

FINANCE COMMITTEE MEETING
held January 11, 2016
6:30 p.m. Conference Room

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

Also Present: Finance Director Mahoney, President of Council Koomar, Councilwoman Lieske, Councilman Mace, Director of Public Safety/Service Thomas, Director of Operations Landers.

Mr. Clark opened the meeting at 6:30 p.m. Mr. Clark thanked everyone for their attendance this first Finance Committee meeting of the year 2016.

Analysis of Reserve Funds

Mr. Clark stated that there is an amount slightly over \$8.1 million in the Reserves Fund, including the four primary funds: General Reserve Fund, Bond Retirement Fund, Municipal Buildings Improvement Fund, and Infrastructure Improvement Fund. Mrs. Mahoney stated that the fund balance in the Bond Retirement Fund is actually \$4.7 million rather than the \$4,069,182.48 shown on the report. (Exhibit A attached). The report is only reflecting the original amount of the \$5 million shown as the Initial Balance when the fund was originally created. Over the years the amount in Bond Retirement Fund has been increased.

The General Reserve Fund reflects the \$500,000 transfer from the General Fund in 2015. Other expenditures from reserve funds made in 2015 were \$15,000.00 for the Fire Station Improvement Study, and \$24,508.39 for the Bay Lodge Improvements. Infrastructure Improvement Fund transfers included The Wolf Road Cleanout - \$33,181.79, Force Main – Longbeach \$17,400, and Crack Sealing – Osborn and Cahoon \$17,150.

Advance Repayments were reimbursed for the Cahoon Sewer in the amount of \$706,000.00 and Lake Road Street Construction for \$190,000.00.

A transfer to the Street Improvement Fund is reflected in the amount of \$70,000, as well as an Advance to the Street Improvement Fund in the amount of \$175,000.00. This amount was for funding a shortfall revenues to operating expenses and Council felt that an advance would be preferable to a transfer, so that the account can be replenished at a later date. The \$1,525,900.22 is the actual number in the Infrastructure Improvement Fund at this time. The \$175,000.00 is the only advance that is outstanding at this time. All other advances have been reimbursed.

Mr. Henderson noted that it is his understanding that the \$12,756,310.22 Total Initial Balance of Reserve Funds is tied to a large sum of money obtained some time ago. Of that amount, there was a refund due back to the county of \$1,353,266.86, due to the filing of an amended tax return.

Mr. Clark asked Mrs. Mahoney to change the balance in the Bond Retirement Fund to reflect the true balance, date and redistribute the report.

Street Maintenance and Repair Fund Analysis 2012-2015 (Exhibit B attached)

Mr. Clark suggested discussing the shortfall that was discussed on January 4, 2016 at the Committee Meeting of Council. Mrs. Mahoney stated that when she had said she miscalculated the amount needed for debt that was true because originally they budgeted \$722,000 for street improvements in 2015. When going out for debt, they also budgeted a \$100,000 transfer from the General Fund to the Street Improvement Fund. Mrs. Mahoney thought the \$100,000 should have been used to pay for actual street construction, not realizing it should have gone to just general street salaries for the men who work on general repairs, not construction overlay projects of the streets work that is bid out. Mrs. Mahoney's understanding was that the revenues from the licenses and gasoline tax would be enough to fund the general operations. There was a shortfall between licenses and gasoline tax (\$681,933.27) versus the general operating of street repair (\$885,678.90.)

Mr. Clark stated that this is his first time on Council that the administration has actually integrated both the operating and capital components of street construction. It is helpful to tie this together, since this detail has never been received before and will help both in terms of budgeting and transfers.

Mrs. Mahoney noted that there has been a decline in the expenditures in the street operating costs since 2012. Mr. Clark stated that the shortfall between all revenues received from licenses and gasoline tax versus the day-to-day operating expenses in street construction in the last three years was \$288,000 in 2013, \$310,000 in 2014, and \$203,000 in 2015. Mr. Clark noted further that the thought is to try to match those revenues to the cash expenditures independent of business outside of the capital expenses component. In theory, if you can get a good feel for that this should give a good basis on what the annual transfer out of General Fund should be as the supplement. For 2015, that number should be about \$200,000. What was done prior, when Mr. Presley was Finance Director, the practice was to transfer a significantly higher number. Mr. Clark stated that this is the most integrated look we have had at this and the Finance Committee needed to go through this exercise for the benefit of everyone.

Mrs. Mahoney stated that the gold lines on the report are the debt inflows and any reimbursement from projects. That line versus what was actually spent through contracts bid out for street projects did not cover the operating shortfall. Mrs. Mahoney stated that her solution to payback the \$175,000 advance from the Infrastructure Improvement Fund is either to shorten the amount of street construction for 2016, or to transfer the money from the General Fund to Street Construction, in order to pay back the Infrastructure Improvement Fund advance.

Mr. Clark summarized the options as:

- Turn the advance into a transfer
- Pay the shortfall out of General Fund
- Shorten the street construction projects in 2016 by \$175,000

- Increase the 2016 debt borrowing by \$175,000

Mrs. Mahoney stated that in the Budget for 2016, she already moved two people out of the Street Construction and Improvement Fund and in essence took away some of the street construction services.

Mr. Clark stated that you want employ the people in the spot where they are needed. To make it work just for a budget purpose seems to be counter-productive.

Mr. Koomar stated that it would be good to see names, salaries and benefits of the employees who work in the streets and sewers area. Mrs. Mahoney will provide that information to the Finance Committee with the numbers of employees and not necessarily the names of the employees.

Mr. Clark received detailed information from Mrs. Mahoney which will be covered in another Finance Committee meeting. He noted that he asked Director of Public Service Scott Thomas and Mrs. Mahoney to provide a full accounting of the cost of the reconstruction of Walmar Road, which Mr. Clark believes may have been part of the underpinnings of the shortfall. Mr. Tadych stated that he thinks it branches further away than just Walmar Road. Mrs. Mahoney stated that this is correct, but \$110,000 of the Walmar Road project was originally scheduled to be included in the debt as part of the \$722,000 that was going to be debted out. Another \$75,000 was needed for Walmar Road, and that was approved by Council. Mr. Clark stated that the information he has is that another \$202,000 was needed for Walmar Road. Mrs. Mahoney stated that the difference was for sewer work. **The analysis of what was spent on Walmar Road and other street projects in the years 2014 and 2015 and the various appropriation ordinance changes because of the Walmar Road project and other projects will be distributed by Mr. Clark to the Finance Committee members and discussed at another Finance Committee meeting.**

Mrs. Mahoney noted that the fund balance at the end of 2015 in the Street Maintenance and Repair Fund was \$76,773.74. Technically, if Mrs. Mahoney wanted the fund to show a zero fund balance they could have just transferred \$100,000 instead of the \$175,000 advance.

Mr. Clark asked how much is budgeted for the 2016 transfer to the Street Construction, Maintenance and Repair Fund. Mrs. Mahoney stated that she thought the amount was \$250,000.

Mr. Clark stated that the premise of having the General Fund transfer equate to the shortfall between where we project the operating revenues, gasoline tax and license fee, versus the operating expenditures of street construction would seem to be a good proxy for what the General Fund transfer would be. This would isolate the debt for the capital components and projects done by outside vendors. That would seem to be appropriate.

Mr. Koomar stated that this goes back to keeping people in the right buckets of functional costs from a management standpoint, and then saying those are our true costs. Mr. Clark suggested looking at this before going to first reading on the 2016 budget.

Minutes of a Meeting of Finance Committee
January 11, 2016

Mr. Tadych stated that he would also like to know the shortfall on the change orders to contracts, and whether Council approved all those change orders. Mr. Clark stated that Amended Appropriation Ordinance 15-15 was adopted in March to provide additional funding for the Walmar Road project in the amount of \$35,000. Amended Appropriation Ordinance 15-61 was adopted on August 3, 2015 which appears to be the paving that was done for the high school. Amended Appropriation Ordinance 15-73 was adopted on October 5, 2015 which was \$20,300 for road materials for the paving project of Wolf Road from the police station to the Nature Center, and reimbursed by the County. Mrs. Mahoney stated that there are expenses for the Walmar Road project that go back to 2014, which are not included in the appropriation ordinances. Mr. Tadych asked if there are change order ordinances and appropriation ordinances for these expenditures. Mrs. Mahoney stated that the \$20,300 was not a change order. It was the amount the County reimbursed the City for the materials. Ordinance 15-15 and 15-61 were change orders and appropriations.

Mr. Clark asked Mrs. Mahoney to revise the spreadsheet to include the 2014 ordinance changes for Walmar Road. The spreadsheet will then be sent to the Finance Committee members, and copied to President of Council Koomar.

Mr. Henderson commented on the fact that the committee just learned of the shortfall on December 28, 2015 prior to year end closing. Mrs. Mahoney stated that she had thought that the numbers would work out, noting that she had brought to the Finance Committee's attention in October that there may be a problem in street repair. Mr. Clark stated that it is a lesson learned and the byproduct is that the Finance Committee has detail they didn't have before on larger accounts. Mr. Henderson complimented Mrs. Mahoney on the spreadsheet she created. Mr. Clark stated that the spreadsheet provided great detail, and historically he always had a difficult time trying to figure out how to tie the revenues coming in from the outside versus what we are deploying to pay our own people for the operating expenses in street construction and to the capital projects for which outside work is done, and how that is actually bonded out. Mr. Henderson noted that the license and gasoline tax revenue is relatively stable year to year so that should make the transfer from General Fund in future years somewhat easy to estimate accurately.

Mr. Tadych asked if the revenue from the license and gasoline tax sales is affected by the price and usage of gasoline. Mrs. Mahoney stated that with the price of gasoline so low, it might be expected that the usage would go up. Mr. Clark commented that it would be counter-intuitive to have the number go up when the price of gasoline goes down. Mrs. Mahoney stated that the tax portion of the gasoline is constant, and is based on gallons used. Mrs. Mahoney will give the Finance Committee further information on this matter. Mr. Clark stated that going forward the numbers are close enough for budget purposes. The thought is, is the \$885,000 for the subtotal of expenditures for street construction a run number that would be reasonable for budgeting? Mrs. Mahoney stated that she believes so, unless there is a contract increase. Mr. Tadych stated that salt usage has a lot to do with the expenditures as well. Repairs and supplies expenditures continue to go down.

Mr. Clark noted that making the changes discussed this evening will help the Finance Committee clarify what will be done with the budget for the first reading for 2016. Mr. Henderson agreed.

Mr. Clark stated that several options have been discussed on how to reverse the \$175,000 advance back to the Street Construction, Maintenance and Improvement Fund. There are four options:

- Make the advance of \$175,000 a permanent transfer which means that it can never be replenished;
- Take money out of General Fund now, since we have an incrementally higher General Fund balance now than we did in the beginning of 2015;
- Forego \$175,000 in road projects in 2016 originally slated;
- Increase the borrowing in April of 2016 to make up the \$175,000 (borrow the money, amortizing it over a period of seven years, and put the advance back into the Infrastructure Improvement Fund.)

Mr. Henderson asked why there was a need for the \$175,000 advance into the fund when the fund had a year-end fund balance of \$76,000. Mrs. Mahoney stated that her original computation was that the \$175,000 was needed to make it a zero balance, and then they went through and cleaned up some more encumbrances that were outstanding, adding another \$50,000 to the fund balance. This was done after the Finance Committee was informed of the need for the \$175,000 advance.

Mrs. Mahoney explained that if a purchase order was issued for \$500,000 (example) and a lesser amount was spent, the remainder of the funds could be used for another purpose.

Mrs. Mahoney stated that she could just pay back the Infrastructure Improvement Fund \$75,000 and leave a difference of \$100,000 as the advance. Mr. Clark stated that the question is whether we want to keep a balance of zero in the account. Mr. Henderson stated that there was an error made somewhere in 2015 that resulted in the need for a year-end advance of \$100,000, not \$175,000. Mrs. Mahoney stated that she calculated the transfer from General Fund of \$100,000 and reduced the debt issuance by that amount. Instead, that \$100,000 transfer should have gone toward operating expenses, and not the reduction in the debt issuance.

Mr. Henderson asked if the transfer should have been \$200,000 from the General Fund to make up the difference between the revenue from license fees and gasoline tax of \$681,933.27 and operating expenses of \$885,678.90. Mrs. Mahoney responded affirmatively. She noted that there was a balance in the fund, which caused the necessity to only transfer \$100,000. Mrs. Mahoney stated that she agrees with the suggestion of Mr. Henderson to convert the advance to only \$100,000 and refund the Infrastructure Improvement Fund \$75,000.

Mr. Clark stated that it would be quick to come to judgment to take the money out of General Fund, but in the past when we have estimated the cost of road projects, the actual costs have been different. Let's see if there is a gap there between what we budgeted and what the live bid number is for road construction. There might be \$100,000 in there. The advance must be closed out within one year, so there is time to make that determination. Mr. Clark and Mr. Tadych also agreed, as Mr. Henderson suggested, to put the \$75,000 of the \$175,000 advance back into the Infrastructure Improvement Fund.

Further discussion followed about the closing out of encumbrances from 2014 and 2015. Mrs. Mahoney stated that this is always done every year. Mr. Koomar suggested that on a quarterly basis, and again in November, those outstanding encumbrances be reviewed in order to keep the monthly fund balances realistic as they are reviewed by Council.

Mr. Clark summarized that it is agreed that \$75,000 will be replenished to the Infrastructure Improvement Fund from Fund 270 (Street Construction). Mr. Tadych suggested doing it all at once in the future; Mr. Henderson expressed preference to doing it separately because moving the \$75,000 back to the Infrastructure Improvement Fund will rightfully bring the year-end balance back to zero. The advance done on December 28, 2015, should have been \$100,000. Put the \$75,000 back into the Infrastructure Improvement Fund. Mr. Tadych stated that he does not care, but if the whole lump sum of \$175,000 is put back into the Infrastructure Fund that lump sum is accounted for rather than start subtracting things out and making it more confusing for anyone trying to follow.

Mr. Clark stated that he is not a fan of having advances out for a long period of time. Doing it in a two-step process gives us the discipline that we have a \$100,000 difference that we need to close.

Mr. Koomar asked Mr. Thomas what bids will be advertised between now and April. Mr. Thomas stated that in early March they will be advertising for the 2016 Street Improvement Project.

Mr. Clark noted that the exercise gone through this evening will be a lesson going forward in one of our larger accounts, especially knowing that the amount of \$750,000 per year needs to be dedicated for road resurfacing projects.

The 2015 Financial Results discussion will be deferred until Mrs. Mahoney puts together a summary. A Finance Committee meeting will be held Wednesday, January 20, 2016 at 6 p.m. for the review of the summary.

Capital Projects Completed in 2015

Safety/Service Director advised the Walmar Road Project was a project that was completed in 2015, at more cost than anticipated, with the addition of Wolf Road paving and the area around the high school repaved.

The Pavement Striping Program with an original contract price of \$22,028.70. The final contract came to \$14,436.19.

The Swimming Pool Improvement Projects which were for the existing steel structure for the water slide and diving boards was completed. There was a problem with an overspray with 14 cars in the parking lot sprayed. The total for refinishing those cars was \$14,000 and the contractor is taking care of that liability. Mr. Tadych stated that these projects should be

Minutes of a Meeting of Finance Committee
January 11, 2016

supervised more closely. Mr. Thomas noted that it was a very windy day that caused the overspray issues.

The Bay Lodge Improvement Project (interior) was performed by the City Service Department and the work turned out well. This year's budget will include a request for new flooring. Mr. Clark noted the improvement is very favorable.

The City Hall Parking Lot is a green project, with the original contract price of \$184,407. The project is 90% complete. The budget for the project was set at \$240,000. Mr. Clark asked if there is any downside liability to a rebid of the asphalt portion this next spring for the final ten percent of the project. Mr. Thomas stated the price is locked in as part of the original contract. The SWIF grant is \$120,000 with the City's portion \$64,407. Two reimbursements have been received with a larger reimbursement due toward June 30, 2016. Three signs will be installed in the parking lot which will describe the work that was done as part of the requirements of the grant. A plaque will be installed with the City paying the cost of the plaque.

The Sewer Cleaning Project was originally set at \$31,593.00, and the final cost was \$33,181.00. The cost included cleaning all of Wolf Road past the high school. Filming of the entry into the pump station had to be included which caused the difference in the cost. Mr. Tadych stated that the photos of the items cleaned out included bricks from our own sewer lines, from the manholes going down into the sewers. He asked if those are inspected at all or just left to collapse into the sewers. Mr. Thomas stated that they do inspect and the crews are constantly making corrections as needed. When the bricks fall into the sanitary lines they may be in a position where they cannot be seen. Some of the lines are 18 to 24 feet underground. The black tar shown on the photographs is a build-up of grease and salt and much of this was removed with a high pressure spray by the contractor.

The Long Beach Pump Station forced main repair original contract was \$28,300 with the final contract less because they were able to not have to go so far into Porter Creek to complete the repairs.

A diverter valve was installed into the pump station. The valve was purchased years ago and installed this year. The final contract was \$4,000 over the original amount with more work than anticipated.

The Pavement Crack Sealing Program contract was completed at less than the original price.

There being no further discussion, the meeting adjourned at 7:35 p.m. The Finance Committee will reconvene on Wednesday, January 20, 2016 at 6 p.m.

Dwight Clark, Chairman

Joan T. Kemper, Secretary

Cey Robert A

1-11-16

City of Bay Village
Analysis of Reserve Funds

		General Reserve	340 Bond Retirement	495 Municipal Buildings Imp	494 Infrastructure Imp Fund	Totals
Initial Balance	12.31.08	1,373,960.22	5,000,000.00	2,191,175.00	4,191,175.00	12,756,310.22
Amount Spent	12.31.10	(795,000.00)	(187,149.74)	0.00	0.00	(982,149.74)
Balance at	12.31.10	578,960.22	4,812,850.26	2,191,175.00	4,191,175.00	11,774,160.48
2011 Budgeted Expense	01.01.11	(525,000.00)	-	-	-	(525,000.00)
Refund Due County	ord 11-49	-	(581,773.06)	(264,867.29)	(506,625.51)	(1,353,265.86)
Transfers	ord 11-50	-	-	-	(930,000.00)	(930,000.00)
Advances to Bradley Road	ord 11-50	-	-	-	(1,500,000.00)	(1,500,000.00)
Transfer to Equip Replace	ord 11-60	0	(395,500.00)	-	-	(395,500.00)
Balance	12.31.11	53,960.22	3,835,577.20	1,926,307.71	1,254,549.49	7,070,394.62
2012 Budgeted Expenses		(53,960.00)	(191,894.72)			(245,854.72)
2012 Advances			(310,000.00)		(1,050,000.00)	(1,360,000.00)
Balance	12.31.12	0.22	3,333,682.48	1,926,307.71	204,549.49	5,464,539.90
2013:						
Advance Repayments			735,500.00	-	2,392,000.00	3,127,500.00
FEMA Receipts		163,929.00				163,929.00
Advance to Sewer					(780,000.00)	(780,000.00)
Transfer to Sewer					(752,219.00)	(752,219.00)
Advance to Street Construction					(250,000.00)	(250,000.00)
Balance	12.31.13	163,929.22	4,069,182.48	1,926,307.71	814,330.49	6,973,749.90
2014:						
Advance Repayments						
Cahoon Sewer					706,000.00	706,000.00
Lake Road Street Construction					190,000.00	190,000.00
Transfer to Bradley/Naigle					(5,698.48)	(5,698.48)
Transfer for Building Improvements				(215,000.00)		(215,000.00)
Transfer From General Fund		225,000.00				225,000.00
Balance	12.31.14	388,929.22	4,069,182.48	1,711,307.71	1,704,632.01	7,874,051.42
2015:						
Expenditures						
Fire Station Improvement Study				(15,000.00)		(15,000.00)
Bay Lodge Improvement				(24,508.39)		(24,508.39)
Wolf Road Cleanout					(33,181.79)	(33,181.79)
Force Main - Longbeach					(17,400.00)	(17,400.00)
Crack Sealing - Osborn and Cahoon					(17,150.00)	(17,150.00)
Transfer to Street Improvement					(70,000.00)	(70,000.00)
Advance to Street Improvement					(175,000.00)	(175,000.00)
Advance Repayments						-
From Sewer					74,000.00	74,000.00
From Street Construction					60,000.00	60,000.00
Transfer from General Fund		500,000.00				500,000.00
Balance	12.31.15	888,929.22	4,069,182.48	1,671,799.32	1,525,900.22	8,155,811.24

4,700,000.00

Exhibit B - 1-11-16

City of Bay Village
 Street Maintenance and Repair Fund Analysis
 2012-2015

	2012	2013	2014	2015	Total
Fund Balance 1/1	221,252.98	128,335.64	150,229.89	83,567.08	221,252.98
Receipts					
License Etc.	665,205.22	661,536.13	666,141.68	681,933.27	2,674,816.30
Debt	525,000.00	765,000.00	525,000.00	622,000.00	
Reimbursements	16,380.44	29,500.07	569,926.32	141,107.27	
Transfer from Gen Fund	332,500.00	360,000.00	92,500.00	100,000.00	
Transfer from Inf. Imp				70,000.00	
Subtotal	873,880.44	1,154,500.07	1,187,426.32	933,107.27	4,148,914.10
Advance In - From Inf Imp		250,000.00		175,000.00	425,000.00
Total Revenue	1,539,085.66	2,066,036.20	1,853,568.00	1,790,040.54	7,248,730.40
Expenditures					
Wages and Benefits	669,432.87	625,771.88	623,665.90	597,848.12	
Repair and Supplies	267,912.79	226,750.39	257,324.33	168,576.92	
Salt	71,211.41	41,557.13	39,383.23	70,009.57	
Road Materials and Striping	43,605.94	55,816.71	56,170.30	49,244.29	
Subtotal	1,052,163.01	949,896.11	976,543.76	885,678.90	3,864,281.78
Equipment Replacement	98,358.00	0.00	9,891.68	37,167.01	
Road Improvements	481,481.99	1,094,245.84	743,795.37	813,987.97	
Subtotal	579,839.99	1,094,245.84	753,687.05	851,154.98	3,278,927.86
Advance Repayment	0.00	0.00	190,000.00	60,000.00	250,000.00
Total Expenditures	1,632,003.00	2,044,141.95	1,920,230.81	1,796,833.88	7,393,209.64
Fund Balance 12/31	128,335.64	150,229.89	83,567.08	76,773.74	76,773.74