

FINANCE COMMITTEE MEETING
held January 13, 2014
6:15 p.m. Conference Room

Present: Councilman Dwight Clark, Chair
Councilman Dave Tadych
Councilman Tom Henderson

Also Present: Mayor Sutherland, Finance Director Mahoney, President of Council Paul Koomar, Councilman Lee, Councilman Vincent, Councilwoman Lieske, Service Director Thomas, Assistant Service Director Sears, Fire Chief Lyons, Law Director Ebert, Recreation Director Enovitch, SAFEbuilt Chief Building Official Cheatham, Operations Manager Landers

Audience: Conda Boyd, Marty Mace, Kent Silverberg

Mr. Clark opened the meeting at 6:15 p.m. A warm welcome was extended to newly elected Councilman Thomas Henderson, Ward 4, who has been appointed to the Finance Committee. Mr. Clark also expressed words of appreciation to the services of former Ward 4 Councilman, Mike Young, for his role as Chairman of the Finance Committee. Mr. Clark noted the continued service of Councilman Dave Tadych, Ward 1, as he begins his fifth term of service to the Finance Committee.

Mr. Clark advised that the next meeting of the Finance Committee will include a 2013 year end synopsis of financial activity to be prepared by Finance Director Renee Mahoney.

This evening's Council meeting agenda will include the first reading of the 2014 Annual Appropriation Ordinance. Mr. Clark expressed appreciation to Director Mahoney and all of the department directors for their hard work and input into creating this budget.

Revenue

The City of Bay Village is losing \$400,000 (as compared to 2013) in estate tax revenue in 2014 due to the end of the estate tax requirement in Ohio.

It is suggested that in seeking additional revenue sources, consideration be given to raising the cable franchise fee from 3% to 5% per cable television customer. Five percent is the maximum allowed by law and is currently the percentage charged in Lakewood, Avon Lake, and Fairview Park. The cities of Rocky River, North Ridgeville, and Westlake remain at 3%. Law Director Ebert stated that 60 days notice is required to the Cable Television companies, who in turn must give their customers 60 days notice. Expected additional annual revenue is \$85,000. Due to the notice required, that amount of additional annual revenue will be reduced significantly in 2014, since the increased fee would go into effect in April or May, 2014. Mrs. Mahoney will adjust her forecasted revenue amount listed on the budget for cable franchise fees. An ordinance will be prepared for first reading for the January 27, 2014 Special Meeting of Council.

Analysis of Reserve Funds (Exhibit A attached)

An analysis of Reserve Funds proceeded with Mr. Clark explaining that there are four funds:

- General Reserve
- Bond Retirement
- Municipal Building Improvements
- Infrastructure Improvement

The initial balance in all four funds in 2008 was \$12,756,310.22, after receipt of a large estate tax settlement. The balance at the close of 2013 in all four funds is \$6,973,749.90. A refund was due to the county in 2011 of a portion of the estate taxes in the amount of \$1,353,256.86. The remainder of the expenditures were due to various sewer projects, including the Lake Road Interceptor and the Cahoon Road Sanitary Sewer Project. In 2010 and 2011, a majority of the General Reserve Funds, \$1,320,000 was used to provide break-even operating budgets for the city.

Advances from the funds for specific projects are reimbursed by zero percent long term financing, as was the case with the Bradley Naigle Intersection Project and Cahoon Aerial Sewer Project.

The Municipal Building Fund will be used for the first time in 2014 to pay for municipal improvements throughout the city, in the amount of \$215,000.

Mr. Henderson asked the rationale for putting \$5 million in the Bond Retirement Fund in 2008. Mr. Clark stated that the committee wanted to make sure there was enough money to cover bond indebtedness and to show a conservative approach with rating agencies. Mrs. Mahoney noted that she is comfortable with two years of debt service in the Bond Retirement Fund. Mr. Henderson commented that cities with our bond rating are encouraged to maintain one-third of their annual budget amount in their General Fund balance. Bay Village is in excess of that amount when you consider all of the funds.

Mr. Clark commented that the Bradley Naigle Intersection project is now complete. The City of Westlake has sent their required payment to Bay Village.

Mrs. Mahoney noted that the amount of \$735,000 was restored to the Bond Retirement Fund at the request of the auditors. That amount had previously been transferred out of the Bond Retirement Fund. All funds which required replenishment, as per the City's auditor, have been properly and fully reimbursed.

Capital Budget (Exhibit B attached)

Mrs. Mahoney distributed a document known as the Capital Budget to the members of the Finance Committee, indicating capital expenditures in 2014 by department. The total amount of equipment replacement is \$680,000, street construction \$525,000, and public improvements \$344,000. The Salt Garage Transfer station will be reconstructed at a cost of \$292,000. Of that amount, the city has \$192,000 remaining in insurance reimbursement funds. Aquatic repairs total \$85,000. The grand total of all capital projects and equipment appropriations by fund is in the amount of \$1,826,000.00.

Mr. Clark noted that the City of Bay Village must pay one-half of the cost of the new composter shared with the City of Westlake. Bay Village's portion is \$230,000 and is included in the Equipment Replacement schedule. Street Construction includes an overlay of Osborn Road, from Cahoon Road to Bassett Road. If funds are available, parts of Wolf Road will be repaired.

Mr. Tadych stated that the only item he wants to keep repeating is the need for the Sunset area improvements. Mayor Sutherland stated that she still thinks there is a lot of engineering design work that still has to take place. Construction does not need to be worked into 2014. Mr. Tadych stated that engineering costs will have to be paid. Mayor Sutherland stated that CT Consultants is still under contract. Mr. Clark noted that the city will have to pay their share of the engineering costs and doing some of the work there. There has also been discussion about the Columbia Road Park steps and taking a look at that as well. Mayor Sutherland noted that it is not just the roads and the sewers in the Sunset area. There is going to be a lot of private property work that has to be done because a lot of the homes there do not even have storm hook-ups at all. The Mayor stated that "We are really not ready to go; and I am not sure the residents over there are quite unified." Mr. Tadych stated "They are not, but they're wishing."

Mr. Clark stated that the committee would look to develop five-year major capital plans for each of the various major departments, primarily Fire, Police and Service, to give proper due to the areas. There may be some years where there is significant cost, like the composter, or a fire engine, and we may have to push aside purchases in other areas, given the constraints on how much can be raised through millage or bond retirement. This plan is something we will try to put into place this next year as part of the budgeting process.

Mr. Clark then reviewed the individual items listed in the Capital Projects schedule to be charged to the Public Improvement Fund (#490).

SCHEDULE OF CAPITAL PROJECTS AND EQUIPMENT APPROPRIATIONS BY FUND

Fund	Description	Amount
(A) Equipment Replacement (240)		
	Police Vehicles (1)	\$43,000.00
	Police Equipment (MARCS Radios)	47,000.00
	Service (#30) Super Duty	60,000.00
	Service (#116) Composter	230,000.00

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Service (#45) Utility Body		30,000.00
Work Order System		20,000.00
Phone System (From 2012- funding in place)		50,000.00
Fiber Optic and Computers		80,000.00
Vehicle Community Service (From 2013-funding in place)		18,000.00
Community Service Bus		60,000.00
Fire Equipment		17,000.00
Fire Vehicle		25,000.00
Total Equipment Replacement (240)		680,000.00
(B) Street Construction (270)		
Streets TBD	525,000.00	
Total Street Construction (270)		525,000.00
(C) Public Improvement (490)		
Fire Facility Improvements		15,000.00
Hartman Field Lighting		130,000.00
Service - Transfer Station		100,000.00
Rose Hill Exterior Painting		24,000.00
City Hall Entrance		50,000.00
Dwyer Building Improvements		25,000.00
Total Public Improvement (490)		344,000.00
Salt Garage (492)	Transfer Station	192,000.00
Pool (520)	Aquatic Repair	85,000.00
GRAND TOTAL		\$1,826,000.00

Mr. Tadych asked Recreation Director Enovitch if he has looked into the possibility of purchasing a new slide. Mr. Enovitch stated that they are \$250,000 each, not including installation. Mr. Tadych noted that the original cost was \$100,000 each.

Mr. Clark stated that the goal of the committee is to be able to put together a reasonable borrowing amount for the sum of these projects, and the same time utilize existing funds that we have available, such as in the Pool, and the Municipal Buildings Fund. A chart will be put together on what is to be borrowed. Mrs. Mahoney suggested the figure of \$1,266,000. Mr. Clark stated that this would be combined with the corpus of a note issue done last year in the amount of \$1,250,000. The note will be refunded with this balance, paying off \$250,000 from the prior 2013 note issue so that we continue to liquidate the borrowing from that, as if it were payable over 5 years, and issue a 2014 note, given the fact that interest rates are still very low.

Mr. Lee asked how this new issuance will compare to what is being retired so that at the end of the year what will be the net change in the debt situation. Mrs. Mahoney stated that we would be retiring a little more than what is being put in place. Mr. Clark stated that this will be reviewed at the next Finance Committee meeting. Mr. Tadych stated that he would expect that the interest rate will be a little higher than it is now. Mr. Clark stated that the current interest rate is .55% on the existing note, part of which is being retired.

Mr. Clark noted that the Community Gym and Aquatic Facility bonds are ones that they would like to pay off, but they are not callable. We have also talked about getting away from manuscript debt as well. Part of the reason you try to complete the budget earlier gives us license to start ordering capital items sooner than later, which is a more efficient process.

Mr. Vincent asked about the fiber optics project. Mrs. Mahoney stated that they are waiting to get a quotation from Bailey Communications. The \$50,000 in the budget for fiber optics is an estimate. Computer and copier placement is estimated at \$30,000 per year. Mr. Vincent asked if new computers are needed for the fiber optics. Two are scheduled for the Service Department. Mr. Tadych noted that the cost on the T-1 line will disappear, helping to offset the cost of the fiber optics.

Mayor Sutherland congratulated Police Chief Mark Spaetzel on the acquiring of MARCS radios through the county, significantly reducing the expenditure for the city. Fourteen have been acquired. Portable radios will be included for now, and the capital expenditure request of \$47,000 will include a few mobile radios as well as the base station, and possibly a few more portable radios.

Draft 5 of the 2014 Budget

General Fund Revenue – In addition to the increase in the Cable TV franchise fee, there is an expected conservative increase in municipal income tax. Refuse collection fee will remain the same. The Local Government Fund has been revised to be close to what was received in 2013. Mr. Clark noted that the 2013 numbers shown are actual end-of-year numbers. Mr. Tadych asked Mayor Sutherland how the municipal income tax collections will be affected if the state does the collection. Mayor Sutherland stated that collection is not part of the change. The state is looking at unification of definitions.

Mr. Henderson asked Director Mahoney to comment on the methodology used to estimate property tax revenue. Mrs. Mahoney stated that the county sends a Schedule A which informs the city what the county thinks they are going to collect for the city. The county estimate (97% tax collection rate) is less than the city estimate (98% tax collection rate).

Mr. Lee asked why Refunds and Rebates are estimated at zero in 2014. Mrs. Mahoney stated that this account is for funds that we do not know will be received, until they are actually received, such as grants. The funds shown in 2013 included reimbursements from FEMA and First Energy for Hurricane Sandy storm damage. These were one-time, extraordinary refunds.

Expenditures

Transfers from General Fund that occurred in 2013 will not be necessary in 2014 for Debt Service, Workers Compensation, and Equipment Replacement Fund. The Parks and Recreation Fund transfer will be reduced. Most of the expenditures for the Street Construction fund will be bonded out. Bay Family Services expenditure has been changed to reflect the actual contract amount.

Mr. Henderson noted that the General Fund transfer to Parks and Recreation on the summary sheet is listed at \$396,500, but the draft revenue budget lists it at \$436,500. Mrs. Mahoney will make the necessary correction.

General Liability Insurance amount of \$127,500 for 2014 will be reviewed for accuracy.

Refuse collection is estimated at \$1,111,500.00 for 2014. The contract expires in 2016. The expenditures for 2013 are lower due to a credit received by the city for the sympathy strike by rubbish haulers.

Full time wages for the Fire Department includes new personnel to begin in 2014. Three additional firefighters are budgeted to begin in February. The firefighters are due to receive their retroactive pay raise from 2013 in the amount of \$1400 per individual. This will be paid later this week. If they do not start until later, this will cover the amount needed for the retroactive pay.

The 2014 budget includes pay raises covered by the administrative compensation ordinance, still to be introduced by Administration and Council.

Mr. Sears was asked if the price of gasoline is going up. Mrs. Mahoney did not budget for an increase in fuel. Mr. Sears stated that it is going up slightly. The city is paying a little lower rate than they paid last year.

The Workers Compensation Fund contains a balance from previous years because of transfers of more money than was needed. Mrs. Mahoney will begin using some of that balance to fund 2014 expenses. This will help the General Fund balance this year. Mrs. Mahoney noted that the fund should be an in and out, showing a zero balance at the end of the year. The beginning balance for 2014 is \$289,000.

Mr. Henderson asked about the Equipment Replacement line item in the departmental funds. Mayor Sutherland stated that this is normally for incidental expenditures that are not capitalized. Mr. Sears gave an example of a paper shredder for the Service Department.

Rent payable from Kiddie Kollege at the Bayway Cabin is current.

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Bay Family Service additional amount for 2013 may reflect the contract for the special speaker that was brought in to address the public regarding substance abuse. The city's share of the contract is \$40,000 per year. Mr. Koomar will confirm actual contract amount.

Equipment replacement for Police and Fire Departments still need to be finalized.

Police and Fire Pension numbers for 2014 include the new hires for both departments. It also includes the new payment schedule which requires a 13 month payment schedule per calendar year for the next two years, due to a change from quarterly payments to monthly payments required by the Police and Fire Pension Funds. The year 2014 is the second year of a three year requirement for this additional payment.

The Accrued Benefits Fund is projecting a reduction from last year's expenses. Mr. Clark noted that there were many retirements and resignations in 2013. Two percent of municipal income tax goes to fund the Accrued Benefits Fund, in the amount of \$110,000 to \$115,000. Mrs. Mahoney also budgeted a \$30,000 transfer from the General Fund.

The Community Band raises their own money, but they have asked for funding from the city this year as well. That has not been incorporated into the 2014 budget.

The General Bond Retirement Fund factors in the amount of \$10,000 for the cost of issuing a note. The bond principal of \$2,510,000.00 represents part of the initial note that will be done for 2014, including refinancing of the \$ 1 million balance for 2013 borrowings plus 2014's capital needs. Because of paying some debt down, the interest amount is reduced for 2014. This will tie out to the debt report that will be produced by Mrs. Mahoney for the next Finance Committee meeting.

Tree Removal of \$20,000 is private property tree removal that is paid by the city and repaid by the residents, or certified to their property tax bill. Mrs. Mahoney would like to add an administrative fee for this service.

The Public Improvement Fund of \$344,000 ties into the capital budget for 2014. The Municipal Building Improvements Fund reflects the \$215,000 to be transferred out to fund public improvement projects for buildings. The \$90,900.00 budgeted for pool improvements/aquatic repairs are for the renovation of the slide and painting of equipment.

Sewer Fund – Total Revenue for the Sewer Fund is budgeted at \$2,573,200 for 2014. Total expenses are estimated at \$3,033,653. There remains a budget deficit of \$460,453. There is cash in the fund which would reduce the negative figure to \$330,000. Mr. Clark noted that CT Consultants must be relied on heavily to review the report from the Rocky River Wastewater Treatment Plant. Mayor Sutherland stated that she is still waiting for a meeting to be set up. There are labor negotiations going on currently with the union at the Rocky River Wastewater Treatment Plant. In initial conversations with Jeff Harrington, the plant superintendent, it was indicated that the company that did the strength and flow study does have all the documentation for the monitors. Mr. Clark commented that the committee would like to exhaust every option

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they can before going to Plan B. If Plan B is required, a public meeting will be held with CT Consultants present to address the residents. The Mayor will keep the committee apprised.

Mayor Sutherland noted that the Sewer Fund is an enterprise account that cannot be in a deficit position at the end of the year.

Mr. Lee asked what the cost for the Rocky River Wastewater Treatment Plant was in 2013. The expenses were \$625,830. The amount of \$902,900 is budget for 2014, according to the latest estimate of Ray Thomas of Rocky River.

The Health Insurance Fund expense for 2013 was \$1,300,686. The amount of \$1,735,970 is budgeted for 2014. Mr. Clark stated that he is at a loss to understand why such a large increase is being budgeted going forward. This will be discussed further at the next Finance Committee meeting. Mrs. Mahoney stated that she is meeting with Medical Mutual this week and will have more information. Mr. Clark noted that the performance of the fund was better this year than the 2013 budget. The expense amount of \$1,461,000 was budgeted in 2013. The amount of \$1,300,686 was expended. This favorable \$130,000 variance increased the balance in the Health Insurance Fund to \$930,000. Mrs. Mahoney stated that with any new hires she budgets a full family coverage, even though the employee could only require single coverage.

Mr. Lee asked if the administration charge is a per employee charge or per claim charge. Mrs. Mahoney stated that it is about \$200 per employee, per month. Mr. Lee asked if the addition of six new employees is going to take us from \$198,000 to \$240,000. Mrs. Mahoney stated that the increase shown is too high and will be corrected.

Mr. Clark thanked everyone for their participation.

The next Finance Committee meeting will include a year in review for 2013. A pro forma debt report will also be submitted. Health Insurance will also be discussed. Mr. Tadych stated that he assumes the budget draft will be rewritten with the corrections.

The next Finance Committee meeting will be held Monday, January 27, 2014 at 5:30 p.m.

There being no further business to discuss the meeting adjourned at 7:30 p.m.

Dwight. Clark, Chairman

Joan T. Kemper, Secretary