

FINANCE COMMITTEE MEETING
held October 27, 2014
6:00 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, Community Services
Director Selig, Operations Manager Landers

Audience: Conda Boyd

Mr. Clark opened the meeting at 6:00 p.m. He thanked everyone for their attendance this evening.

2015 Capital and Operating Budget Review

Service Department Operating Budget

Safety/Service Director Scott Thomas reviewed the projects completed so far in 2014, breaking down the cost factors. Copies of Exhibit “A” Capital Improvements – Construction Project Summary, were distributed to the Finance Committee.

Capital Roads Improvements (2014)

In order to do a continual maintenance project for the 47 miles of roads within the City of Bay Village, it is necessary to complete many actual projects per year. To maintain those roads adequately would require a budget of \$750,000 per year for a 20-year life cycle of the roads, providing a base and a 3-inch overlay. Mr. Thomas feels confident that the City can do a \$600,000 per year project to maintain the roads, due to a very aggressive maintenance program to make the roads last longer. This includes crack sealing and cut and fill by the crews in the Service Department.

In regard to Walmar Drive, the sanitary sewer project that is currently underway has revealed that the extremely sandy conditions are very much like quicksand. It may be necessary to put in that 430 ft. area a new base to shore up the roadway. That will be done with our own crews, but will require a thicker base, which may cause an adjustment to the \$600,000 budget for roads for 2015. An extra \$75,000 may be required.

Fire Department Parking Lot

The pavement blocks that are falling apart will be reinforced with a synthetic product with a cement mixture. The quotation for that work is \$11,500. The useful life will be longer than the life of concrete; it does not crack and is actually used on bridges. The color will be lighter at first but will match after a certain period of time.

City Hall Parking Lot SWIF Project

The City has secured a \$120,000 grant from the EPA. Another \$120,000 is required to get the project done successfully, bringing the total project to \$240,000. It will include landscaping and methods to get the water away from the parking lot and filter down so that it is not such a burden to the storm water system. A new base will be poured and the extending roadway to the Bayway Cabin and other city facilities will not be included in the project.

Lake Road Resurfacing Project

Funding has been requested from the State of Ohio for Phase 5 of Lake Road, from the Rocky River border to Columbia Road. Engineering costs, the City's responsibility, will amount to approximately \$50,000. The project itself would be an 85%/15% split, with the City's portion 15%. In 2016, the City's portion of the construction would amount to approximately \$385,000.

Wolf Road Resurfacing

The County is asking for federal funds to assist with County roads that are in poor condition. Wolf Road is 4.3 miles long, the curbs are deteriorating and the roadway in some places is a very bumpy ride. The engineering cost for the project, which would be the responsibility of the City, is \$136,000. The \$2.7 million for construction costs would be entirely paid by County and Federal funds, and will include replacing existing curbing, but not adding new curbing. The portion west of Bradley is not included in the project. Mr. Tadych asked about a fabric sheet covering that was placed the last time Wolf Road was resurfaced. Mr. Thomas stated that he would have to review the entire scope of project. Normally the fabric sheet to which Mr. Tadych refers is placed in intersections for wear and tear.

Douglas/Russell/Lake Sewer Testing (\$68,765)

The EPA requires that the City look at these areas. The sewer crews have moved through those blocks of the City and the Sewer Department is now looking at the raw data that was collected for those homes that are somehow connected to the sanitary sewer lines. The numbers are high. There will be an accurate assessment for engineering for a solution and will also bring forward legislation to deal with possible ways for these homeowners to work through the issues they are going to run into. The cost for an average homeowner could be as low as \$1,500 or as high as \$10,000. Each individual home must be looked at for ways to deal with the inflow and infiltration. Once it is done, there will have to be flow testing in the area and monitoring, so there is a base line. After improvements the flow testing must be done again to show the effectiveness of the solutions applied.

Mr. Clark asked if the thought is that the City would borrow in order to lend money to residents for the remediation that they must undertake for their properties. Mrs. Mahoney stated that it amounts to a one-year bridge loan until the cost is certified to the County for placement on the homeowner's property tax bill. An additional option would be a homeowner's loan through the Heritage Home Loan program, for those properties that are older than 50 years old.

Bay Cabin Upgrades (\$25,000)

The building was last upgraded with new windows in 2000. The City rents this building out, receiving about \$15,000 per year in revenue from the renters. The walls, front doors, and windows are not in good condition. Washroom work and roof repairs were also done in 2000.

Community House Kitchen and Bathroom Upgrades (\$15,000)

The floors are in poor condition, but there is not asbestos in the floors. Mr. Thomas would like to apply for grants to try to help with this building and give it the upgrades it needs. Mr. Tadych would like to see the work done on a more grand scale. Mr. Thomas noted that any work on a building must comply with all ADA requirements. The existing stoves will be removed to prevent having to put in an exhaust system. Warmers can be placed in the building.

Fire Station Rehab (\$15,000)

The break-out gear is kept outside the bay area. The gear is very expensive and measures must be taken to protect the gear from contamination. CT Consultants have provided an estimate of \$15,000 for the upgrade. Mr. Thomas recommended proceeding.

Sewer Improvements

Huntington Long Beach Lift Station (\$35,000)

In 2010, the City purchased a valve to be installed between Huntington and Long Beach for just under \$25,000. The valve still sits in a crate at the Service Garage. Mr. Thomas explained the need for the valve to control the wet conditions of Huntington and the dry conditions of Long Beach. The money would be to install the valve and the work can be done quickly.

Equipment

Fuel Dispensing Station (\$30,000)

The antiquated system of keeping track of fuel use is recommended to be replaced with a computerized system installed at the pump, providing an accurate understanding of fuel inventory, use and frequency. The pump at the Fire Station will be closed down and all fuel will be accessed at the Service Garage. Mr. Koomar recommended keeping track of fuel by vehicle, department, and operator.

The pump at the Fire Station is above ground. There will not be remediation required.

Mr. Clark suggested that when the budget review is finished, Mr. Thomas note the timeline for these projects on his reports.

#35 2003 Five Ton Dump Truck (\$150,000)

The department has a total of ten five-ton dump trucks. This 2003 vehicle is used year around and the original purpose was for snow removal and leaf pick-up. During the busiest time of the leaf season, the truck will make 10 trips per day between Bay Village and Westlake, moving approximately 37 tons of leaves, representing 40 homes per day, or 200 homes per week. These large trucks are also used for storm clean up, snow removal, and construction work. E.gov is utilized to sell used vehicles.

#31 2005 F450 Super Duty Dump Truck (\$60,000)

The vehicle no longer has a plow. It is used to tow around the asphalt roller. It is used now primarily for road repair and trash hauling.

#71 2004 F-250 Pick Up Truck (\$24,000)

Used in City Parks; extremely rusty and needs replacement.

#14 2001 F450 Utility Body (\$50,000)

Used in sewer construction. Equipped with a generator, compressor, all original parts from 2001. The body is rusted through, there are holes in several compartments, and the chassis is in terrible condition.

#560 2006 Land Pride Grooming Mower (\$13,000)

Used heavily and at the point of needing replacement.

#50 2007 Sewer Video Inspection Truck (\$252,000)

Mr. Thomas distributed a fact sheet of information telling the history of the truck and what it does. It is hoped to get \$25,000 for the equipment as a trade-in, or through E.gov. Mr. Tadych asked for a breakdown of the value of the truck and the value of the equipment. The truck value is about \$30,000 to \$40,000; equipment is where the cost is. Both the truck and equipment can be purchased through state bid. It is recommended to purchase both new equipment and a new truck. Mr. Thomas will provide information as to the cost of installing new equipment into the existing truck.

Mr. Koomar asked if there could be a repurposing of the existing truck. Mr. Thomas stated that he would be more supportive of trading in or selling the old truck. Mr. Koomar reminded Mr. Thomas of the necessity of Council approval for the sale of anything over \$5,000.

Mr. Tadych asked if we have priced out the purchasing of the equipment as to what the new equipment does and how it might replace some existing of the equipment. In other words, the equipment we have that is dying might replace two items that we are talking about purchasing, or have we priced out the purchasing by what one piece of the equipment can do. If we have two pieces now, going to be replaced by one piece, have we priced it that way? Mr. Thomas stated that they looked at what the needs were and what each company can offer relative to those needs. He looked at what we can efficiently use for our programs; that is the cost we are looking at. All of these companies go through the state purchasing.

Mr. Henderson asked if the City has ever purchased through the E.gov site. He was informed that we have not ever purchased through the site. We are sellers on the site, but not buyers.

Total Service Capital Budget for 2015 is \$1,655,765. Mr. Clark thanked Mr. Thomas for his report. He noted that we must calculate what we think we can borrow this year given our debt capacity. The discussion of priorities will be held as the budget process continues in the coming weeks.

General Fund Revenue Budget for 2015

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Finance Director Mahoney stated that the Property Tax revenue, including the rollbacks, is budgeted the same as 2014 because we do not have a reappraisal until 2015. Mr. Clark noted that looking back in previous years we reallocated some of the Property Tax revenue directly to the Emergency Paramedic Unit (EPU) fund, as we allocated the number of firefighters between General Fire and EPU, which is the reason for the drop in 2012. Mrs. Mahoney stated that the residents voted (Ord. 86-11 5-6-86) and approved 2.5 mills for the EPU fund. Right now, we are only collecting 2.25 mills. Prior to that we were only taking 2 mills. Instead of increasing the residents' property taxes which they voted to increase, Council decided to increase the EPU portion to 2.25 mills and just decrease the General Fund by that same millage amount; effectively, a neutral change. In the future, we have the ability just by putting it on the tax budget to increase the EPU to 2.5 mills. That would generate another quarter mill on the City's half-billion assessed valuation. It is a revenue opportunity if we needed to use it as one of our options.

Municipal Income Taxes have been budgeted for 2015 at 3% over the 2014 budget. It is hoped to have collected \$5.8 million by the end of 2014 in Municipal Income Taxes. We are at 2% over last year's collection at this point in time.

Cable Television Franchise Fees will be budgeted the same in 2015 as was budgeted in 2014. We are coming in lower in 2014 than we budgeted, possibly because the increase in the franchise fee from 3% to 5% that was put into effect began collecting in the second quarter of 2014.

Local Government Funds will be budgeted at \$300,000 for 2015 according to notifications recently received. As of September, 2014, the City has received \$230,000 in Local Government Funds.

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There are no expected funds to be realized in the Estate Tax category.

Civil Service will conduct Firefighter Entry Level testing next year. Expected revenue is \$35.00 per candidate, with the probability that at least \$5,000 in revenue is expected.

Sale of Mulch proceeds are at \$23,000 year to date, with \$30,000 budgeted revenue for 2014. The amount of \$30,000 budgeted revenue for 2015 is probably a little high. Mr. Scott stated that the compost contract with the City of Westlake includes the joint purchase of a composter in 2015. Mr. Clark suggested changing the expected revenue in 2015 to \$25,000.

Court Fines are at \$55,000 collected so far in 2014 with \$70,000 budgeted for 2014, and \$70,000 budgeted revenue for 2015. The category will be reviewed again next month.

All of the Building Permits in entirety are forecasted as \$300,000 revenue for 2015. The City will receive 15% of that. About \$255,000 of that \$300,000 will be paid out to SAFEbuilt, Inc. Mr. Tadych noted that the permits are at the highest they have been estimated at for many years. Mrs. Mahoney stated that permit fees were increased; Mayor Sutherland added that the economy is rebounding. Mr. Clark asked the rental amount per month for SAFEbuilt's occupancy of the lower level of City Hall. Mrs. Mahoney stated that the rental is \$12,200 annually, or a little over \$1,000 per month. SAFEbuilt, Inc. reimbursed the City about \$16,000 for the build-out of their space in 2014.

Interest at this point in 2014 is at \$51,000 of the \$75,000 budgeted revenue. The amount of \$31,000 is still to be realized in 2014. The 2015 budgeted revenue of \$75,000 seems realistic. Mr. Clark noted that the City will pay off about one-half million of Treasury debt on 12/1/14.

Mr. Henderson asked about Certificates of Occupancy, noting that revenue is significantly lower than previous years. Mrs. Mahoney stated that some of the revenue may have been allocated to Miscellaneous Permits rather than Certificates of Occupancy, due to the methods used by SAFEbuilt in reporting revenue.

The expected revenue due to the extension of Crestview Drive and the subdivision creating nine lots and anticipated building permits will not be budgeted in 2015 at this time.

Reimbursements revenue taken in this year included a \$30,000 refund from R.I.T.A. Part of the reimbursements also includes an insurance settlement from the Fire Department water problem. The Community House water leak was checked by the Service Department. Mr. Thomas stated that they could not find the leak reported last August during the Wards 1 and 4 Town Hall meeting, and tend to think the water came in during that meeting because of high winds. The Service Department will check again during another high wind situation. Mr. Lee asked if there is a warranty in effect for the new roof on the Community House. Mr. Thomas stated that the roofing company was notified of the leak. The company did come out and could not find the leak.

Ambulance Reimbursements revenue for 2015 has been increased to \$300,000 from budgeted revenue of \$250,000 in 2014. Chief Lyons is preparing the information necessary to prepare an ordinance for reading in November. Mr. Clark asked if revenue will reach the expected \$250,000 in 2014. Year-to-date revenue for ambulance reimbursements reached \$167,000 as of September 30. The revenue amount will be checked again at the end of October.

The Aggregation Grant revenue in 2011 was a one-time amount paid by First Energy for the electrical aggregation. There will not be a grant if the city elects to proceed with the proposed gas aggregation through NOPEC. NOPEC will pay the election expense to have the issue on the ballot in May, 2015.

Sale of Recycling revenue has been increased by \$1,500 to account for the agreement with Simple Recycling.

Refuse Collection revenue is budgeted the same as 2014 since there will not be an increase in the \$12.00 per quarter charged to residents for refuse collection.

All Funds Budget Analysis

Accrued Benefits Fund – Mr. Clark is in favor of continuing the ordinance that provides for 98% of Municipal Income Tax funds to the General Fund, and 2% of Municipal Income Tax Funds to the Accrued Benefits Fund, to have funds available for pending retirements.

In regard to the Sewer Fund, Mrs. Mahoney stated that the residents are used to paying the \$102.00 per quarter for sewers (\$90.00) and trash collection (\$12.00). If it is not increased by \$25.00 by ordinance for next year, the amount will reduce to \$83.75 per quarter for sewers. Mr. Henderson clarified that this discussion is to increase the annual amount for sewers. Mr. Clark suggested that the thought would be to save the \$25.00 per year currently paid per residence to fund capital sewer improvements which equates to \$155,000 per year. Mr. Tadych asked if there will be additional costs for sewers due to capital improvements at the Rocky River Wastewater Treatment Plant. Mrs. Mahoney stated that she did send an inquiry to Rocky River but has not heard back. Mr. Clark noted that the City has never charged for capital improvements for sewers in the past, although there has been discussion about establishing a capital fund for sewers.

The General Bond Retirement Fund reflects a large inflow of \$5.1 million. Mrs. Mahoney has incorporated the borrowing amounts of this next year. The number looks artificially high and is not all of the money that is coming in from property tax, and the City will make its required debt principal payment on 12/1/14. Refinancing of this year's debt accounts for \$3.1 million.

Mr. Clark suggested taking the debt discussion to another meeting and tying that in with the Reserve Funds and the City's borrowing capacity. Mr. Koomar noted that there are monies that have not been spent from debt issued last year. Mrs. Mahoney stated that debt funds must be spent within three years from issuance. Mr. Clark stated that the thought about moving the budget more quickly is that it allows the City to get to state bid for equipment purchases earlier.

Mr. Clark stated that Fire Pension is reflected in three different places. Mrs. Mahoney stated that all Fire Pension payments are paid out of Fund 281, Fire Pension. The estimate for total Fire Pension for both the General Fund Fire and EPU is \$484,000. Property Tax collections only bring in about \$350,000 for the Fire Pension. The difference needs to be made up by transfers from EPU and General Fund Fire. This is why there is an expense shown in General Fund Fire Department to help fund the Fire Pension Fund, and expense in the EPU Pension to help fund the Fire Pension Fund. It is also listed as an expense in the Fire Pension Fund. If you are looking at total expense for the Fire Department it is \$135,000 too high because that is the amount estimated for a transfer. The City's portion of Fire Pension is 24%. The City's portion of Police Pension is 19½%. The City's portion of general employees' pension funds is 14%.

Mr. Henderson asked if Transfers In could show what fund from which the transfers are taken.

Full Time Employees

Mrs. Mahoney distributed a list of the number of full time employees by department from years 2010 through 2015. (Exhibit B attached). In 2010 there were 122 employees. In 2015 the budget is 102.50 full time employees. (The two new civilian dispatchers are budgeted for 75% of the year). The Police Chief and Fire Chief are included in the full time employee counts for their departments. The difference between 2014 and 2015 is two new dispatchers, and one Property Maintenance Inspector.

Worker's Compensation

Mrs. Mahoney stated that she does not know what the rates will be for next year. She has filed what needed to be filed for next year. Fund No. 601 General Insurance, and Fund No. 602 Workers Compensation have been paid down the last couple of years and should end the year at a near zero balance. The departments are charged for the expense and the offsetting revenue goes in those funds. We will be depleting the resources in those funds, and in the future will have to put more money into those funds. As far as rates go for Workers Compensation, we don't know what the rates will be for the future. Mrs. Mahoney has budgeted 1.50%.

The next meeting of the Finance Committee will be held Monday, November 3, 2014 at 6:30 p.m. to review the expense portion of the 2015 budget, debt issuance, and Reserve Funds.

Meeting adjourned at 7:30 p.m.

Dwight Clark, Chairman

Joan T. Kemper, Secretary