

FINANCE COMMITTEE MEETING  
held October 13, 2014  
6:30 p.m. Conference Room

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

Also Present: Mayor Sutherland, Finance Director Mahoney, Law Director Ebert,  
President of Council Koomar, Councilman Lee, Councilwoman Lieske,  
Councilman Vincent, Service Director Thomas, Police Chief Spaetzle,  
Fire Chief Lyons, Community Services Director Selig

Audience: Conda Boyd, Marty Mace

Mr. Clark opened the meeting at 6:35 p.m. He thanked everyone for their attendance this evening.

**2015 Capital and Operating Budget Review**

Mr. Clark stated that he has asked Finance Director Mahoney, with the help of the Mayor and the Department Directors, to put the 2015 Budget together in a format that would allow for more detail. The goal today is to allow for the Mayor and Finance Director to go through the budget itself and review the budget booklet without getting too granular. He asked that the Committee concentrate on a general overview this evening and set the tempo for future meetings with the hope that the Department Directors talk about their budgets at those meetings.

Finance Director Mahoney stated that her goal for the committee is to focus more on the big picture. In the past the committee has received all those lines of every single line item. Mrs. Mahoney stated that it is more the Finance Director and Assistant Finance Director's responsibility to make sure they are following the legal level. When appropriation ordinances are done the legal levels shown on those ordinances are Personnel Services, Other, and Capital. Those are the legal levels within a fund, and within a department. For General Fund that is what we have to follow.

Mayor Sutherland congratulated Director of Finance Mahoney on the format of the budget, noting that this is something she has wanted for the last ten years. The Mayor asked Mrs. Mahoney to review how the budget book is presented.

Mrs. Mahoney stated that the first half of the book is the operating budget. It is divided into sections of General Government, Service Department, Fire Department, Police Department, Community Services Department, and Parks and Recreation Department. Following are the Agency funds and Trust funds.

Towards the back of the book is a Capital Budget. Behind that is an outline, by department, of the capital requests, and in the front of that, summarized version of all the requests together.

Mr. Henderson expressed agreement with Mayor Sutherland, noting that the format is very nice.

Mrs. Mahoney stated that in the future she will show, over the course of time, how many staff we have had in each department, a summation statement for each department, an overview of each department highlighted from the past year, and an organizational chart for each department.

## **Operating Budget**

### **Budget Summary**

The first page has fund balances. The far right hand column, or “Ending Balance” needs to be positive in each fund. The ending balance in all funds are positive.

Mr. Henderson asked if this is intended to represent January 1, 2015. Mrs. Mahoney stated it is intended to represent January 1, 2015.

Mr. Koomar asked if the year 2015 is the third year or end of the three-year property tax assessment period. Mrs. Mahoney stated that it is the end of the three-year period. Mr. Koomar noted that because the property tax revenue is set at a certain amount for three years, and as expenses and wages go up, the first year revenue might be above. The second year revenue and expenses might be at a break-even level, and in the third year the fund balances might be a bit under water due to expenses rising during the three year period and not being matched by increased revenue. Reappraisal valuations would be effective at the first property tax advance in 2016.

### **General Fund**

Mrs. Mahoney stated that she updated the 2014 Budget amounts to be what she expected to come in for the remainder of the year. She looked at what was budgeted for 2014 and then looked at the actuals for this point of the year, and made the adjustments. Mr. Thomas asked if these figures are based on actual year-to-date, and estimates for the remainder of the year. Mr. Clark asked if it includes all of the amended appropriations. Mrs. Mahoney stated that revenue is not appropriated. The expenditures reflect all of the appropriation ordinances except the last appropriation ordinance (No. 6), and the appropriation ordinance to be considered this evening (No. 7).

Mrs. Mahoney stated that the only two revenue recommendations she is asking for in this budget is an increase of \$25.00 in the sewer rate annually, for the capital funds for sewers, and perhaps increasing the ambulance reimbursements.

### **General Government Expenditure by Department**

Expenditures by department are shown for 2012 Actual, 2013 Actual, 2014 Budget, 2015 Budget, and 2015 vs. 2014 Budget change. A notation marked by an asterisk for certain departments indicate a change anticipated in 2015.

A page for the debt service for 2015 is included. The final pages in the General Government section show expenditures on a line-item format.

The same format used for General Government follows for each individual department.

The Fire Department and Emergency Paramedic Unit are shown on the same page, as was requested by the Finance Committee.

Mrs. Lieske asked if department heads have submitted requests for the coming year, and if something is not seen in the 2015 budget now, will there be any other things coming forth.

Mrs. Mahoney stated that she put together all of the wage information, including health care benefits. She met with each department head, one-by-one, and went through the budget line-by-line.

Mr. Lee asked if there is going to be some way for Council to look at the 2015 Budget versus the 2014 Budget. Mrs. Mahoney stated that the 2014 Budget figures shown are the 2014 Budget figures. Mr. Henderson noted that the earlier statement of Mrs. Mahoney concerning the adjustments to the 2014 Budget include just the actual expenditures to date that have been appropriated by Council, with the exception of the last two appropriation ordinances.

### **Capital Budget**

Mrs. Mahoney stated that the Capital page gives a review of the whole city, what is expected to be spent for capital expenditures in the next year in particular, and then four years out. A total estimated debt, in addition to what we would have to pay off in addition to our Bond Anticipation Note, is \$1,756,000. An asterisk at the Sewer Fund line indicates the assumption of an annual increase of \$25.00 per household to keep it at the current rate of \$90.00 per quarter. This will generate an additional \$155,000 annually to pay capital expenses for sewers.

All 2015 capital project requests are documented with a form attached to the department's Capital Budget summary.

Mr. Tadych stated that the work done by Mrs. Mahoney is very understandable. Mr. Henderson stated that he definitely likes the 5 year estimate on the capital side. It helps to understand, looking a couple of years out, how it relates to the budget.

Mr. Lee asked what total debt will be retired in 2015. Mrs. Mahoney stated that the chart is under General Government in the Operating section of the budget. Mr. Clark asked Mrs. Mahoney to indicate the 2014 numbers on the chart. Mrs. Mahoney stated that if it is to be the policy to fund the capital expenditures for the life of the asset, it is a reasonable expectation.

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Mr. Clark suggested holding a Finance Committee meeting on Monday, October 20, 2014 at 6 p.m. and allowing 20 minutes each for the larger departments to go through their individual budgets.

The Operating Budget incorporates all salary increases for general administration and bargaining contract employees at 2% annually for 2015. The budget also assumes a 7% increase in hospitalization costs. Employee contributions for health care to 10% is also included. Mrs. Mahoney stated that the 7% increase is probably conservative. When departments are charged for the hospitalization costs, it is based on the COBRA amounts. If an employee's costs do not equal the COBRA amount, the offsetting revenue is posted in the Insurance account.

The trash removal contract expires at the end of 2015 and will need to be advertised for bids in the fall of 2015. The fuel recovery costs are part of the trash removal contract. We have not reached the point where the cost of diesel fuel would impact that contract.

Service Director Thomas will contact surrounding communities to see if anyone is going out for trash removal bids earlier. If that is the case, Director Thomas will ask Council permission to advertise for bids. Mayor Sutherland noted the 180 day notification clause in the contract. Mr. Koomar mentioned the competition coming in with the recycling facility in Westlake.

Mr. Clark stated that bargaining and wage union contracts are through 2015. The trash collection contract goes through 2015. The health care plan is through February of 2016. Mr. Clark asked if there are any other contracts that need attention. Mrs. Mahoney mentioned the Rocky River Wastewater Treatment Plant (WWTP) costs. Mayor Sutherland stated that it would just be construction contracts. Mr. Tadych asked what kind of expenses could be expected from the Rocky River Wastewater Treatment Plant for equipment in the next year. Mayor Sutherland stated that most of that is taken out of their budget, and they have been very successful in getting funding. Mrs. Mahoney noted that the cities share an Ohio Public Works Commission (OPWC) loan. Mayor Sutherland added that the WWTP has also been very successful in getting District One Public Works Integrating Committee (DOPWIC) funding. Mrs. Mahoney will check for further information and get back to Mr. Tadych.

The projections for the Police Department include adding civilian dispatchers to the Police Department.

Mr. Clark stated that there are unexpended funds for the phone system. Mrs. Mahoney stated that those funds must be expended by June of 2015. The Fiber Optics funds and the Composter funds are from the 2014 debt issuance.

The ordinances that will expire at the end of this year are the refuse collection fee, sewer rental fees, and distribution of municipal income tax funds. He asked Mrs. Mahoney if there is anything else that might be important to convey to the Finance Committee from an information standpoint. He noted that this is the clearest year we have had in putting the budget together with all material contracts in place.

Mr. Clark asked whether this should now proceed to the Committee of the Whole, or allow the Finance Committee to go through the rationale for what the departments are requesting for the operating and capital portions of the budget. Mrs. Mahoney agreed that a Finance Committee meeting beginning at 6 p.m. on Monday, October 20 would allow time for the department heads to meet with the Finance Committee. Mr. Clark suggested that any questions be sent to Mrs. Mahoney in advance of the October 20 Finance Committee meeting so they can be addressed at that time.

### **Review of September 2014 Financial Statements**

A review of the September financial report indicating expenses versus appropriations followed. Mrs. Mahoney stated that Column (A) indicates the percentage of appropriations spent year-to-date. Any percentage over 73% for Wages, or 75% for Other is a problem, depending on the spending habits of the department. Police, Fire, and Service are all under budget. General Fund Fire Department is at 64%, Police Department is at 69%, and Service Department is at 66%.

Mr. Henderson asked if there has been any discussion about spreading the budget on a monthly basis rather than having an annual budget. Mrs. Mahoney stated that money cannot be spent without having a purchase order in the system. If an invoice is dated October 1, and the purchase order is dated October 15, the auditors do not like that. They call it a “then and now.” We did have some “then and nows” in our last audit, not enough to warrant a comment, but we are trying to clean that up. Mrs. Mahoney is working with Mrs. Oster, the new Accounts Payable person, to try to create blanket purchase orders for the whole year. Right now, the departments still do a monthly purchase order for the estimated expenses. Mrs. Mahoney would rather see a \$6,000 blanket purchase order to avoid those “then and nows.” Consequently, next year the reports will look as though we are spending all of our money at the beginning of the year. Cities usually do not do monthly budgets, mainly because of the “then and now” factor.

Mr. Henderson asked if there is any negative side to doing a blanket purchase order. Mrs. Mahoney said she believes it is going to be better because you will be able to determine whether or not something should be bid out rather than spending a large amount of money to a specific company over a year’s time. In general, it will have a good result, although it will make the reports look unusual, especially when looking at Column B, the unencumbered balance, which will look like a large amount of money has been spent early in the year.

Municipal Income Tax Receipts are ahead 5.76% compared to this same point in time in 2013. Mrs. Mahoney is expecting that number to drop. The last report from the Regional Income Tax Agency (RITA) indicates that we are up 2% over last year as of the first of October. There was a lot of influx at the beginning of the year and now things are steady.

Health Care is still lower than last year. October has been the largest month of claims. Ten administrative fees have been paid to date this year, so we are right on target with our payments to Medical Mutual of Ohio (MMOH).

Mr. Henderson asked about the Street Construction, Maintenance and Repair Fund. Funds will be coming in from the City of Westlake. The advance repayments are completed, including the

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\$250,000 for Lake Road and \$780,000 for the Cahoon Road Sanitary Sewer Replacement, and reimbursements posted to the proper funds. The \$250,000 comes out of Fund 270, Street Construction, Maintenance and Repair, and goes to Fund 494, Infrastructure Improvement Fund. The Cahoon Road Sanitary Sewer Replacement is paid out of the Sewer Fund. All of the advances have been posted back to the Infrastructure Improvement Fund which brings that fund to a balance of \$1.8 million. Westlake pays their share of the OPWC loan for the Bradley Naigle Intersection improvement. Every six months when the OPWC loan comes due, Mrs. Mahoney pays both portions and Westlake reimburses Bay Village for their share.

The Fire Pension Fund is at a negative balance. There was a budget in the General Fund of \$126,000 to cover the Fire Pension Fund. That money has been set aside. Mrs. Mahoney will let it keep riding until the end of the year to see exactly how much is needed. The pension cost for each firefighter is charged to the Fire Pension Fund which is funded by a portion of the property tax. The Fire Pension portion is 24% of their wages; Police is 19%. The property tax doesn't cover the whole cost of the pension. There must be a transfer representing a reimbursement of the expense from the General Fund to cover that obligation, and Mrs. Mahoney will wait until the end of the year to do that transfer. There was a change in the method of payment which required a "catch-up" payment for three years. The year 2015 includes a budgeted amount of \$56,000 for the third and final year of the "catch-up." Mrs. Mahoney explained that this process was put into place because the payments went from being a quarter behind to being monthly payments. Therefore, it is not that we were paying extra, we were just catching up to the new method of payment.

The Sewer Fund has a negative balance because the entire transfer was paid back to the Infrastructure Improvement Fund. The balance is not reflecting the last quarter sewer payments, approximately \$400,000. Mr. Clark asked what the large encumbrance of \$235,000 in the Sewer Fund represents. Mrs. Mahoney will check further to see if that represents the Walker/Nantucket Pump Station.

Mr. Tadych asked if the change order to the contract for the Lake Road Resurfacing Project, for the work done for the sewer grates, is included in the Sewer Fund. Mrs. Mahoney stated that the additional \$6,000 appropriated for the \$36,000 needed for the change order is reflected in the Street Construction Maintenance and Repair Fund. The work will be done by the end of this year.

Mr. Clark stated that there are a number of revenue items for SAFEbuilt. In comparison to the expenses it appears that there is a positive of about \$25,000 totals for revenues over expenses, not including the cost of the build-out to accommodate the SAFEbuilt headquarters in the amount of approximately \$22,000 for which SAFEbuilt reimbursed the City. Mr. Clark asked Mrs. Mahoney to break down the figures on the report to assist with tracking.

Mr. Henderson asked Mrs. Mahoney to include a debt schedule in the monthly financial packets.

Conda Boyd asked if there is a timeline and milestone schedule set for the 2015 Budget. Mr. Clark stated that the goal is to have the budget completed before the end of 2014, by early to mid-December at the latest. Next week the department heads will be asked to talk about how

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they constructed their department budgets, both operating and capital sides. The ordinance adopting the budget will run through the full three readings, and the Finance Committee will have to calculate how much they will borrow to spend for capital improvements. It is hoped to be in a position by mid-November to go first reading on the budget. Mr. Clark credited Mrs. Mahoney and her team for putting together a budget that will sustain itself for years to come. The template created is simplified, standardized and easy to read.

Mr. Henderson noted that he also liked the inclusion of the memorandums by department heads to help the committee understand the requests.

Mayor Sutherland stated that next year they will add the personnel record portion to the budget.

Mr. Tadych asked when the sidewalks will be done. Service Director Thomas stated that the sidewalk replacement program for 2014 has been completed. Mr. Tadych asked if the budget figures reflect the expenditures and Mrs. Mahoney stated that the final numbers have not been prepared.

There being no further business to discuss the meeting adjourned at 7:25 p.m. The next meeting of the Finance Committee will be held on Monday, October 20 at 6 p.m.

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Dwight Clark, Chairman

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Joan T. Kemper, Secretary