

## FINANCE COMMITTEE MEETING

held August 5, 2013

7:30 p.m.

### Council Chambers

Present: Clark, Koomar, Lee, Lieske, Miller, Tadych, Young, Mayor Sutherland

Also Present: Law Director Ebert, Finance Director Mahoney, Service Director Galli, Operations Manager Landers

### **AUDIENCE**

The following audience members signed in this evening: Conda Boyd, L. Dyko, Carl Frey, Gerry Schreiberman, John Brooks, Susanne and Vince Donofrio, Michael Sathre, Jerrie Barnett, Ken and Maryann Sindelar, Greg and Diane Puntel, Briant and JoAnn Valerino, Neil Wensink, Marty Mace, Tom Henderson, Paul Vincent, Mike O'Boyle, Dick Majewski, Dave Volle, Kim Volle, Terry Cariglio, Bill and Peggy Dawe, Timothy Golden, William Clements, John Suter, Glenn Bender, Ned and Sharon Topping, Roger Svehla, Susan Murnane, Dennis Driscoll, Al Kruzer, Russell Thompson

Mr. Young opened the meeting at 7:30 p.m. Mr. Young introduced the three members of the Finance Committee meeting: Chairman Young, Councilman-at-large Dwight Clark, and Ward 1 Councilman Dave Tadych.

### **ADA project funding for City Hall front doors and east bathrooms in Dwyer Center Building**

Director of Public Service and Properties Dan Galli stated that work needs to be done on the front doors at city hall and the vestibule area. The doors do not lock properly. Mr. Galli would like to proceed with getting the design process started and the estimate work accomplished. It is also requested to bring the bathrooms on the east side of the Dwyer Memorial Center up to ADA compliance.

Mr. Young confirmed with Mr. Galli that the north front doors, south garden doors, and west doors on the Dwyer Memorial Center were made ADA compliant this year. There was a grant applied for from the county. Mr. Galli stated that the grant amount was \$49,900.

Mr. Young asked if there is a reason why we cannot apply for a grant once again on this next project. Mr. Galli stated that he does not know of any grants available right now. Mayor Sutherland stated that we could apply for a grant but the estimated amount of \$50,000 is too small to go after the federal funding, and there are a lot of strings attached. The process takes a year-and-a-half. The Mayor stated that they considered it, but questioned whether it was worth

the time and effort for that small of an amount. The Mayor stated that she thinks \$50,000 is not big enough to request a grant. Part of this project is precipitated because they would like to move the receptionists who are on the third floor to the first floor. They would also like to consolidate the cashier function as much as possible, recognizing that the Recreation Department and Community Services Department may not be a part of that consolidation. Some people go out to the Service Garage to pay for mulch, and the idea would be to centralize those collections. They would move the receptionists down to the old office that was part of the Building Department, and to do that they need to address those doors. There is not much work to be done in the offices other than clean-up and paint touch-up. Mr. Young stated that there has been some discussion of having a window between the two doors and some possibility of having the front doors open and the second set of doors locked. He asked if there has been any further thought given to that. Mayor Sutherland stated that they are still working on that idea. It may be just sufficient to have the receptionist at the window with the sight line to the door.

Mr. Young suggested that besides having the electric locks there be the ability for both the secretary and the police department to open the doors. For example, if Mr. Young came to the doors before City Council and the doors were locked he could be asked to be let in. Mr. Clark stated that this may be the time to think about electronic entry. Mr. Young stated that he is not suggesting that this be done now, but it should be something that would be compliant later on to avoid giving extra money for a project that wasn't thought through.

Mr. Galli stated that the immediate project is the entry doors. They are in poor condition. Those doors cannot be improved without working on the vestibule doors also.

Mr. Young stated that the Finance Committee would like to see more of the proposal before giving the consent to proceed. They would also like the opportunity to split the project in half.

Mr. Tadych stated that federal funding is probably difficult to get. He asked if county funding is available for ADA projects. Does the county council have monies that they are putting in for anything like this? Mayor Sutherland stated that they have not heard that.

Mr. Clark stated that he endorses the idea of proceeding, especially at the Dwyer Memorial Center, and the work at city hall has been discussed before. He asked if the plan for funding this is with insurance proceeds. We have settled that claim. Is there any potential for a call-back if the money is used for non-roof repair? Finance Director stated that it is all capital improvements money. Mr. Clark stated that we should move on these projects.

### **Equipment Fund Replenishment**

Mr. Young asked Finance Director Mahoney to explain the State Auditor's request to replenish the Equipment Replacement Fund.

Director Mahoney stated that in 2011 there was an advance from the Bond Retirement Fund to the Equipment Replacement Fund of just under \$396,000. Per the auditors, this had to be paid back this year. Director Mahoney was not anticipating that when they originally did the 2013 budget. Director Mahoney suggested letting it ride for a couple of months to see how much we

actually spend out of the Equipment Replacement Fund. Director Mahoney just wants Council to be aware that there is potential that more money may be needed to cover that transfer.

Mr. Young stated that he remembers that the most expensive piece of equipment is the new fire truck, in the amount of \$340,000. Mr. Clark stated that the fire truck was not included in this. This occurred two years ago and includes a multitude of various things. We need to replenish the account before the end of the year.

Director Mahoney stated that she did the transfer already which makes the Equipment Replacement Fund potentially \$286,000 in need of a transfer to cover that.

Mr. Clark stated that the gap is the 3% of municipal income tax we put away for equipment replacement. That is the funding for this account. Hopefully we will have good municipal income tax receipts this year. Mr. Young noted that there are other costs to be paid for from that fund.

Director Mahoney reiterated her previous suggestion to hold off for a couple of months. We budgeted something for Equipment Replacement, but we may not spend all of that.

Mr. Clark asked what the options are if we don't have the money come out of the General Fund. Mr. Young asked if there is a way to bond that out.

Director Mahoney stated that at this point we could not bond it out. We could pay for it from the Capital Improvement Fund. Mr. Clark stated that we probably should have paid for it through the note issue that was done last summer. Mr. Young asked the balance in the Capital Improvement Fund. Mr. Clark stated that the Municipal Buildings Improvement Fund balance is \$1.9 million.

### **Tax Abatement**

Mr. Young stated that the Finance Committee will approach the subject of tax abatement from a generalized viewpoint that would cover all situations. Mr. Young did some research with the Law Department and found that the City of Bay Village has never done tax abatement in the history of Bay Village. Mr. Young also reviewed the Master Plan, and the Kent State Study, and neither of those contemplate a TIF or tax abatement. Mr. Young explained that TIF is tax increment financing, which is a way of using the tax receipts that will be received in the future, based on an improvement in property, in order to fund a project. The future tax receipts would be dedicated to pay for the funding of the project. For an example, this was done in the City of Avon when they constructed the I-90 interchange.

Mr. Clark stated that at times TIFS are used for road improvements, sewer improvements, and basic utilities to build out housing developments.

In talking about tax abatement, it would not change the current property tax rate. That would carry forward for the number of years of the terms of tax abatement. It does not reduce taxes but

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it does not allow them to grow as the property appreciates. Nothing is lost except the opportunity to collect the taxes on the improved property for a number of years.

Mr. Young stated that the one issue he has heard is in regard to fairness. He stated that if he were given a tax abatement for his property, his neighbor would wonder why they were not given one as well. There has to be some type of general, over-arching policy that would apply to anyone as they went forward.

Mr. Young also looked at some of the reasons why other entities have done such abatements. He has learned that they have been done for distressed, under-utilized, undeveloped, or where development would not occur otherwise. It is a way to help those projects. Mr. Young would like to incorporate that in what he would use going forward, that any property they would look at would meet those criteria. He also looked at whether it would accomplish the goals that we put forth in the Master Plan. Since the Master Plan is now 14 years old, there may be an opportunity now to revisit that Master Plan and update it so that when we are looking at things we are looking at something that is current as opposed to out-dated.

Mr. Young stated that he also liked the Kent State study which particularly looked at the retail corridor in the central section of the city. The study also gives some projections as to what happens if changes occur from what it is now. The projections are very conservative and well-written. The study is very easy to read. It includes great ideas as to how to evaluate projects for applying abatements or TIFS.

Mr. Young stated that as the Mayor has said you also have to look at other ways of funding first. There may be other ways of funding that can get you to the goal to develop the property without using tax abatement and/or TIF. That should be part of the process.

Mr. Young called upon Mr. Clark and Mr. Tadych for their comments.

Mr. Clark stated that this is difficult because we have never granted tax abatement before. He feels inclined to let the market forces play this out. It took a long time to develop Cahoon Ledges. His concern is trying to build something with an economic advantage that somebody else might not have. At this juncture, we are not a blighted community, as indicated by the recent *Cleveland Magazine* and *Family Circle* designations; Mr. Clark sees no incentive to provide tax abatement at this time.

Mr. Tadych stated that we all feel that Bay is a really great place, a top city to live in. And we are desirable and welcoming of any developer who comes along who is knocking at our door. Although, the developer's interest would be stirred by tax abatement, tax abatement would seem to me to be an unnecessary, unfair, and in most cases, an unwelcome event. I do not support it.

Mr. Clark stated that next year our finances will be challenged again with trying to fill a gap that we are likely going to see for reasons we have discussed before, whether it be a reduction in local government funding or reduction/elimination of the Estate Tax.

Mr. Young stated that he does not like saying “never” because next week or next year we could hear a proposal that makes perfect sense. Mr. Tadych stated that his remarks did not include the word “never.”

Mr. Young stated that there can be retail improvement strategies. Why haven’t they occurred? What could we use to possibly spur those? In some cases, tax abatement or TIF might be part of the answer. In order to get the type of development we need for an area that is totally under-developed, there might be certain cases where we might want to offer that. It should be tied, not as a project is proposed, but something that we should have planned out ahead of time, saying, these are the target areas, such as the zones they talked about in the Kent State study. In some cases development might not happen without tax abatement. If we have to use it to bring parcels together and/or developments together, maybe it is something we should do.

Mr. Koomar stated that he is hearing is that from a residential perspective it doesn’t seem to be a desire from the Finance Committee to look at tax abatement or TIF, but maybe from a commercial perspective down the road of self-identifying those projects in advance, that may be an opportunity that would be considered.

Mr. Young stated that something like a Knickerbocker Apartments to be developed could be considered for a TIF. It is something that is good for all the citizens of Bay Village, or maybe those who can’t afford Bay Village but want to stay in the city. There could even be cases in a retail basis. Those are not anywhere near as prevalent as some of the commercial.

Mr. Koomar stated that to be specific he did not see any interest on the part of the Finance Committee relative to the parcels that may be rezoned tonight.

Mr. Young stated that based on the criteria he is looking at he would not consider that one of those.

Mayor Sutherland commented that there are other tools in the toolbox as far as the county coming in to help. That is what they do and when you look at the old Shell Station, that is a perfect role for them to play. They have funds set aside specifically for that type of usage. It is a matter of tapping into those partners to perhaps help out.

### **Consultant for Human Resources**

Finance Director Mahoney stated that she has been employed with the city it has come to her attention that there is a need of a professional human resource consultant who would look at our policies and procedures to make sure we are following all of the legal rules of a human resource function. Mrs. Mahoney proposes that the city contract out for those services until the end of the year, and revisit the issue next year to see if it would be beneficial to carry on into the next year.

Mr. Young asked Mrs. Mahoney to put together contract language to be reviewed by Council, and an opportunity for the President of Council and Mr. Young to interview the candidate. They will then meet with the Finance Committee and from there the Council-of-the-Whole.

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Mr. Tadych stated that the cost proposed for the position to the end of the year is \$6,000. He asked if Mrs. Mahoney thinks this will accomplish the objective, or will it be a lesser amount.

Mrs. Mahoney stated that she would like to keep someone on a retainer. Mr. Koomar stated that he would concur with Mrs. Mahoney's comments that a professional is needed since as the labor laws evolve, especially in health care, having the right policies in place and taking the right next steps as matters occur is very important to treating employees fairly and protecting the city.

Mr. Clark stated that as public employment laws change it is better to have someone from the outside, rather than the inside, because we are the customer and you get good service that way. He makes sense for a couple of people on Council to speak to the candidate and act on that quickly.

Resident John Suter asked if a finished, working document will be available by the end of the year. Mrs. Mahoney stated that there would be a finished document as far as job descriptions and policy statements. It will probably not be a completed project.

Mayor Sutherland stated that it will probably be a work in process for the next several years, even looking at Obama-care, which is changing on a daily basis. It is felt that the city needs someone who specializes in labor and employment to help guide the city through the transition.

Sharon Topping, 30519 Winston Drive, asked how this job was done in the past.

Mayor Sutherland stated between the Law Director, Finance Director, and herself, they have worn multiple hats and accomplished the task. But, things have gotten so complex that they need help. The Mayor said that even though she has some HR experience in her past as an Executive Recruiter, trying to navigate Obama-care and some of the other things it is more complex.

Mr. Miller stated that the Cleveland State University study a couple of years ago outlined the need for Human Resources as a definitive position, not just as a shared task.

Ned Topping, 30519 Winston Drive, stated that he is curious to know how many candidates have been interviewed for this. Mr. Young stated that the administration has brought this before Council. Mayor Sutherland stated that they have looked at a couple of different options but really like the person who is acting as the part time HR Director for the City of Westlake. She has helped Bay Village in the past on arbitration and other personnel issues and performs admirably. It would be a seamless transition.

Mr. Topping asked if the search has gone no farther than one person. Mayor Sutherland stated that they have considered several options and have ended up with this one person. That doesn't mean that they just talked to one.

Susan Murnane, 30509 Willoway Lane, stated that they learned recently that through the Council of Governments the county offers regionalized human resource persons. Mrs. Murnane asked Mayor Sutherland if those have been considered. Mayor Sutherland stated that they have considered those. Mrs. Murnane asked why they are not adequate for our needs. Mayor

Sutherland stated that they are not adequate because they can't get them on call and they are really focused more on training than what they think they need them for. If they could get the director, that would be great, but that's not the guarantee.

### **Consultant for Analysis of Water Lines**

For the benefit of those assembled, Mr. Young explained that some of the things going on between the City of Westlake and the City of Cleveland with Avon Lake Water Department, is that the City of Westlake is looking at striking out on their own and removing themselves from the Cleveland Water Department and moving to use Avon Lake's water. Would it make sense for the City of Bay Village to possibly look at that and maybe join with Avon Lake? If indeed, Westlake does break away and Bay Village does not, what does that do to Bay Village water lines? Right now, they would be cut at all the streets that go south and hook up at the City of Westlake. Regardless of what happens, whether Westlake splits off and we stay with the City of Cleveland, or vice-versa, if we went over to Avon Lake, there are questions that remain to be answered. Are we going to have an issue with Bay Village's water and the water supply system? These are the reasons for looking for a consultant to do the analysis.

Mr. Tadych stated that he thinks the water pressure is a very important thing and what other cities do to theirs is going to affect ours. Areas that could be very well pressured now might find a problem in the future. Mr. Tadych stated that now might be too early. He does not think the Westlake thing is going to happen in two years. It is an effort and they are struggling with that effort and what they are going to do. But, we should be aware of how it is going to affect Bay Village. Maybe not this year, but maybe next year we should be aiming for the correct action for that.

Mr. Clark stated that the economic and engineering aspects would dictate that you do not want to be in a position of waiting for this to happen. It would be better to be ahead of the curve. There are a lot of parts about putting out a request for proposals or quotations; this is just getting the discussion going right now.

Mr. Koomar stated that we don't know what the time frame is. When we look at putting together a five-year capital improvements plan, you look at phasing that in. It takes time to do this. When we switched consulting engineers and did an interview process and it took another year before they got on board and did the analysis. If we started on this process and didn't come up with a consulting engineer for water until January 1, you are looking at January 2015 before we have data. If those water lines were cut at Dover and Cahoon, and the retail section experienced poor water pressure, we are reacting rather than proactively knowing the technical aspects.

Mr. Tadych stated that we will know more when we prepare the budget for 2014. The budget is going to put into place early this year and we would have the money set aside. Mr. Young stated that he would perceive the funding coming out of Capital Improvements.

Susan Fink, Wolf Road, asked if Council has viewed the Westlake study. Mrs. Fink has made a public records request for the study and was told it is too large and she must come in to the Westlake City Hall to view it. She asked if before we start doing this, perhaps the City of

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Westlake would share their study with Bay Village so there is an idea of what they are proposing and how they propose to do it.

Mayor Sutherland clarified with Mrs. Fink that it was Westlake's study she could not obtain. Mrs. Fink stated that she could not receive it electronically; she would have to go into the Westlake City Hall to review it. Mrs. Fink sent her request to Mayor Clough and the Westlake city engineer, probably two months ago. She still has all the copies of the emails.

Dino Lustri, 475 Cahoon Road, stated that he is a civil engineer and a surveyor and happens to do modeling of water systems. A couple of issues that are needed to be aware of in order to make a wise decision is that a study of that magnitude would take the better part of two years. Westlake is topographically higher than the City of Bay Village; the results from their study would have very minimal impact on the results of what Bay would have. The larger issue is the aging infrastructure in Bay Village and the increase of water pressure in trying to compensate for the broken areas will ultimately destroy other pipe in the city. There is a long list of issues. Mr. Lustri is very much in favor of getting it discussed because Bay has a very old infrastructure in the city and cutting off the main feeds from those locations is going to have substantial impact on fire-fighting in the far reaches of our system.

Vince Donofrio, West Oviatt, asked if it would not be the responsibility of the Cleveland Water Department to make sure once it is cut off that Bay has sufficient water. Wouldn't that be their job? Mayor Sutherland and Mr. Young responded affirmatively. Mr. Young stated that also they would have an interest in the outcome. He would personally like to get the information from an independent source.

Mr. Lustri stated that the water would never be cut off. A meter would be placed at those locations. If the water flows in a certain direction, counter Bay Village, we would end up paying much more money to compensate for the added pressure. That would be like holding our Council ransom by how the water is used around the city. That is something you don't necessarily want to do as a city, to agree to something like that. The study would be in our best interests to accomplish all of this.

Mr. Tadych asked if there is any idea what a study might reveal, even initially. Mr. Young stated that the company Westlake used gave some recommendations. We will bring that information to the Council-of-the-Whole.

The meeting adjourned at 8:15 p.m.

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Mike Young, Chairman

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Joan Kemper, Secretary