitted.

### **Bonded Indebtedness**

Mr. Young stated that the ability to pay bond payments based on percentages of revenue taken out of municipal income tax has been discussed. Mr. Young displayed a debt schedule and noted that in 2013 the payments on debt for the city totals \$1,987,724.00. This equals the amount that is taken from the Municipal Income Tax Fund revenue. If there are payments in excess of the scheduled amount in 2013, by the issuance of new debt, it will be necessary to draw from the General Fund to make those payments. In 2014, there is a \$450,000 drop in payments.

In 2013, a bond anticipation note will most likely have to be issued in the amount of \$1.25 million. Mr. Clark explained that this would fund some of the public improvements that are scheduled, and reimbursement to the Accrued Benefits Fund due to retirement payments. The issuance of this note will bridge the city to 2014, until the certainty is known for what is needed to fund some of the sewer projects, such as the Cahoon Road Sanitary Sewer and perhaps the Lake Road Pump Station. Rather than go out to a bond issue for that amount right now, we would use the note financing, which will cost no more than 1% for a bond anticipation note with the city's credit rating, and couple that and take that to market with a longer term bond issue

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once a permanent portion of those larger projects being worked on right now is known. Mr. Koomar asked if there are outside legal costs associated with those notes. Mrs. Mahoney stated that there are outside legal costs, and she will check with the bond counsel. Mr. Clark stated that the cost should be lower because it is not a long term bond issue with an official statement or rating.

Mr. Clark stated that the Finance Committee has been working on the debt schedule closely with Finance Director Mahoney. Mrs. Mahoney has also incorporated a couple of bond issues that were not in the General Obligation list in the past that have been paid out of the sewer fund. Mrs. Mahoney has attempted to put all of the city's contractual obligations on one spread sheet which paints a better picture of our obligations. That includes the carry-over for the Bradley/Naigle Intersection Project, the Cahoon Creek Aerial Sewer, and the \$600,000 that the city will receive from the Ohio Public Works Commission for the Cahoon Sewer Project. Mrs. Mahoney stated that her report includes an old sewer rehab note that will be paid off in 2023.

Mr. Young stated that the actual budgeting process going forward towards 2014, and possibly in 2013 as well, can be affected by labor contracts that are outstanding now, and how much debt the city will have to incur in regard to sewers. Mr. Young stated that the Finance Committee would like to start looking at Sewer Capital to come up with a figure of what that would cost the city going forward. This would be accomplished by looking at some of the existing obligations of the city, and any capital charges that might be foreseen in regard to the Rocky River Wastewater Treatment Plant.

Mayor Sutherland stated that there are no capital charges related to the Rocky River Wastewater Treatment Plant that she is aware of right now, but they will be doing a flow monitoring starting soon. The results of the flow monitoring will not only tell what the city's rate will be for the next three years, but it also might show some additional capital improvements that might have to be made. The Mayor stated that she is not aware of anything that is being mandated right now by the EPA. Every year, Jeff Harrington, the Superintendent at the Rocky River Wastewater Treatment Plant, always has projects to prevent things from getting totally bogged down. Mr. Young asked if the results of the water flow monitoring, in addition to possibly changing the rate in Bay Village, might dictate some additional work in Bay Village. Mayor Sutherland stated that this is possible. Something can always come up, but the Mayor does not see anything on the horizon for 2014. Mayor Sutherland stated that where the pressure is more felt is actually on the collection systems. That is where the focus is. It is not so much on the plant; it is on our sewer system, and Rocky River sewer system. This will be incumbent upon our community to address.

Mr. Clark stated that part of the exercise of the budget process is to return some of the advances that came out the Infrastructure Improvement Fund, getting the funds back to that fund based upon finalizing some of the dollar amounts that Mr. Galli has had in connection with some of these various projects. The Cahoon Aerial Sewer and Bradley/Naigle Intersection Projects are winding down to a close and we now have some certainty on how much we are borrowing. Part of this budget tonight is returning the money back to those funds as well as the Bond Retirement Fund for a couple of other things. That will give us a better picture of where our Reserve Funds stand going forward.

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Councilwoman Lieske asked when the city stopped collecting money from employees for using city vehicles for personal use.

Mayor Sutherland stated that it stopped July 1, 2012. Mrs. Lieske asked the Mayor to go over again the rationale.

Mayor Sutherland stated that in general the way the city was handling it was not the proper way. The city was not handling it consistent with the Auditor of State or with the IRS. Mrs. Mahoney stated that IRS rules specifically state that someone who can carry a gun is not supposed to have that added to their W2's. Any vehicle that is clearly marked as a city vehicle should also not be charged. The Mayor stated that when they went to the second system in July where they weren't paying for the mileage but they were going to have it added to their W2, wasn't correct either. When Mrs. Mahoney got on board and took a look at it, it was changed.

The meeting adjourned at 7:00 p.m.

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Mike Young, Chairman

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Joan Kemper, Secretary