

FINANCE COMMITTEE MEETING
held January 12, 2015
6:45 p.m. Conference Room

Present: Councilman Dwight Clark, Chair
Councilman Tom Henderson

Also Present: Mayor Sutherland, Finance Director Mahoney, President of Council Koomar, Councilwoman Lieske, Councilman Vincent, Service/Safety Director Thomas, Police Chief Spaetzel, Fire Chief Lyons

Audience: Richard Fink, Jeff Gallatin, Nathaniel Day, Boy Scout Troop 729

Mr. Clark opened the meeting at 6:45 p.m. Mr. Clark thanked everyone for their attendance this evening.

Review of 2014

Finance Director Mahoney reviewed her memorandum dated January 9, 2015 to the Mayor and Members of Council, concerning the City's 2014 Year Review. (Exhibit A attached).

- 2014 General Fund Revenues – Decrease of \$107,051 from 2013
- 2014 General Fund Expenses – Decrease of \$348,285 from 2013
- \$225,000 was transferred to the General Reserve Fund to help fund expenditures for future unplanned emergencies
- General Fund Unencumbered Balance 13% higher than 2013 (\$1,018,951.64)

The report of the Finance Director also outlines reports for the year from the Service Department, Police Department, Fire Department, Community Services Department, Recreation Department, and the results of outsourcing the Building Department to SAFEbuilt, Inc.

Challenges for 2015 will be to improve the rate of the flow of water to the Rocky River Waste Water Treatment Plant, thereby holding the increase of sewer costs. A continued challenge is to find funding sources to cover the loss of the Estate Tax and the continual decrease in the Local Government Fund. Another major challenge will be how to fund Capital projects going forward.

Mr. Clark asked Service/Safety Director Thomas if the 15 projects completed tie into the summary of the financial reports. Lake Road will be put off for at least one year, in the hope of finding local funding. The goal is to see if something can be accomplished toward the Sunset Improvement Project this next year, depending on project costs.

Mr. Henderson thanked Mrs. Mahoney for her summary, noting it is well written and helpful to have this context to add to the numbers.

December, 2014 Financial Reports

Mr. Clark noted that the overall improvement to the 2014 expenses was due partly to the fact that the City was down some FTE's in several departments in 2014. Mrs. Mahoney credit Director Thomas with decreasing overtime in the Service Department. Mayor Sutherland added that all of the Directors did a great job of managing their budgets, and complimented Finance Director Mahoney on her work.

Regarding Capital Projects, Mr. Clark stated that the Finance Committee has a generally good idea about what they will be borrowing in 2015. The thought is that the City will go to market sometime in May or June. He asked Mrs. Mahoney if contracts can be started to buy equipment opposed to waiting for the borrowing procedure for funding in order to meet the state bidding deadlines. Mrs. Mahoney stated that the Capital Fund will technically be using money from the cash balance of the City until the borrowing is completed. Chief Spaetzel noted that the Police Department ordered an SUV vehicle to meet the deadline of January 9, 2015. The camera truck for the Service Department has been ordered. Chief Lyons stated that his department is up-to-date with their purchases.

Mrs. Mahoney explained that the January 2015 financial reports will reflect yearly purchase orders for recurring expenses, e.g., fuel for vehicles. The expenditure column will stay fairly consistent from prior years, but the encumbrances will be higher. The money is set aside in the budget and cannot be spent on something else.

Mr. Clark asked Mrs. Mahoney where the acquisition of a fuel dispensing system stands. Service Director Thomas stated that he is working with a company this week, and hopes to have that moving forward very quickly. It should be implemented sometime later in this first quarter of the year. All fueling will be done at the Service Garage rather than at the Fire Station.

December 2014 Financial Reports (Exhibit B attached)

Investments – Mrs. Mahoney noted a typographical error. The CD at Huntington Bank is not earning 25%. Approximately \$550,000 of Treasury Debt will retire in December of 2015. Municipal Income Tax Receipts show a 3.12% increase for the year-to-date ending December 31, 2014, as compared to December 31, 2013. Mrs. Mahoney noted that the bulk of that increase is from schools and city employees. Those receipts bypass R.I.T.A. to avoid paying an administrative fee for our own tax collections. A 2% to 3% increase in Municipal Income Tax collections is projected for 2015.

The Health Care expenditures for 2014 have decreased by 20.72% as compared to year 2013, attributed to the change in the health care plan and better claims experience. The administrative fee for January will include an \$18,000 payment to the Federal Government as a result of the Affordable Care Act. This represents \$63.00 per covered life for 250 covered lives in the City's policy. Mrs. Mahoney will footnote that in future financial reports.

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Mrs. Mahoney will generate a debt schedule showing the balance as of January 1, 2015. The debt schedule included in the December financial report shows the balance as of January 1, 2014. Property Tax proceeds do not include an increase which is expected in 2016.

Fund Balances – The General Fund shows an unencumbered balance of \$1,018,951.64. The Bond Retirement Fund also has a healthy balance of \$4,613,470.50. Mr. Clark noted that this will increase over the year as Property Tax is taken in, and will be paid down on December 1 when annual debt payments are made. Mrs. Mahoney likes to keep about two years of debt service payments in the Bond Retirement Fund.

The General Health Insurance Fund has a balance of \$1,400,810.05. A balance must be kept in this fund. The current balance is about as high as Mrs. Mahoney would like to go, but in the event that we switch from self-insured to fully insured a balance must be kept in the fund to pay off the old claims. Mr. Clark asked if there is any risk that the City will become something else than self-insured. Mrs. Mahoney said there has been nothing mentioned as yet. If we remain self-insured, growth of the high balance would be managed by not charging back the individual departments as much expense. Mr. Henderson asked if there is any sort of guideline or ratio relating to our balance and payment experience. Mrs. Mahoney stated that she will ask Medical Mutual about our recent claim experience and how much balance should be maintained. Mr. Clark noted that this can be reviewed at future meetings as well when Medical Mutual puts together a bid for the City. Mrs. Mahoney noted that the City is contracted with Medical Mutual for one more year. The exit clause has a premium of \$50,000. Mr. Koomar asked if anything in the Affordable Care Act has changed the exit clause. Mrs. Mahoney stated that there is nothing that would change that contract requirement.

Mr. Clark noted that the General Reserve Fund balance reflects the transfer of \$225,000. The balance is \$388,929.22. Mrs. Mahoney's goal is to have a \$1 million balance.

The Finance Committee reviewed a 2014 year-end Schedule of the City's Reserve Funds. Mrs. Mahoney distributed a schedule of disbursements from the General Reserve Fund, beginning with the original \$5 million that was put into the fund in 2008. An additional \$134,000 will be placed in the Infrastructure Improvement Fund by the end of 2015, representing \$74,000 from the Sewer Replacement Project and \$60,000 from the Lake Road Improvement Project. When reimbursement funds are received from outside sources, the Infrastructure Improvement Fund will be repaid.

Mr. Henderson asked, since the \$225,000 transfer is included from the General Fund, if it would be advisable to also include an adjustment for the Bond Retirement Fund so that we would see the sum of these numbers against the full balances that are shown on the report. It is the only one that does not tie to the report. Mrs. Mahoney agreed.

General Fund Revenue- Report for Month 12 of 2014

Mr. Clark stated that most revenue components meet the amounts budgeted for the year, other than the Local Government Fund. The Compost agreement with the City of Westlake still needs to be finalized.

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Cable TV Franchise Fees are very close to the amount budgeted (96.87%) in accordance with the increase in the franchise fees in the second quarter of 2014. Mr. Clark asked about the \$25,368.06 taken from the Interest on Investments Fund. Mrs. Mahoney stated that this was due to interest allocation which must be done at the end of every year. Interest must be paid on the Bond Retirement Fund based on its average fund balance throughout the year. Interest is also allocated at the end of the year to the Waldeck Trust Fund, and two other funds. Mr. Clark asked what interest rate is used to compute the amount. Mrs. Mahoney stated that she uses the actual interest received based on the cash fund balances. Most of the money goes back to the Bond Retirement Fund, almost \$28,000. The Waldeck Trust Fund receives approximately \$900.

Regarding the expenses, Mr. Clark asked Mrs. Mahoney if there were any variances of note. Mrs. Mahoney stated that there were a lot of equipment expenses due to last season's snowfall and repairs needed for the trucks. Some of the departments were holding off on purchasing some of their equipment and they were able to purchase this year. Overall wages were as expected. Mr. Clark noted that the Equipment Replacement Fund was the only large variance he reviewed. The amount of \$734,000 was allocated, but we have only spent about \$266,000. It may be due to the composter and other Service Department equipment that has not yet been procured. Mrs. Mahoney stated that \$144,000 is encumbered awaiting invoices and/or equipment. The unencumbered \$323,000 represents the composter, and a utility body.

Mr. Clark noted that the money borrowed three years ago for the new telephone system must be spent this year. Mrs. Mahoney stated that we are waiting for the fiber optic line to be installed, after receiving permission for the use of the poles. When the fiber optic line is installed, the phone system will be purchased. Installation time for the fiber optic line is two weeks, once the pole rights are obtained from CEI.

Mrs. Mahoney advised that Sidewalks are now in Fund 245. The former Fund 400 is now closed. Fund 245 includes grass cutting, sidewalk repair, and tree maintenance.

Mr. Clark stated that there are some dormant funds and it should be considered whether these should be closed out. The Bradley Road Improvement Fund has a small balance, and at some point in time should be closed out. The FEMA Fund will be kept if there are any issues in the future. Fund 250, Road Salt, is money received from the State and is used for the purchase of salt. Fund 440 Bassett Road Improvement will be closed.

Mr. Clark thanked Finance Director Mahoney for her good work in 2014. The meeting adjourned at 7:27 p.m.

Dwight Clark, Chairman

Joan T. Kemper, Secretary