

FINANCE COMMITTEE MEETING
held November 16, 2015
6:30 p.m. Conference Room

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

Also Present: Finance Director Mahoney, Mayor Sutherland, Councilman-elect Marty Mace, Councilwoman Lieske, Councilman Vincent, Councilman Lee

Mr. Clark opened the meeting at 6:30 p.m. Mr. Clark thanked everyone for their attendance. This evening's meeting is dedicated to the October 2015 financial report, and a closer look at the 2016 Budget as prepared by the Finance Director and the administration.

Mr. Clark noted that the Finance Committee reviewed the previous year Capital Budget last week. There is a significant difference between the proposed expenditures and the resources we have available. As part of this meeting, Mr. Clark would like to ask the administration to scale things down, and prioritize things for the next go-around. He suggested taking a look at a more concise Capital Budget. Basically, what can we afford with the resources we have; what can we afford through our normal borrowing limits? It is not incumbent upon Council to say we will fund this, we won't fund that. The November 9, 2015 review was purely an introductory effort. Mr. Clark asked Mayor Sutherland to tell the Finance Committee when the administration would like to look at that again.

October Financial Reports

Mrs. Mahoney stated that two things have recently occurred. The HVAC went out at the Bradley Lodge, and the cupola at City Hall is leaking. The total expected cost for both items is about \$15,000. The HVAC system at Bay Lodge is approximately 10 years old.

Police overtime is over-budget in 2015. There are two officers out ill, and the custodian recently hired has left. Mr. Clark stated that Council will authorize more funds if needed. Mr. Clark stated that there has been some discussion about staffing of 23 police officers versus 22 officers as currently staffed. The discussion will be deferred until the Police Chief is present.

The last day for submission of purchase orders is December 4, 2015.

Municipal Income Tax receipts are trending positively. Health Care Costs are remaining high. Mr. Clark noted that there is a corpus of balance is kept in the Health Care Fund, following recommendations to keep enough money in the event that the City would no longer be self-insured and funds would be required to pay open claims. Mr. Clark asked Mrs. Mahoney if the stop-loss insurance has been reached in many cases. He asked if it makes sense in the next contract for insurance the City assess the stop-loss coverage. Mrs. Mahoney stated that Human

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Resource Consultant Jennifer Demaline and Mrs. Mahoney are reviewing that consideration at this time. The stop-loss is at \$75,000 now, and they are thinking about increasing that, depending on the monthly savings. Mrs. Mahoney will provide further information as to how much money that would save. Mrs. Mahoney noted that there may be a savings, but there may not be a savings.

In regard to fund balances, Mrs. Mahoney reported that the Street Construction, Maintenance and Repair Fund, Fund 270 is of concern at this point. The Sewer Fund will even itself out by the end of the year.

The Fire Pension Fund is negative, but a \$60,000 transfer from the General Fund will be completed by the end of the year.

General Fund Revenues were reviewed by the Committee. Mr. Clark stated that he is surprised by the low amount of court fines this year from Rocky River Municipal Court. SAFEbuilt, Inc. permit fees are shown in the revenue section of the report, and the 85% that is payable to SAFEbuilt, Inc. is shown in the expense section of the report. Mayor Sutherland reported that SAFEbuilt, Inc. is close to the \$1 million dollar threshold for their corporation which will increase the City of Bay Village share of permit fees to 20%, as written in the contract with SAFEbuilt, Inc.

Mr. Tadych noted that interest on investments is not what was expected in 2015, with \$51,000 collected of the \$75,000 budget.

The Property Maintenance Fund is comprised of all reimbursements for property maintenance services provided by the City. The fund is currently over budget and will be adjusted by Finance Director Mahoney with the year-end budget. The main reason for the overage was for sidewalk repair/replacement reimbursements.

The required City payments to the Rocky River Wastewater Treatment Plant have been completed this year. The payments are based on a 10-month annual schedule each calendar year, January through October.

Mr. Clark stated that Finance Director Mahoney and he spoke this afternoon about a temporary appropriation for 2016. The appropriation ordinance will be based on a two month schedule, and will be adopted on one or two readings as opposed to three. Mr. Tadych stated that he has no problem with the number of readings, but would rather see the appropriation prepared on a month-by-month basis. He stated this seems more structured. Mr. Henderson asked if there are any expenditures expected for next year that would be higher than normal. Other than the amount of snowfall, which cannot be predicted, most of the expenditures on the operating side can realistically be based on the 2015 budget for the first two months of 2016. Mr. Clark stated that doing a two-month appropriation would set the goal for the Finance Committee to have the budget ready for passage by the end of February. Mrs. Mahoney stated that this two-month approach will reduce paperwork. Further discussion followed. A two-month temporary appropriation ordinance will be prepared. The ordinance will be presented for reading on December 7, 2015.

Revised Operating Budget 2016

Mrs. Mahoney prepared a memorandum to the Mayor and Members of Council dated November 13, 2015, which is attached to these minutes as if fully incorporated herein. Municipal Income Tax revenue assumptions have been increased by 2%, and there has been an 8% projected increase in Property Tax revenue, in line with the County expectations through the most recent revaluation process. The Local Government Fund in 2015 is close to revenue of \$300,000 and will be budgeted at \$300,000 for 2016. The expenditures include an assumption of 3% increase in medical costs with the employee contribution remaining at 10% and no change in plan design. There have been no increases for wages, other than contractual increases allowed for newer hired employees. Christine Ross, Police Department Records Clerk, will automatically receive a step-up due to her anniversary date of hiring. All other expenditures have been kept steady in relation to 2015. These amounts will change after contract negotiations have been completed, but Mrs. Mahoney feels this is a good budget to start 2016.

Mr. Clark asked Mrs. Mahoney to check on General Fund Revenue items Civil Service, (\$5,000) SAFEbuilt, Inc., (\$12,000) and Promotional Sales (\$11,000) to see where they are listed. Mrs. Mahoney will get back to Mr. Clark with that information.

Rent in the amount of \$16,000 is for Bay Lodge and Community House rental contracts.

On the expense side of the budget for 2016, Mr. Clark reiterated his comments concerning the Police Chief's request to increase staffing by one patrol officer. This amount, plus the increased wage requirements for Police Dispatcher is resulting in an increased budget amount of \$160,000 for the Police Department. Mr. Clark stated that he is in favor of 22 officers, but the decision rests with the entire City Council.

In the Service Department, there is an increase of approximately \$150,000. Mr. Clark stated this has to do with full time salaries in the Service Garage. In 2015, the amount of \$331,000 was budgeted, and this year it is \$436,000. Mrs. Mahoney stated that she did move one employee from the Street Construction Fund to the Service Garage Fund. Mr. Koomar stated that it might be helpful to show both funds to understand the transfer. Mr. Clark stated that Council supported the reorganization of the Service Department with the understanding that there would be no increase. It was specifically presented to Council that the reorganization would be cost-neutral. Full Time Wages Streets is budgeted at \$262,000 from the 2015 budget of \$373,000.

Mr. Clark stated that the Finance Committee has talked about maintaining a diligence on annual over-lay work our street improvement projects. Mrs. Mahoney stated that in order to keep the Street Construction, Maintenance and Repair Fund adequately funded, the options would be to transfer funds or debt out for more funds. Mr. Clark stated that the money is needed for the fund. Mrs. Mahoney noted that with contract negotiations the expenses will be higher than shown on this budget due to an increase in wages. Mr. Clark stated that this will be an item for further discussion. The street paving projects for 2016 and crack-sealing projects have been identified.

The transfer to Parks and Recreation is consistent, but many of the others have small increases.

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Accrued Benefits Fund transfer amount is \$30,000. Mrs. Mahoney noted that if a transfer is budgeted and not needed, the transfer will not be made. Mr. Clark noted that Accrued Benefits are over expended in 2015 when comparing the amount spent to the budgeted amount. He noted that 2% of Municipal Income Tax receipts in 2016 would amount to about \$120,000 for the Accrued Benefit Fund. There is a balance in the fund presently (\$37,000) that should not be gone by year-end.

Mr. Vincent asked if assuming the Department of Labor will pass the new overtime salary test, have we looked at how that will impact the City. Mrs. Mahoney stated that there will be a change for one employee with either an increase in salary or payment of overtime. Mr. Vincent noted that there is a salary basis test and a duties test. The \$50,000 annual salary takes the employee to the exempt category. If non-exempt, the employee must be paid overtime. The law is expected to pass in 2016.

Mr. Clark noted that there will no longer be revenue from the sale of mulch. Revenue will still be earned from the delivery of mulch.

Mr. Clark summarized the discussions of tonight's meeting as follows:

- 1) Good performance staying on budget through October, 2015;
- 2) The 2016 Operating Budget – Discussion pending on police staffing;
- 3) Contract negotiations will affect final outcome of budget;
- 4) Capital planning – Administration asked to distill the Capital Budget down to something reasonable, by priority. Finance Committee open to setting up a meeting as soon as possible;
- 5) Temporary Appropriation for first two months of 2016 will be presented in early December;
- 6) There will be discussion in early December of a five-year sewer plan, and the possibility of increased sewer fees for both operational and capital portions.

There being no further discussion, the meeting adjourned at 7:15 p.m.

Dwight Clark, Chairman

Joan T. Kemper, Secretary