

FINANCE COMMITTEE MEETING  
held July 28, 2014  
5:30 p.m. Conference Room

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

Also Present: Finance Director Mahoney, Councilman Lee, Councilwoman Lieske

Audience: Conda Boyd, Susan Murnane

Mr. Clark opened the meeting at 5:30 p.m. He thanked everyone for their attendance this evening.

Mr. Clark advised that the Audit Report for 2013 has been received in the office of the Clerk of Council and will be distributed to Council in their packets this weekend.

Finance Director Mahoney stated that the audit was fine and there were no comments from the State Auditor. An audit review will be held in September with the City's accounting firm to perform a final review of 2013 audit results.

**Review of June 2014 Financial Statements**

**Revenue**

**Investments**

Mr. Henderson stated that he knows that some funds are kept in cash and some are kept in an investment portfolio. He saw that the cash is up, and the investment portfolio is down, and asked about the cash sweep policy of the city.

Finance Director Mahoney stated that there is not an official policy. Huntington Bank gives the city a 1% earnings credit, and Mrs. Mahoney is trying to keep more cash in Huntington. PNC sweeps everything but \$100,000 per night. Mrs. Mahoney tries to take the money out of Key and put it into Huntington Bank. Fifth Third Bank statements are not received until after the month is posted, so the financial statement ending June 30, 2014 is not up to date as far as the investments with Fifth Third Bank. Mr. Tadych noted that Fifth Third Bank has a 2% rate for a 5-year investment term. Mrs. Mahoney stated that she is unsure if public funds are permitted to be invested for 5-year terms. Mr. Clark stated that the practice has been to make fairly short term investments because of our fiduciary capacity. Mr. Henderson noted that at the present time frame interest rates might be expected to rise over the next five years more than decline. Mr. Clark noted that the propensity for rates to go up next year is a lot stronger than it was three years ago. Short term rates do not necessarily travel in tandem with long term rates, but it is something for the city to look at and a discussion to maintain. Mr. Tadych stated that the 10-year

Treasury bond rate is at 2.50%, which has dropped. Mr. Clark noted that he has distributed an article (Exhibit A attached) from Moody's Investors Services entitled "*Low Rates on Short Term Notes a Boon for US State and Local Governments.*" When the Federal Government stops buying mortgage securities there could be a turn-around in shorter term interest rates.

Mr. Henderson stated that his question was relative to one investment that matured on June 23, 2014 and was not reflected in the June financial statements. Mrs. Mahoney stated that the total investments are at \$6.8 million now. Mr. Clark added that this does not include the investments that are in the treasury that are in manuscript bonds (city financial debt) that will be retired in majority in the next three years.

#### Municipal Income Tax Receipts

Finance Director stated that the rate of receipts are the same as they were last year. Mr. Clark noted that the receipts are mirroring the turn-around in the economy. The receipts are up 4.5% over last year at this point in time, but tax receipts were up 17% as of June 30, 2014 versus June 30, 2012. Mrs. Mahoney stated that receipts are received twice per month and she does not expect a huge increase in July. Mr. Clark commented that it would be positive if the anticipated revenue versus original budget is received this year in municipal income tax.

Mr. Henderson asked if there are bumps at certain times of the year when there is filing by those who do not have employers that withhold taxes. Mrs. Mahoney stated that this occurs in May.

Mr. Tadych commented that receipts are up \$140,000 over the previous year. Mrs. Mahoney stated that July receipts will show that receipts are even to last year's July year-to-date performance.

Mr. Lee asked if there is any reason to be concerned about how light the receipts are for June as compared to the last three June receipts. Mrs. Mahoney stated that this is probably the effect of more people filing online instead of processing checks. This could be the reason that the May receipts are higher than normal. Mr. Clark asked Mrs. Mahoney to comment on a refund received of income tax expenses.

Mrs. Mahoney stated that a refund of approximately \$33,000 was received due to the cost of collections through RITA reduced to 2.3% instead of 3%. It is unknown if this will be a permanent trend due to more online filing.

#### Property Tax Revenue

Mr. Henderson stated in looking at Property Tax Revenue across all funds, at \$4,092 million of year-to-date revenue, which is about 55% of the total year, collections are about 10% ahead. Mr. Henderson asked why we are ahead relative to our estimate on Property Tax. Mrs. Mahoney stated that in preparing the budget she takes what the County says what they expect will be collected this year and she adds 1% to that amount. It appears that we are collecting a little more than anticipated. The property taxes are received in January, February, July, and August.

### Health Care Fund

Mr. Clark stated that favorable trends are being seen through the first six months of the 2014 year and it clearly appears that the favorable variance is based on lower claims experience. These are the lowest claim levels June since prior to 2009. The administration fee is now being charged monthly.

Mr. Henderson asked Mrs. Mahoney to comment on the plan design change from last year. Mrs. Mahoney stated that in-network coverage changed from a \$250/\$500 single/family to \$400/\$800 deductible. Co-insurance went from \$500/\$1000 to \$1000/\$2000. Employees are definitely paying more for their health insurance. Mr. Tadych commented that the year-to-date numbers for 2014 are very favorable. Mrs. Mahoney stated that during the past few months the employees have been using their deductibles and the expenses may now increase. Mr. Henderson asked if the maximum out-of-pocket expenses for the year have doubled. He was informed that they have doubled, and the employee co-pay share is 9% this year, and will increase to 10% next year.

Mr. Clark suggested that before going through the plan design process for next year, the representative of Medical Mutual of Ohio be invited to speak to the Finance Committee. Mrs. Mahoney suggested that there be no change while the current labor contracts are in effect. Mr. Clark suggested that the representative address the Finance Committee this fall. Mr. Lee noted that while the labor contracts are in place through the end of 2015, we do not have certainty of the Medical Mutual costs and that could increase in February. Mr. Clark asked Mrs. Mahoney to confirm for the Finance Committee that the administrative fees are fixed for the cost of the contract.

### Fund Balances

Fund 270 – Street Construction, Maintenance and Repair. The fund has a negative balance due to waiting for the reimbursement from the state for the Lake Road Resurfacing Project in the amount of \$250,000.

Mr. Clark noted that in addition to the \$250,000 reimbursement the amount of \$788,000 is to be received from the Ohio Public Works Commission for the Cahoon Sanitary Sewer Project. The funds will go back into the Infrastructure Improvement Fund. Approximately \$1,030,000 will be replenished in investments. Mr. Clark commented that the policy of the Ohio Public Works Commission is to reimburse within six months after completion of the project. Mr. Clark asked Mrs. Mahoney to keep the Finance Committee apprised.

Mr. Tadych asked if anything has been done about the Lake Road expenses that will be incurred. Mrs. Mahoney stated that the engineer is working on a less expensive way to fix the sewer grates.

Fund 281 -Fire Pension Fund- Mr. Tadych asked the reason for the negative balance of \$39,192.42. Mrs. Mahoney stated that a transfer of \$126,100 was budgeted to cover a negative

balance at the end of the year. Mr. Clark stated that the Fire Department and Emergency Paramedic Unit (EPU) have been separated for financial purposes for a number of years. It may be better if they are together because it is just one department, although there are different statutory revenue sources for both. There should be a better way to portray the total cost of the Fire Department. Mrs. Mahoney stated that this Fire Pension comes from both the General Fund and the EPU Fund. Mrs. Mahoney would like to wait until the end of the year to complete the transfer that was budgeted.

Mr. Clark commented further that the Fire Department is within the General Fund, Fund 100, but the EPU is Fire also but is in a specific fund, Fund 210. It has always been trying to look at the whole picture and it would be helpful to look at expenses in total moving forward, primarily on the operating side. There is dedicated millage that helps pay for the EPU.

Fund 580 Sewer Fund – A negative balance of \$14,216.70 is indicated while waiting for the Ohio Public Works Commission reimbursement. Bills continue to drag from the Rocky River Wastewater Treatment Plant relative to the increase.

#### Fund 100 – General Fund

Mr. Clark pointed out that the receipts for the Municipal Income Tax in the General Fund do not match the total Municipal Income Tax receipts, since only 98% of the receipts are deposited in the General Fund. Two percent of the Municipal Income Tax receipts are put aside for the Accrued Benefits Fund, as per the 2014 ordinance.

Reimbursements – \$61,652.07 has been received in reimbursements to date this year. Mrs. Mahoney stated that \$15,000 is from an insurance claim for water damage to the fire station. Mrs. Mahoney will provide further information to the Finance Committee.

Interest on Investments – The fund rose significantly this past month due to a normal semi-annual interest payment date of June 1, 2014.

Estate Tax – Year-to-date receipts of \$50,059.81 is unexpected revenue, due to the sunset of Ohio Estate Tax. Some funds continue to come in due to prior year settlements.

Building Permits – SAFEbuilt had a banner month in June with \$9,368.25 in revenue for building permits.

Tournament Fees – Mr. Clark stated that we have always talked about how the baseball tournament would be more self-sufficient. The amount of \$4,000 has been budgeted for revenue but there are no receipts to date. Mrs. Mahoney will check further. Mr. Clark stated that this is the Bay Men's Club Tournament and he and Mr. Tadych have talked about these fees as a way of reducing the overtime costs. Mr. Tadych commented that the Baseball Program receipts are at 123% of collections which may indicate that monies have been applied to that account rather than the Tournament Fees account.

Mrs. Lieske asked about the softball leagues. More information will be sought.

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Fund 235 Transfers. The amount of \$40,500 represents the funds needed for the Bay Family Services program.

Fund 240 Sale of Notes. \$666,000.00 represents the 2014 note issuance for equipment amounts approved for all departments.

Fund 250 Gasoline Tax - The amount is 59% higher than anticipated revenue of \$23,000. Mr. Tadych asked how often the receipts are received. Mrs. Mahoney stated that she believes they are received monthly. Mr. Tadych asked about the line item "Municipal Cents per Gallon." Mrs. Mahoney stated that the State of Ohio directs how the receipts are deposited. Mr. Tadych asked to receive further information.

Fund 240 Sale of Property - The amount of \$10,250 is estimated as revenue from the sale of old vehicles and equipment through Govdeals.com. The old senior bus is now on the site for bidding. Mr. Tadych stated that he thought we should be showing some receipts to date. Mrs. Mahoney will seek further information.

Fund 282 Accrued Benefits – Year-to-date receipts are \$65,123.54 representing 2% of Municipal Income Tax receipts this year. It is expected to reach the anticipated revenue of \$144,000 this year when combined with existing funds in the account.

Mrs. Mahoney stated that there will be disbursements this year to pay off outstanding vacation balances. Mrs. Mahoney will advise the amount. In addition, Community Services Director Bock received a pay-out for accrued time when she resigned. There was also a retirement in the Fire Department.

Fund 290 Senior Programs. Senior Donations and Miscellaneous Income received a large memorial contribution of \$21,595.00. Mr. Tadych noted that much has been accomplished at the Dwyer Memorial Center with those funds.

Fund 340 – The Bond/Note Premium line item includes a premium payment of \$14,453.00 paid during the recent bond issuance by the note buyer.

Fund 520 Pool – Mr. Clark stated that the pool receipts seem to be tracking well through June; we are only \$100,000 under budget for the remainder of the year.

### **Expenses**

Account 100.111.54900 Other Supplies Council. Mr. Tadych asked about the year-to-date expense of \$5,357.72. The Do-Not-Knock Registry was charged to City Council. Mr. Clark suggested moving the expense to another account to leave enough funds for the fee for codification of ordinances. Mr. Henderson asked where the Nixle expenses are charged; and Mr. Lee asked where the web site expenses are charged. Mr. Clark suggested that any expense for web site that would be under the umbrella of the city, and would best be classified under General Administration.

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Mrs. Lieske asked if we should include the funding account number when passing ordinances for contracts for services in the future.

Account 100.119.53255 Contract Services is at 190% expenses. Mrs. Mahoney will check further.

Account 100.119.53256 State Property Tax is at 292.45% used. Mrs. Mahoney will check.

Account 100.119.53820- General Liability Insurance of \$127,500 represents payment of the City's General Liability Insurance.

Account 100.119.52600 Unemployment Insurance is at 119.39% used. Mrs. Mahoney stated that there are more people collecting unemployment benefits than were originally budgeted.

Account 160.53220 Architectural and Engineering. The \$20,000 encumbrance represents the \$2,000 monthly fee to CT Consultants.

Account 100.210.55200 -Mr. Tadych asked about Equipment Replacement – Fire Department. Mrs. Mahoney will determine why \$14,000 has been encumbered.

Account 100.350.53255 – Building Department Contract Services. Mrs. Mahoney stated that this represents the cost of postage and will be reimbursed to the City by SAFEbuilt. Mr. Lee noted that there is a separate line for postage. Mrs. Mahoney believes that it is being charged to Contract Services. Year-to-date expense for SAFEbuilt is \$127,145.75 representing 85% of the building permit fees that are retained by SAFEbuilt. If the expenses increase in this account it would indicate more building permit revenue than what was anticipated.

Account 100.320.51114 Seasonal Wages for Trees. Mr. Tadych asked for an explanation of this expense. Mrs. Mahoney stated that the Tree Removal line item includes the taking down of the Wolf Road trees that suffered from Ash Borer Disease. Any expense over and above the grant amount received is causing an over budget expense. The grant receipts are probably included in the General Fund Reimbursement line item. Mr. Tadych asked an explanation of Seasonal Wages versus Full Time Wages. Mrs. Mahoney stated that Seasonal Wages are for part time employees assisting with trees. Mr. Tadych asked if this is for watering of the flower pots. Mrs. Mahoney stated that she does not know the exact work assignments; the employees may be working on different projects. Mr. Tadych noted that nothing was budgeted for the line item of Seasonal Wages. Mrs. Mahoney will check further. Mr. Lee suggested that there may not have been a budgeted expense if there was not an expense in that line item in the previous year.

Account No. 100.360.53285 Refuse Collection is tracking where it should be at this time of the year. There has been no expense for Fuel Recovery.

Account No. 100.520.53170 Telephone – Service – This line item is 338.09% over budget. Mr. Henderson asked if there is a reason we are spending more than the original budgeted amount.

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Mr. Clark stated that the goal is to have the 2015 budget completed by the end of 2014.

Mr. Lieske asked about the gasoline pumps at the Fire Station and Service Garage. Where are those expenses shown? Mrs. Mahoney stated that the Service Vehicles get charged to Fund 270. Service Director advises usage and Mrs. Mahoney does a journal entry monthly to move it to the proper fund. For the Service Department it is 100.520.54215 Vehicle Operating. The Community Services Department advises Mrs. Mahoney about the number of gallons of gasoline they use per month. They fill their vehicles at the Fire Station and turn in their slips to the Community Services Department. They provide the Fire Station with Chits to keep track of the gas pumped.

Discussion followed about advancing the system to a key-fob system. Mrs. Mahoney stated that this is being researched. However, the systems are expensive. Mr. Clark would like to know the metrics to determine the payback to the City by this more sophisticated accounting practice. The system could be considered for the Capital budget for 2015. Mrs. Lieske commented on the ease of the department personnel to fill their vehicles at the pumps and it would be good to know how much is actually being used for City purposes. Mrs. Mahoney stated that if a vehicle is driven home at the end of the year the employee must advise personal miles versus business miles for IRS purposes. Mr. Tadych noted the savings in the cost of the manual accounting by personnel as compared to a system that keeps track electronically.

Mrs. Mahoney will invoice the Fireworks Committee for the cost of the fireworks on the Fourth of July.

Account No. 230.404.53100 Public Utilities for the Community Gym is at 73.47% expended of the full year's budget. Mr. Clark noted that this trend of increased utility expense to budget seems to follow in all of the departments. Mrs. Mahoney stated that there is a problem with the heating/cooling in regard to the humidity. The matter is being investigated.

Account No. 230.401.53100 Parks Public Utilities may be the account that the baseball fields and basketball courts are charged for lighting.

Account No. 230.400.54806 Football Program may include expenses for the fall program.

Fund No. 232 Youth Activities is no longer in existence. The amount of \$20,039, balance of the fund, has been transferred elsewhere. Mrs. Mahoney will advise.

Account No. 240.111.55200 Equipment for Fire, Police, Administration, Parks/Recreation, Service and Miscellaneous includes unexpended funds for equipment that has not yet been purchased or delivered. Mrs. Mahoney stated that the departments have been waiting for delivery of some of these vehicles. The Service Department Composter has not yet been purchased with the City of Westlake. The two cities, Bay and Westlake, are in discussion.

Mr. Henderson asked about the Equipment for Administration line item in the amount of \$140,000. He asked if the expenditure of \$28,862.59 is for the Fiber Optic project for the Service Department. Mrs. Mahoney stated that they have not yet made that purchase. Mr.

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Henderson recalled that the Fiber Optic system was to enable the work order system for the Service Department. Mrs. Mahoney stated that the Fiber Optic system is to increase the speed for the Service Department, and to lay Fiber Optic line to replace the T1 line. Mr. Henderson stated that they were told the whole purpose was for the work order system. Mrs. Mahoney stated that the work order system has been updated. The Fiber Optic System is for faster computing so that they can get on the Internet faster to use the work order system and potentially, down the line, a new purchase order system. Mr. Henderson asked if the work order system is functioning on the T1 line. Mrs. Mahoney stated that it is functioning on the T1 line. Bailey Communications is still working on figuring out the cost for the Fiber Optic System.

Mr. Henderson stated that he can see a T1 line being slow for a robust on-line program and he thought when the \$50,000 was discussed it was for the Fiber Optic System to make the work order system functional. Mrs. Mahoney stated that it was just to make Service function better, eventually to have a new financial system.

Mr. Clark suggested that as the budget process is started in September for Capital items, as part of that exercise, we should look at what was approved in last year's budget, know where we are today, noting the divergence between what we budgeted and what we actually spent, and the reason why we didn't spend as planned.

To be purchased for Equipment Fire is a vehicle, and the Surface Ice Rescue Equipment.

The Police Department Equipment purchases includes the Marc's radios and two vehicles.

The Equipment for Administration includes a new phone system which Mrs. Mahoney is still working on.

Computers and copiers for Administration have been purchased.

Equipment- Service. Unencumbered expense of \$276,634.68 includes funds set aside for the purchase of the composter. A five-ton truck has been ordered and will be delivered soon. The work-order system is installed and working and was much less than \$20,000. Computer Notebooks have been purchased in order for the employees to use the work-order system.

Mr. Clark noted that the problem with the composter not being purchased is that it has already been approved and funds have been borrowed to purchase it, but we now have nothing to show for it. We are paying for something we are not using. It may get reallocated for something different. Mrs. Mahoney stated that the Service Department still needs the composter, it is just a question of when the City of Westlake is ready to proceed with the joint purchase. Mr. Clark stated that some of these equipment items have been purchased later than anticipated.

Mr. Henderson commented that from a year-to-date standpoint we are halfway through the year and our capital expenditures are below that point. The core question is "Are the capital expenditures that were funded still in the plans to be expended this year?" The answer generally is yes except for the composter, but everything else is intended to be expended in 2014. Mrs.

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Mahoney expressed agreement. Mr. Clark noted that there will be more clarity when there is discussion on Capital Improvements for the coming year.

Account 340.115.58100 Note Principal. Mr. Henderson asked if the number of \$7,306.80 listed as 200% of the budget is correct. Mrs. Mahoney stated that it is not correct. Mrs. Mahoney put in a Journal Entry and a purchase order was also issued. This will be corrected prior to the next financial statement.

Fund 490 Public Improvements – Mr. Clark noted that the fund contains a number of items that have been approved and still need to be funded.

Fund 490.790.55328 -Mr. Clark asked if there has been any movement on the painting of the Rose Hill Museum. (\$24,000). Mrs. Mahoney stated that quotes will be obtained for this next week.

Account 490.790.55320 – Fire. \$15,000 is set aside for the Fire Department Bay. A purchase order was issued this morning.

Fund 491 – Police Station Improvement Fund – Mr. Clark asked if there is any reason to keep this fund active. The fund amount is zero.

Fund 602.210.52500 Workers Compensation. Mrs. Mahoney stated that the largest part of Workers Compensation is the insurance which has been paid. There are only minor claims outstanding.

Mr. Clark asked Mrs. Mahoney what the Finance Committee needs to be focusing on to assist her in terms of priorities for the balance of this year. Mrs. Mahoney stated that she will be preparing the 2015 Budget. The budget books for departments are to be completed by September 15. Mrs. Mahoney will begin meeting with the Finance Committee regarding the budget in the beginning of October. First reading of the 2015 Annual Appropriation Ordinance is expected on November 3, 2015.

Mr. Clark asked about the large contracts that are in force at the present time. To what date is the existing trash contract effective? The health insurance contract is covered through February 2015, and the committee will meet with the representative of Medical Mutual this fall. Bargaining units' contracts are in force through December of 2015. Are there any other EPA or overflow issues that need to be addressed? Are there any other contracts that need attention?

Mrs. Mahoney stated that the only pending item is the pay-out for the accrued vacation time for employees.

The next meeting of the Finance Committee will be in September at a date to be announced.

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There being no further business to discuss the meeting adjourned at 6:50 p.m.

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Dwight Clark, Chairman

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Joan T. Kemper, Secretary