

FINANCE COMMITTEE MEETING  
held May 23, 2016  
6:30 p.m. Conference Room

Present: Councilman Dwight Clark, Chair  
Councilman Tom Henderson  
Councilman Dave Tadych  
Mayor Sutherland  
Finance Director Mahoney  
Law Director Ebert

Also Present: Councilman Marty Mace, Councilwoman Karen Lieske, Police Chief Spaetzel.

Audience: Dick Majewski, Michelle Kraft, Bob Piccirilli, Jennifer Smillie, Justin May

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

**April, 2016 Financial Results**

Finance Director Mahoney reviewed the Variance Report, noting that Column A is the expended amount of funds to date in 2016. There were nine pays to date in 2016, therefore personnel expenditures are at 35% to this point of the year. The other expenditures all seem to be in line. Mr. Henderson called Mrs. Mahoney's attention to two line items that will need to be changed and re-circulated.

**Mr. Henderson asked about a negative expenditure listed under the Emergency Paramedic Fund. Mrs. Mahoney stated that this was a refund of something that was spent last year. Mrs. Mahoney will check further.**

Municipal Income Tax receipts are 7.48% higher than at the end of April, 2015. In regard to Hospitalization, Mrs. Mahoney stated that they are still waiting for invoices from March, and April from Jefferson Health Associates. Instead of actual claims, the City will pay \$111,000 per month, which includes the administrative fee, and the account is reconciled at the end of the year. Jefferson pays the claims for the City and a reserve is built for the City. The contract with Jefferson Health Associates is for a nine-month period. **Mrs. Mahoney will keep the Finance Committee apprised.**

Mr. Henderson noted that income tax receipts are up relative to the prior year, and if the percentage of increase continues the end of the year, we would see at 28% increase in municipal income tax receipts.

Mr. Henderson noted that Parking Fines have increased considerably and asked if there is some action that has been taken by the Police Department that would account for that increase. Mrs. Mahoney stated that there are new officers on third shift who have been actively ticketing parking violations.

### **Yearly Tax Budget**

Finance Director Mahoney advised that the primary purpose of the Tax Budget is to demonstrate to the County Budget Commission the City's need to levy property taxes to fund the basic operations of the City for the coming fiscal year (2017). The Ohio Revised Code requires that City Councils adopt a Tax Budget for the next fiscal year no later than July 15 of the current year, and that the adopted Tax Budget be submitted to the County Budget Commission no later than July 20, 2016. The Tax Budget represents the City's first estimate of its anticipated financial resources and needs for the coming fiscal year.

Currently the City has three voted levies per Article 10 of the Bay Village City Charter. These are levies that the citizens of Bay Village approved on various dates.

- Section 10.1: A tax not to exceed 9 mills for the purposes of general operating expenses. The City currently levies 8.26 mills; 6.88 to fund General Fund and .69 to each Police Pension and Fire Pension Funds.
- Section 10.1 (A) Parks and Recreation levy of .5 mills which the City levies the full amount.
- Section 10.1 (B) Paramedic Unit levy of 2.5 mills of which the City currently collects 2.25 mills.

The other amount levied per the Tax Budget is an inside millage of 3.89 mills. This amount is levied per the allotment to levy up to 10 mills for operation of the City as provided by the Constitution of the State of Ohio, and is levied without a vote of the citizens. This 10 mill limitation also takes into account the portion allocated to the school and the County. Historically, the City has allocated this inside millage to cover the annual payments in relation to debt.

The 2017 Tax Budget expenditures were based on the 2016 operating budget with increases of 2.25% to reflect wage increases. These expenditures do not represent the final estimate of the 2017 operating budget. These figures will be refined within the budget process that will begin in September, 2016.

Mrs. Mahoney further advises in her memorandum of May 19, 2016 that often people ask how much revenue would be generated by taking the extra .25 mills for the Paramedic Levy. The estimate is approximately \$125,000. Additional revenue generated by taking the extra .74 from Section 10.1 would be about \$370,000.

The recommendation of Finance Director Mahoney is to not increase the tax levies for 2017, noting that the City is operating sufficiently at this time with the current taxes levied. Council

will consider first reading of the Tax Budget as presented by Finance Director Mahoney at the June 6, 2016 meeting of City Council, with adoption no later than July 11, 2016.

Mr. Clark noted that the last page of the budget shows the debt of the City with the Community Gym to be paid in its entirety by 2017. Most of the remaining term debt at this time is for the Police Station.

### **Community House Renovations**

Finance Director Mahoney explained that there are two issues for consideration. One is the ADA, which Mr. Thomas addressed, by stating that about three weeks ago it was brought to his attention by a person who had some handicap issues who could not get into the Community House. Mr. Thomas stated that when it is brought to your attention, you immediately have to work on the issue to get it taken care of. That is the ADA rule, and this is the Federal Government that says you have to do these things. Once they are reported you can't turn a blind eye to it. At that point, Mr. Thomas stated, he spoke to the Mayor and they contacted Osborn Engineering and asked them about doing an ADA accessible ramp. On the back of the Community House there is an elevator that hasn't worked for years. It is basically a bunch of scrap metal. They are going to take that metal down, but to meet the requirements you must engineer a ramp. The cost of \$7,000 is for the engineering of the ramp, and the City crews will be used to build the ramp. The ramp will be located on the north side of the building. Materials to build the ramp should cost about \$7,500.

Mayor Sutherland asked if the back porch of the Community House will be removed. Mr. Thomas stated that it may have to come off. Underneath the area there is an area that has some issues with water, which is the back women's restroom on the far north side of the building. The Mayor stated that they have known that but have not been able to correct it because they have to take the big, concrete porch off the back in order to get at the area. Mr. Thomas stated that they may be able to save the actual decking and work underneath the decking. That is one of the engineering things they will take a look at it this summer. Mr. Tadych noted that they tried to repair that several years ago. It lasted two or three years. Mr. Tadych asked Mr. Thomas when he expects it might be near completion. Mr. Thomas stated that the Federal Government tells us we have to proceed forward with a plan. The plan now is if engineering is approved, we go ahead and get it engineered, and as we get it engineered we will get a better analysis of the cost and then move forward. As long as that is being done, it should not be a problem. It is hoped to have the construction started before the end of the year, depending on the leakage issues there.

Mr. Tadych stated that several years back there was talk about putting an entrance on the west side of the building, with a ramp in there put in rather easily. Mr. Thomas stated that they would be looking at entry areas on the north, west and south side to see which works best.

Mr. Clark summarized that the cost quoted by Mr. Thomas for engineering and construction of the ramp is approximately \$15,000 to \$17,000. Mr. Thomas stated that an additional \$15,000 will be needed to move the Recreation Department to the Community House lower level. They will first do an air quality check, which will be done on May 26, 2016 to make sure there are no mold issues as suspected. It will take two weeks to get the results.

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Mr. Tadych asked if there is full heating and air conditioning in the lower level of the Community House. Mr. Thomas stated that they have heating and they will put the Mitsubishi Air Units above the windows which will help with air quality.

Mr. Clark addressed the Mayor stating that they spoke before about possible relocation of the Recreation Department to City Hall. He asked the Mayor to explain the process of why this would not work.

Mayor Sutherland stated that they have looked at it, they have tried to reconfigure, and they have just come to the conclusion that they just don't have the room for it. The way that City Hall was constructed over the years the rooms cannot be divided up and put the departments in. There would be a need to place the Director, Assistant Director, and up to three part time people. They had talked about moving HR out of the office, but there are certain benefits to having her there, especially for employees because if they are coming to see her they don't have to traipse all the way through City Hall. It was decided that it would not work. The possibility of dividing the receptionist area was looked at, but they do not think it is workable. They don't think putting offices down in the basement is appropriate, and there is really no place to put them. Their equipment now is all in Kiddie Kollege. Most of it can be accommodated in the Community House.

Mr. Thomas stated that it is 1400 square feet at the Community House that they are looking at. The offices, when you come through the door, would be to the right. To the left would be the storage area for all their equipment. A lot of their things have to be stored in a heated area in the winter months because of the gel. In speaking with the Mayor, there were just not a lot of options to do this, and obviously they want to make sure it is a quality place before they are put anywhere. That is why they are checking the air before they do anything.

Mr. Henderson addressed Mayor Sutherland, stating that the past discussion had been that the Mayor would move the Recreation Department to City Hall due to operational concerns, and now you are recommending to not move the Recreation Department to City Hall. The Mayor stated that is a bit of a disadvantage, however, the spacing just doesn't work. She stated that they are working with both of them; Renee is over there quite often to help them with financials. Mrs. Mahoney stated that parking is also a concern with tennis going on and people coming in for pool passes. They did not think there would be enough parking. The Mayor stated they think that this will work pretty well (Community House) and there is parking there and with ADA compliance they will be in pretty good shape.

Mr. Thomas stated that they will put in two new windows downstairs and new doors that will be more of an architectural design. There are upgrades and with having Recreation there as we move forward through the years and what they are going to do with the Community House will help them get a better picture of that.

Mr. Tadych asked if this will impact the phone system. Mrs. Mahoney stated that they did have phone service over there. They do have internet. Mrs. Mahoney stated that instead of the phones in the bid package for the Recreation Department they would be located at the Community

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House – different building. The Building Department used to be there and there are Internet drops there.

Mr. Tadych stated that currently you have the electrical guy in there. You are moving him to the basement of the basement? Mr. Thomas stated that is correct. Mr. Tadych asked if it is acceptable there with the walls. Mr. Thomas stated that it is acceptable. They have taken a look at that and they feel comfortable with it.

Mr. Clark stated that his concern is vetting this whole thing because it creates a bit of a domino effect with Kiddie Kollege, which affects the Recreation Department, which affects our folks at the Bike Co-op, who have been great ambassadors for the City. It eliminates the storage for the Bike Co-op. Jennifer Smillie of the Bay Village Bike Co-operative stated that she is concerned with what Mr. Thomas said about taking over the right side and the left side of the entrance. Mr. Tadych asked if the bikes will remain on the left. Mr. Thomas stated that they will not remain. Mr. Tadych asked Ms. Smillie if they just moved into that area. Ms. Smillie stated that they emailed the Mayor for permission. Mr. Tadych stated that it was just an unused area that they started storing bikes in, with permission.

Ms. Smillie stated that the primary concern is storage. They heard some news that they potentially could build a storage area on site. The Mayor stated that they are talking about some options they could come up with for the Bike Co-op. There will need to be conversation for a really clear picture on exactly what is needed. Ms. Smillie stated that they are on a pretty lean system right now and it is probably about the minimum they need. They are using about 400 to 500 square feet of that 1400 square feet talked about. If they could have something in that range then they would be at status quo.

Mr. Clark asked if there is a way to have both co-exist in some form or fashion. The Mayor stated that they will have to sit down and work it out.

A representative of the Bike Co-op stated that ideally it would be to have a storage area within walking distance of the shop.

Mr. Clark stated that one of the challenges is that the Community House Project is significant in terms of architectural and historical, and a lot of other different elements there. The Mayor had talked about appointing a Blue Ribbon Commission. It has to be tackled at some point in time. Considering this in the big picture would be helpful.

Ms. Smillie stated that the other concern they have is just how to handle the summer volumes. Biking season is just beginning, so if they have to move all those bikes into the shop she personally does not see how they can have all those bikes in the shop and operate all summer. She suggested they all sit down and establish a time line. Moving bikes into 400 to 500 square feet of workshop will not leave room for people. Mayor Sutherland suggested having a conversation, and also suggested the possibility of renting a couple of pods to get through the season.

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Mr. Tadych noted that some of the bikes in the area are marked scrap. He asked if those are removed on a regular basis. Ms. Smillie stated that weekly or bi-weekly it is scrapped. They wait until there is a truck load because they have to be taken to Elyria. Ms. Smillie stated that they have built serious momentum in their volunteer staff and maintaining them. If they were to shut down shop it would be a big problem. Two men have actually taken it upon themselves to take over the scrapping which has been phenomenal.

Mr. Clark stated that the Bike Co-op has been a very successful grass-roots initiative. Mayor Sutherland stated that she is confident they will figure something out. Ms. Smillie stated that having a time line would be helpful for the Board. The Mayor noted that they may have to do something temporarily to house the bikes.

Mrs. Lieske addressed the Mayor, stating that the Mayor mentioned that one of the advantages to have the HR Manager downstairs is in case an employee comes in and something is confidential. Mrs. Lieske asked the Mayor to check with the HR Manager as to how many employees have visited her in the past year on confidential matters. The Mayor stated that she has people in every single time she is here. Mrs. Lieske asked if everything they come in for is confidential and they couldn't come to the upstairs. The Mayor responded affirmatively. Mr. Tadych stated that closing the door would make it confidential in any other area. The Mayor stated that the point is that they have tried to look at different areas to put HR and they don't want people to feel like they have to walk by the Mayor's office or past Finance to talk to the HR person. Mrs. Mahoney added that they have really been working on employee relations. They like it where she's at, the HR person likes it where she is at, and the Mayor does not want to upset that.

Mrs. Lieske suggested that it would be helpful if a Committee meeting were scheduled downstairs to visualize everything. Mrs. Lieske asked where the Recreation employees would use the restroom at the Community House. Mayor Sutherland stated that they would use the bathrooms in the back of the Friendship House. The Bike Co-op would also have access to those bathrooms. Mrs. Lieske asked if there are steps to walk down. Mr. Thomas stated that you can also walk around. Mrs. Lieske stated that she was thinking of someone with a baby in a stroller. Mr. Thomas noted the current Recreation Department access requires walking up steps, and it is not ADA compliant.

Mr. Koomar asked if the bathroom in the Community House is ADA compliant. Mr. Thomas stated that the one in the back is not but they will have the doors changed.

Mr. Clark summarized that about \$15,000 has been put aside for the Recreation Department component of moving to the Community House, including architectural, engineering, and build-out costs. Mr. Thomas stated that engineering would be above that. They have allocated about \$20,000 for the Recreation Department move. The first component for ADA compliance for entry way to the Community House would be an additional \$15,000 to \$17,000. Total cost for both phases would range from \$35,000- \$37,000.

Mr. Henderson stated that the purpose for moving the Recreation Department was previously stated as wanting to have them in a certain location. From his understanding this evening, they can't be moved to that location. Mr. Henderson asked the initiating cause for moving them

around now is the Kiddie Kollege. Mayor Sutherland stated it is Kiddie Kollege wanting to expand and take over the entire building. Because they cannot find other space in the City, in order to keep them here, their income tax here, and have them pay rent here, the thought was to move the Recreation Department.

Mr. Tadych asked if Kiddie Kollege is accredited. Are they examined by the state? Mayor Sutherland answered affirmatively. Mrs. Lieske asked the rating of Kiddie Kollege, noting that there is a five point rating system. Mayor Sutherland stated that she does not know. Mr. Koomar asked if this is to allow Kiddie Kollege to expand. The Mayor stated that it is to allow them to expand. Mr. Koomar asked if the Mayor is saying they would move if they could not expand. The Mayor stated that it is very likely. Mr. Clark noted that the contract for Kiddie Kollege will be discussed further in Executive Session this evening.

Mr. Tadych asked if the phone system for the electrician is going to be included. Mr. Thomas stated that most of the time the electrician is out of the Service Department. Mr. Tadych stated that most of his equipment is stored there. Mr. Thomas stated that he just goes there to pick up stuff. He has a cell phone, and like all Service Department employees has to go to the Service Department.

### **City Telephone System**

Mr. Clark stated that the City borrowed money for the new city telephone system in 2012. Mrs. Mahoney stated that the consultant she contracted has, besides coming up with a phone system, has been working on phone provider service. He struggled through the AT&T world, and he is working with the current cable company because the phone system will be working through the internet. He is working with Time Warner and First Communications to come up with phone service, along with the phone system. The bids for the phone system are due Tuesday, May 24, 2016.

Mr. Clark asked if there is any idea what this phone system will cost. Mrs. Mahoney stated that she does not have an idea but is afraid it is going to be much more than \$45,000. Mr. Clark stated that one of the premises of doing the phone system three years ago was that it would no longer be technically supported. He asked if there have been any problems in the last three years. Mrs. Mahoney stated that they have had problems, but just minor problems.

**Mrs. Mahoney stated that she will have the consultant address Council in the next few weeks with the results of the bid.**

**Mr. Clark asked the manner of the compensation for the consultant. Is it a straight fee, or is he being paid a percentage of the contract?** Mrs. Mahoney stated that it is a straight fee. We are paying him \$24,000 but he has also guaranteed us that he will save us \$3,000 a month in phone charges. Mr. Koomar asked if the \$24,000 is a fixed fee or so much per month. Mrs. Mahoney stated it is a fixed fee. He has been paid \$12,000 and won't be paid the other \$12,000 until it is complete.

Mr. Clark stated that this is a little bit like those energy efficiency projects, if he hears Mrs. Mahoney correctly. They do the work and guarantee the savings over time. He asked if the savings don't occur, what kind of offset does the City have in that fee. Mrs. Mahoney stated that there is no offset. Mr. Clark stated that the guarantee is not worth much of anything then. Mrs. Mahoney stated that she vetted the consultant through Westlake and other contracts. Mr. Clark asked if his work is completed in Westlake. Mrs. Mahoney stated that he mostly saved them \$1 million. They are still fighting AT&T to go back for various things. Westlake said they cancelled lines and AT&T kept charging them. One million dollars is the estimate he is supposed to get back for Westlake. Mrs. Mahoney is not sure where they are in the process. Mr. Clark asked if the \$3,000 savings for the City of Bay Village is monthly or yearly. Mrs. Mahoney stated it is monthly. Currently, we pay about \$3,000 to AT&T, about \$2,000 to First Communications. Mr. Tadych asked if we have gone to other vendors besides those two. Mrs. Mahoney stated that she doesn't know if he has contacted other carriers. Time Warner is our current Internet provider and he has gone to them, and to First Communications. Between AT&T and First Communications we are paying \$60,000 per year, and he thinks we can get rid of the AT&T. The internet is about \$350 per month. Mr. Clark confirmed that this is just for the landlines, and does not include cell phones.

Mr. Tadych asked where First Communications is located. He asked if we have done something with WOW or other areas. Mrs. Mahoney stated that they have talked to WOW. They were in the bid process.

Mr. Henderson asked how many vendors there are for service and the phone system. Mrs. Mahoney stated that for the phone system there are at least twenty vendors.

**Mr. Clark asked Mrs. Mahoney to share the bid results when they come in with the Finance Committee.**

Mr. Clark stated that he had asked about three weeks ago if whether having completed this over three years causes any arbitrage rebate problem. Mrs. Mahoney stated that she did not ask but the interest rate we are paying is higher than the interest rate we are earning on the bonds. Mr. Clark stated that you have to rebate positive arbitrage back to the IRS if you have earned a rate over and above the rate on those bonds. These are treasury bonds that we have actually issued, and Mr. Clark is concerned we will have to rebate some extra interest back to IRS. We will need to check with Mike Sharb of Squire Patton Boggs on that. Usually the spend down has to be three years.

Mrs. Mahoney stated that it could also be argued that we don't invest the full cash balance. So that \$45,000 is just sitting in our cash balance, not invested. **Mr. Clark asked Mrs. Mahoney to check with Mr. Sharb.**

**Salt Storage Cost**

Mr. Thomas stated that this year 3000 tons of salt were reserved and the state requires that you purchase 90% of that amount. Most of that was not needed, so we ended up having an extra 900 tons that we cannot fit into the salt bin. We are moving salt around and are going to take another

250 tons, which will mean that Cargill will have to hold 650 tons for us, at a rate of \$10.00 per ton for storage through December 31, 2016, or a total of \$6,500. Unfortunately, next year it will be a per month charge. Mr. Thomas noted that the purchase for salt for next year has been cut in half to 1500 tons. Last year the price was \$52.00 per ton. Mrs. Mahoney stated that she believes she will have to increase the appropriation to pay for the salt storage. Mr. Tadych asked if there is a minimum on the amount to be ordered through the Ohio Department of Transportation. Mr. Thomas stated that there is not a minimum, but there is always worry about the worst case scenario. With unpredictable weather conditions, he does not want to run out of salt.

### **Fire Truck Repair Costs**

Mrs. Mahoney stated that she would like Council to be aware that the Fire Department had to have Truck No. 16 repaired in the amount of \$6,400. The repairs were for the back of the truck and in the primer motor. There is no reason to adjust the budget for now, with the hope that their maintenance will stay on track for the rest of the year. Mr. Tadych asked if that repair to the ladder truck was complete and effective. Mrs. Mahoney responded affirmatively. Mr. Clark stated that with this repair it is hoped that the life of the ladder truck has been extended. Mr. Tadych asked if this means that the back of the truck, when it turns, is not going to flip. Mr. Thomas stated that it is now fixed. Mr. Tadych asked if that repair for that type of truck is normal, and noted that the City of Cleveland got rid of theirs after three years.

### **General Insurance Renewal**

Mr. Clark stated that there is a small increase in the City's general insurance renewal because of an increase in value of some of the vehicles, and one employee case of a \$28,000 settlement. This will be the second year with Argonaut Insurance Company, with a 6% increase, going from \$144,500 to \$153,300. Last year bids were advertised for insurance resulting in a savings of about \$50,000. The ordinance for renewal will be placed on the June 6, 2016 agenda of Council, with support of adopting on June 13, 2016. The Appropriation Ordinance will be amended to reflect the increase. A 10% increase had been budgeted, but with the employee claim and the \$10,000 deductible and 6% increase, the actual increase is 13%. Mr. Henderson asked if it is routine to hit the deductible. Mrs. Mahoney stated it is not routine; usually there are no claims.

Mr. Clark asked if the fee for the agent, McGowan Insurance Company is included in the quotation. Mrs. Mahoney stated that it is included. **Mr. Clark asked how much they are paid per year. Mrs. Mahoney stated that she does not know.**

Mr. Tadych stated that all of the changes to the phone system bother him because of the various locations. Mrs. Mahoney stated that what is important is that the computer lines are there.

### **Mr. Tadych asked Mrs. Mahoney to provide the range of the bid results to the Finance Committee.**

There will be a Finance Committee scheduled during the month of June. It will include addressing issues that fall under the Public Improvements Committee. The Public Improvements Committee will most probably meet again in early June, and the outcome of that meeting will

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necessitate having a Finance Committee meeting to review information brought forth from the Public Improvements Committee meeting. Mr. Tadych suggested having the meeting toward the middle of June in order to allow another meeting to be scheduled the end of June, if necessary. Mrs. Mahoney noted that she will be out of the office the week of June 14, 2016.

There being no further business to discuss, the meeting adjourned at 7:00 p.m.

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Dwight Clark, Chairman

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Joan T. Kemper, Secretary