

FINANCE COMMITTEE MEETING  
held February 24, 2014  
6:40 p.m. Conference Room

Present: Councilman Dwight Clark, Chair  
Councilman Tom Henderson

Absent: Councilman Tadych

Also Present: Finance Director Mahoney, President of Council Paul Koomar,  
Councilman Lee, Councilman Vincent, Councilwoman Lieske,  
Service Director Thomas, Fire Chief Lyons, Law Director Ebert,  
Operations Manager Landers

Audience: Conda Boyd, Marty Mace, Susan Murnane, Richard Majewski, Pat  
McGannon, Tara Wendell

Mr. Clark opened the meeting at 6:40 p.m. He thanked everyone for their attendance this evening.

**January 2014 Financial Statements and Variance Report**

Mr. Clark noted that the Variance Report enables the Finance Department to track any inconsistencies that may have been missed on the budget or where there are extraordinary variance items that may put the city in an economic disadvantage.

Finance Director Mahoney related that it would be expected that personal service expenses (wages) at the end of January would have been expended to the rate of 8% of the total year. These are consistent at that percentage throughout the report for one month.

The only notable item in the report is Fund 236, Community Diversion Fund. They are expecting more money in than the expenditures that have been appropriated, so they are over-budget at this time. Detective Kevin Krolkosky, who manages the department will clarify the expected revenue with Director Mahoney. Part of what we spent was the payment of a person to come in and assist with the meetings. In the past these duties were assigned to the Clerk-Secretary at the Police Department. There is currently a vacancy in that position. Mr. Clark explained that the Community Diversion Fund pays for a program that the City runs, along with the schools, to consult and work with at-risk youth.

In regard to Municipal Income Tax revenue, Mrs. Mahoney noted that January was an outstanding month for revenue. While not as notable as January collections, February income tax revenue has maintained the amount of collections over last year's collections to the point of about a 5% increase over the first month's results for 2013.

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Mr. Clark expressed concern over the appropriation of \$5,050.00 for Civil Service, Fund 100.120.54900. He noted that the Civil Service Commission spent approximately \$30,000 last year for conducting seven tests, a record in the history of the commission in one year's time. The Secretary explained that a Sergeant's examination will be held for the Police Department. Expected expense for both the written and oral examinations will be between \$8,000 and \$10,000. Mr. Clark will confer further with Police Chief Spaetzle. Mrs. Mahoney will check to see the reason for the \$1,500 spent year-to-date in the account.

The Central Dispatch expenditures are at 27% of the year's appropriated expenses. Mrs. Mahoney stated that payments are made quarterly.

Mr. Henderson asked about the Local Government Fund Revenue, noting that it is less than 1/12 of the budgeted amount. Mr. Clark stated that it was budgeted according to the information related by the Mayor that she was comfortable that the number was going to be at or close to what it was for 2013 - \$345,000. Mrs. Mahoney stated that the receipt pattern is monthly, but varies from month to month.

Health Care expenses seem low for the month of January, likely since there was no charge for an administrative fee. The claims numbers are also lower than they have been in the past. Mrs. Mahoney stated that there have been no new claims. The large claim has reached the Stop Loss coverage. Mr. Clark noted that if more than two claims reach Stop Loss it will start to cost the city more money. The claim can cross over different years in the respect that the payment may be made in a year in which the claim did not occur. The lower number of health care costs may be because of the higher deductibles being charged. Mrs. Mahoney noted further that most of the January numbers are for payments for claims made in 2013. Two administrative fees will be made to Medical Mutual in February. The Stop Loss feature is included in the administrative fee. The amount is approximately \$200.00 per employee coverage per month.

### **Revenue – General Fund**

The encumbrances in the General Fund of \$431,482 are from prior years. It is high because departments are being encouraged to submit blanket purchase orders for 12 months, or the entire year, rather than one month at a time. As the year extends and the payments for these purchase order expenses are paid, the encumbrances will decrease while the expenses increase.

Mr. Lee asked about the overtime for snow removal. Service Director Thomas prepared a comparison for years 2010 through 2014, as of February 4, 2014. The hours for overtime exceed the previous years with 411.5 hours for 2014 through February 4, as compared to 176 hours in year 2013.

### **Kiddie Kollege Lease**

Mr. Clark stated that the lease for the Bayway Cabin entered into with Kiddie Kollege will expire in June of 2014. There have been discussions about renewing the lease, with an increased rental amount per month. Mr. Clark stated that when the city first entered into the agreement, there was the intent to recoup the cost of renovating the cabin and getting it ready for Kiddie

Kollege occupancy and to make sure that the monies over and above the cost were to go to the appropriate fund and not the General Fund. A fire detection system was installed at the cabin, and other improvements were made totaling \$16,306. Mrs. Mahoney stated that all of the rental money has been deposited in Fund 810, Cahoon Memorial Park Operating. The Fund 810 has a negative balance as of the end of January and technically owes \$16,306 to Fund 232, Youth Activities, from which fund the money was spent for the improvements to the cabin. Since the Youth Activities Fund is not used anymore, Mrs. Mahoney would like to transfer that fund to Fund 230, Parks and Recreation.

Mr. Clark stated that the understanding was that the income trail for the rental would be isolated and once we received the \$16,306 for renovation purposes, the rental income could then start to be put into Account No. 810. Mrs. Mahoney will map out the strategy of how this intention will be placed back on track and include that information in the Council packets this weekend. The steps are to include: A – eliminating the negative balance in Fund 810; B- a clear audit trail of what was spent from Fund 810; C- close down the Youth Activities Fund. Mrs. Mahoney noted that \$44,000 has been deposited into that fund since 2012. Mr. Clark suggested that before the Trustees vote on the extension of the lease all of the information is presented to Council.

### **Five-Year Capital Budget**

Mr. Clark stated that the purpose of a five-year capital budget would be to create efficiency in budgeting going forward. Fire Chief Lyons, Police Chief Spaetzel, Service Director Thomas, Community Service Director Bock and Recreation Director Enovitch as well as Administration, are asked to submit a five year capital budget from their departments by the end of March. This will assist in forecasting needs from a capital standpoint.

The Fire Department pumper truck was purchased in 2012, the composter was purchased this year, and there will be other large items that will intermittently fall in place going forward. Properly sequencing and scheduling purchases should allow for more efficient budgeting, given the city's resources. In the usual course of business, other normal asset acquisitions might have to be pushed aside for larger time-sensitive items. Mr. Clark noted that he wants to make sure we would not be overlooking something significant that may be coming up in the future.

### **2014 Debt Issuance**

Director Mahoney and Mr. Clark met with Mike Sharb of Squires, Sanders who are working with the city as our bond attorneys. Squires worked with the city to handle the documentation on the legal work on the police station note and bond refunding. They also worked with the city to write the tax opinion and the ordinances for the debt issuance in 2013 of \$1,250,000. The plan for 2014 is to take part of the balance from last year's note issue and couple that with some of the sources or identified needs for projects this year and complete a note issuance in the amount of \$2,320,000. Ordinances prepared by Squires, Sanders will be introduced on first reading at the Council meeting of March 3, 2014. A one year note, General Obligation Bond Anticipation Note, will be issued. Mr. Sharb has been asked to provide competing interest rates that were issued recently. We are confident that the interest rate on this issuance would be at, or a little below, last year's rate which is about 0.55%. Once the ordinances are complete, we will have to

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work with somebody to underwrite the bonds, negotiate a sale, or go out with an open market competitive bid. Director Mahoney, Mr. Clark, and Mr. Sharb will work together and report back to the Finance Committee. We will look to be in the market sometime in May or June. The notes now mature June 1, and, by law, we can refund them 90 days prior to maturity date. We are refinancing last year's note issue of \$1,250,000, and taking \$250,000 out of General Bond Retirement Fund millage this year to pay that down, so as to treat all of our debt as if we are paying it down equally over five years.

Mr. Clark noted that if there is a budgeted shortfall for the Hartman Field lighting of about \$10,000, some of the money will be taken from another capital area already approved as part of our 2014 budget.

Mrs. Mahoney will soon submit amendments to the annual appropriation ordinance. There was no money appropriated for the Building Department, but there are miscellaneous expenses that are paid by the city and reimbursed by SAFEbuilt, Inc.

Mr. Clark noted that there are still advances from the Infrastructure Improvement Fund that need to come back after the Lake Road project is finished.

To summarize this evening's meeting, the Kiddie Kollege financial income will have to be clarified in regard to Fund 810 prior to renewing the lease.

There being no further business to discuss the meeting adjourned at 7:20 p.m.

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Dwight Clark, Chairman

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Joan T. Kemper, Secretary