

FINANCE COMMITTEE MEETING
held November 18, 2013
6:30 p.m. Conference Room

Present: Councilman Young, Councilman Clark, Councilman Tadych

Also Present: Finance Director Mahoney, President of Council Paul Koomar,
Councilwoman Karen Lieske, Councilman Clete Miller
Councilman Steve Lee, Fire Chief Lyons, Operations Manager Landers

Audience: Tom Henderson, Paul Vincent, Russell Thompson, Peggy and Bill D.
(Lake Rd.)

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

Review of October Financial Reports (Exhibit A attached)

Mr. Young noted that health care costs for employees increased by 12% over last year. Expenses total \$1,131,152 through October. When you consider that there are fewer employees and expenses are higher than 5 years ago, this is a concern.

Municipal Income Tax receipts are up over the last three years. Mr. Clark stated that if this collection rate continues through the year, the receipts will be about 9 to 10% over receipts budgeted with total receipts in the amount \$5.6 million.

Overtime costs for fire, police and paramedic units are still under budget.

The Youth Activities Fund (232) is at a negative \$5,441.23. Director Mahoney stated that her assistant, Ruth Popovich is looking into the reason for this. Mrs. Mahoney will report back to the Finance Committee. It is thought that the rent receipts from Kiddie Kollege are not up-to-date.

The Bradley Road Improvement Fund (493) will be closed as soon as payment is received from the City of Westlake for their portion of costs in the amount of \$144,000. A portion of that (\$34,000) will be paid in annual installments as the debt payments are due.

Mr. Clark asked about the large encumbrance under Street Construction Maintenance and Repair (270) in the amount of \$1,136,892.32. Mrs. Mahoney stated that this encumbrance is for all street and road contracts that have not yet been paid, including the Lake Road project. Since this report was published, \$489,000 has been paid. Reimbursement from the state and county for this project may not come in before the end of the year. Mrs. Mahoney stated that she may have to cancel the purchase orders and close out the encumbrances and open them again next year.

Minutes of a Meeting of Finance Committee
November 18, 2013

Mr. Clark noted that there are approximately five negative fund balances. Mrs. Mahoney stated that there cannot be negative fund balances at the end of the year. All of the necessary adjustments will have to be made prior to the end of the year.

Revenue

On the revenue report, it was noted that Estate Taxes are at 102.46% of the amount budgeted, with total year to date receipts of \$409,852.16.

Mrs. Mahoney expressed her hope that the city will end the year with a higher positive balance than expected. Mr. Koomar noted that when unexpected things occur, such as the fire at the service garage in the past, the additional funds are necessary for related expenses. Mr. Young would like to build the General Reserve Fund with any unspent funds that can be set aside.

Mr. Young expressed disappointment with the collections for ambulance reimbursements which are at 73.80% of the budgeted \$300,000 for the year.

Mr. Clark noted that the Cable TV Franchise Fee collections also seem to be lacking. The budgeted amount of \$167,500 has reached \$120,104, or 71.70% through October. There was discussion last year about raising the fee in 2014 to equal that collected by surrounding communities. Revenue has increased because of DVR's.

Property Tax collections are at 104.07% through October.

Parks and Recreation revenue is \$759,681.14 through October. Mr. Clark noted that \$387,000 was transferred from the General Fund to the Parks and Recreation Fund.

Advances of \$109,113.00 represent funds transferred out of the General Fund to the Equipment Replacement Fund (240). This represents the amount of 2% of Municipal Income Tax collections that are to be allocated to the Equipment Replacement Fund. Mr. Clark noted that the Accrued Benefits Fund, which is also to receive 2% of Municipal Income Tax Funds, received a higher amount of \$105,400.

Expenses

Contract Services in Department 119, General Administration has a negative balance of \$3,088, with no amount budgeted at the beginning of the year. Mrs. Mahoney stated that this amount is for bank fees. Mr. Tadych suggested budgeting for this annually.

Fire Training and Seminars has a negative balance due to a purchase order that needs to be closed out since another vendor was used. The account will be made whole when the unused purchase order is closed.

Service Administration, Hospitalization, has a negative balance of \$31,036.65. Mrs. Mahoney explained that the account may include the COBRA rate for employees from other departments

included in Service Administration. In 2014 Director Mahoney will budget to the department where the charge belongs.

Part Time Police Wages are at 93% of the year's budget. It is assumed that a majority of those expenses have occurred during the summer months.

Police Telephone Expense is at 118% of budget. Mr. Young explained that this was discussed previously with the former Police Chief who stated that this line item is for expenses that exceed a normal telephone account, such as the service provided when an officer calls in for a background check.

The amount of \$5,000 budgeted for vehicle operations in Department 420, Community Services, is for fuel. The Community Services Department uses the Fire Department fuel pumps, and keeps written records of the fuel they use. Previous thought about the purchase of a computerized system to keep track of fuel has been discarded due to the high cost of the equipment (\$25,000).

Seasonal Wages in the Street Construction, Maintenance and Repair Fund were not budgeted this year and are showing a negative balance of \$9,049.27.

Department 111 Council is showing year-to-date expenses of \$1,147,346.46. Mr. Clark noted that this represents everything approved by Council for the year.

Mr. Tadych asked Director Mahoney for the final cost of the replacement flat roof portion of city hall. Mrs. Mahoney will provide Mr. Tadych with that cost figure.

Variance Report (Budget vs. Actual through October, 2013) Exhibit B attached

Clerical Wages for the Finance Department are charged partially to the sewer account (25%) for the processing of sewer rental bills. In the past, the charges were made in December of each year for the entire year. Mrs. Mahoney has changed the process so that the charge is made monthly to the sewer account.

Additional expenses for the new fire truck in the amount of \$8,308.14 represents equipment change-over from the old vehicle. The old vehicle was used as a trade-in value when the truck was purchased.

Mr. Clark suggested a review in the next 60 days of the finances for the new Building Department arrangement in the city.

2014 Budget

Mr. Young suggested a separate meeting to review proposed Capital expenditures to be included in the 2014 Budget.

Director Mahoney plans to have the 2014 Budget prepared for Council by Friday, November 22, 2013.

Discussion followed concerning the expectation of a positive carry-over of funds to 2014. Mr. Clark noted that the establishment of additional revenue funds should also be discussed.

Mr. Young reiterated the need to put any additional funds back into the General Reserve Fund to rebuild that fund.

Mr. Clark noted the loss of the Estate Tax in 2014, and possibly a loss in the Local Government Fund. Director Mahoney does not think that the state will take over the collection of Municipal Income Tax, and that the city will suffer much loss from the changes being made through House Bill 5. Mr. Young commented that increases in Municipal Income Tax should not be budgeted for next year; there may even be a slight decrease. Mr. Clark reminded everyone of the need to budget a 2% increase in wages for 2014. Mrs. Mahoney commented that health care costs may increase if doctors begin charging more to compensate for government health care policy changes.

Debt Schedules

Mr. Clark noted that \$1.8 million will be paid in debt service on December 1, 2013.

Mr. Clark asked if the Street Improvement Bonds listed are callable bonds.

Funds have been received for the \$600,000 OPWC Cahoon Road Sewer Replacement.

Mr. Young noted that there is \$2.8 million in self-funded debt.

Mr. Clark suggested preparing an appropriation ordinance for the next Council meeting transferring \$395,000 to the Equipment Replacement Fund

Capital Requests (Exhibit C attached)

Discussion followed concerning funding of major sewer projects. Mr. Young noted that thought must be given for future funding and whether that should be from the General Fund, the Infrastructure Fund, bonded debt, or assessments. More discussion will be held at a later date.

Preparations will be made to review the extension of the trash collection fee into 2014. Consideration will be given to increasing sewer rental payments in light of additional costs to the Rocky River Wastewater Treatment Plant. Mrs. Mahoney will calculate the amount of the additional expense. The ordinance changing the allocation of Municipal Income Tax collections will be reviewed to see if it is necessary to continue the changed allocations into 2014.

Department heads will be invited to attend Finance Committee meetings which will include discussion of the 2014 Budget.

Minutes of a Meeting of Finance Committee
November 18, 2013

The next meeting of the Finance Committee will be held on Monday, November 21, 2013 at 6:30 p.m.

There being no further business to discuss the meeting adjourned at 7:25 p.m.

Michael A. Young, Chairman

Joan T. Kemper, Secretary