

FINANCE COMMITTEE MEETING  
held October 17, 2016  
6:30 p.m. Conference Room

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

Also Present: Finance Director Mahoney, Recreation Director Enovitch, Councilwoman Lieske, Councilman Mace, Councilman Vincent, Operations Manager Landers

Audience: Lydia DeGeorge

Chairman Clark opened the meeting at 6:30 p.m. and thanked everyone for their attendance. Tonight's meeting will include a review of the September financial reports of the City of Bay Village and an appropriation amendment due to a leak in the City swimming pool.

**September Financial Reports**

Director Mahoney stated that at this time an amendment to the Annual Appropriation Ordinance is necessary for the repair that is needed for the broken pipe at the swimming pool. A further amendment to the Appropriation Ordinance will be done in the near future to adjust operating expenses for the pool.

Recreation Director Enovitch stated that the Service Department has found that there is a break in the plastic pipe that leads to a pool feature on the south side of the pool. There are stress cracks in the pipe that handles the intake and outtake flow of the water. Astro Pools, the company that built the swimming pool, has quoted \$7,000 for the repairs.

Mr. Clark asked if Astro Pool or another company has inspected the integrity of the pipes every year. Mr. Enovitch stated that with all the pipes being below the pool floor it is difficult to determine without sending in the camera. Last year there was an issue by the toddler feature so there may still be an integrity issue with those pipes. The pipes are plastic but they are rated to withstand the purpose for which they are used. It is thought that the very cold winter of 2014/2015 may have contributed to the stress of the pipe. When the pool is closed for the winter, every effort has been made, and will be made in the future as well, to make sure all the water is clear from the pipes.

The work is only expected to take a few days. The work will include the refinishing of the Diamond Brite surface to make sure it matches the area. Diamond Brite work is warranted.

Mr. Tadych asked why the pipes aren't relined rather than repaired. Mr. Enovitch stated that thought was given to that process, but they felt that by opening up the surface of the pool to replace the pipe they could investigate to see if there were any other leaks.

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Mr. Enovitch noted that it is the 15<sup>th</sup> year for the pool and these issues may occur as the facility ages.

Mrs. Mahoney stated that the crack dovetails into why the pool expenses have been increasing. They feel the leaking caused more clear water to be sent into the pipes, which in turn caused the need for more chemical treatment of the water.

Mr. Tadych asked if there are any other lines that they have inspected that may cause trouble in the future. Mr. Enovitch stated that they have not inspected them at this time. The camera men from the Service Department will test the pipe repaired to make sure it is not leaking.

Mr. Clark stated that he has always believed that the pool has been a self-sustaining operation. This is the first year that this is not the case. Mrs. Mahoney stated that the wages are higher due to the record heat this past summer with 33 days over 90 degrees. In addition to creating the need for additional staff, chlorine chemical usage is increased by the sunshine. Mr. Henderson asked if staffing is flexed. Depending on the time and what is occurring on a given day, the number of staff scheduled is adjusted. A certain number of guards must be on duty due per mandates of the Cuyahoga County Board of Health.

Mr. Clark noted that utilities for the pool have doubled. Mrs. Mahoney stated that in 2015 there was an error in the water meter. It was running backwards and the Accounts Payable Clerk refused to pay the water bill until it was fixed by Cleveland Water. After it was fixed the amount of \$4,800 was paid.

Mrs. Mahoney noted that repair and maintenance of the pool, outside of the repair to the pipe, has also increased due to the aging of the pool.

Mr. Tadych noted that the amount of pool passes to be sold was over budgeted. A large number was budgeted, but the revenue was not received. Mr. Enovitch stated that if the expected revenue for pool passes is not received, the daily revenue makes up the difference. Admission prices were increased by 7% last year. That increase ranged from \$4.00 for a youth to \$22.00 for a family of 8. There is still room for further increases when comparing the fee to neighboring communities. The daily admission price has not increased since pool opening. Mr. Tadych noted that we are comparing our pool to other cities that have their pools open seven days per week. Mr. Enovitch noted that the Bay pool season is longer than the other cities.

Mr. Clark asked if there are any capital expenditures expected in the next few years. Mr. Enovitch stated that the only concern the Service Department has moving forward is the large boiler. A new boiler would cost about \$10,000. Mr. Tadych asked if there was a boiler problem a couple of years ago. Mr. Enovitch stated that there are boiler problems almost annually. Mr. Tadych asked if the reason is the boiler that was purchased, noting that he believes the wrong boiler was purchased.

The Amended Appropriation Ordinance on the agenda for tonight's meeting of Council will be moved for adoption by Mr. Clark. Mr. Henderson agreed and suggested when putting the budget together for 2017 using the correct assumptions. Mr. Tadych noted that pool wages were way over the budget as well for 2016, and the budget for 2016 for wages was a significant budget

increase. Mr. Enovitch commented that they were very diligent as far as manpower, but with the high use of the pool due to extreme temperatures it is necessary to maintain full guard and on-deck staff to meet safety standards, which is their number one priority, along with cleanliness for the residents of the City of Bay Village.

The new touch screen for the concession stand has worked out very well, with orders provided within 15 minutes and an efficient inventory control. They were able to move most of the inventory at the end of the year.

Mr. Enovitch was thanked for his report.

### **2017 Budget Process**

A Finance Committee meeting will be held Thursday, October 20, 2016 at 5:30 p.m. to have department heads present their Capital budget requests for 2017. Finance Director Mahoney was asked to provide the borrowing number for 2017. Mrs. Mahoney stated that unfortunately half of the borrowed funds are used for street repair. Mrs. Mahoney met with each department head and put together their wish list. After reviewing their requests and analyzing the costs, Mrs. Mahoney stated that the department heads are going to have to eliminate a lot of what they need. Mrs. Mahoney stated that the problem in this City is that they can cover Operating very well, it is the level of Capital expenditures that there is a problem with. Mrs. Mahoney commented that she could say that we need to look at raising income tax, collecting the rest of the property tax, or creating a sewer Capital charge. All of the directors say that their equipment is behind. We have not recovered quite well from the 2008/2009 downturn to be able to use City funds to help supplemental the Capital requests. The goal is to get two months of Operating expenses in the General Fund Reserve. It is hoped to add \$500,000 to that fund this year increasing the fund close to \$3 million.

Mr. Clark stated that one thing he wanted to do was give a fair shake to each of the department heads but what he didn't want to do is see \$4 million in Capital requests for 2017. Mrs. Mahoney has done good work in trying to accommodate all departments and we want to be fair to people and vet these requests as well.

Regarding road improvements, the bids came in substantially lower than what we had actually budgeted for the year, so for that there is a positive variance in Fund 270. (Page 11 of the report attached). Mrs. Mahoney stated that right now we are projecting a positive fund balance in Fund 270 and her hope is to use about \$200,000 instead of debting out the whole \$700,000. Mr. Clark recalled that there was money left in that fund and they had to take \$175,000 and put that back into Infrastructure Improvement to repay an advance to the Street Construction Fund.

Mr. Clark stated that the thought is to move to first reading on the budget sometime in November. There will be a Finance Committee meeting prior to first reading to go through the Operations budget as well. The Finance Committee would like to see a spread sheet on wages and benefits for guidance. It would be nice to have the budget done before year end. Mr. Tadych stated that it is always good to have the budget before the end of the year. Mr. Clark

suggested first reading of the budget on November 21, 2016, with the last two readings in December.

Mrs. Mahoney stated that the General Report is pretty much ready today. Mr. Tadych asked what makes up the General Report. Mrs. Mahoney stated that the detail pages, the General Fund Summary, and the Fund Balance Summary is also completed. The Budget Book with all the detail by department is ready. Mr. Tadych asked if requests are already considered and decided. Mrs. Mahoney responded affirmatively. Mr. Tadych questioned the role of the Finance Committee and Mr. Clark stated that what he wanted to do is make sure that they work in tandem so that Council doesn't have to say no. The goal is to do this in partnership and to manage Capital expectations going forward while not foregoing things that might be important at this point in time. The Finance Committee meeting on Thursday, October 20, 2016 will provide an opportunity for appropriate feedback to the department heads. The numbers we are reviewing are for discussion only at this point.

The Operating side should be fairly straight forward. With the Capital side there are challenges because we do not know what we will be budgeting for the Sunset area improvement or the Bruce/Russell/Douglas improvements. Mrs. Mahoney stated that she has not included those improvements. Those are things that won't be part of the table this year; they can always be addressed next year.

Mr. Henderson stated that he always thought the Five Year Capital Plan was very helpful. He asked Mrs. Mahoney if that is something she thought of refreshing so we can compare the 2017 Capital Plan from last year's budget book. Mrs. Mahoney stated that she took out the 2016 column. Mr. Clark stated that it is nice to track to the original so there is something for comparison. Mr. Tadych commented that the actual numbers for 2016 would be helpful.

The Finance Committee Meeting for Thursday, October 20 at 5:30 p.m. will include reviews of Capital requests of Operations Manager Landers, Scott White, Fleet Manager, Curtis Krakowski, Service Department; Leslie Selig, Director of Community Services; Dan Enovitch, Recreation Department; and Police Chief Spaetzel.

Mr. Tadych asked where the money goes when large contributions, such as that received for the tennis courts, are received. Mrs. Mahoney stated that a separate fund was established for the tennis courts. It was a specific source for a specific purpose so a Special Revenue Fund was set up for that donation. Ten thousand dollars is being received from the donor every year for six years. Mr. Tadych asked if the 2016 donation has been spent. Mrs. Mahoney stated that there is about \$2,000 left in the 2016 donation amount. There were benches with shade provided at the Bradley Road Tennis Courts, and the purchase was cleared with the donor.

### **September 2016 Financial Results**

Mrs. Mahoney stated that she would like to adjust the appropriations for the sidewalk fund. This is the second year that we have been doing sidewalks in house. There is a bit of a learning curve in how much should have been budgeted for wages and materials. As of now, the estimate is going to go over budget. The account is funded by residents paying for the sidewalks. There is

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cash there to cover the overage of \$6,000 at the end of September. There is presently \$38,000 in the Fund 245 balance. Mr. Tadych asked if the City has been billing the residents whose sidewalks have been repaired or replaced. The amount of \$50,000 has been certified to the tax duplicate for 2017 for residents who have not paid. Mr. Clark asked Mrs. Mahoney how many homeowners pay for fees assessed versus those who choose to have the amounts placed on their tax duplicates. Mrs. Mahoney stated that over 1,000 people do not pay their sewer bill and choose to have it certified to the County Auditor for collection.

Mr. Henderson commented that he will have to check his notes, but he recalls that when the Property Maintenance Inspector was hired he would also do the sidewalk checking for the sidewalks in need of repairs. Mrs. Mahoney does not recall that being the case.

Mr. Clark asked if there is an additional fee the City charges for certifying the unpaid sidewalk repairs to the County Auditor. Mrs. Mahoney stated that the County adds one percent.

Mr. Tadych stated that he attended the County meeting at the library recently. The County has picked parts of Ward 1 and Ward 2 that they feel are in desperate need of some help. The County said that they look at the sidewalks and the conditions of the roads in making their determinations. Mr. Tadych stated that the sidewalks and roads are primarily the responsibility of the City. To say that the sidewalks and roads were part of the decision to say that the area is below average, is unfair because that is a City responsibility and it is up to the City to make it right. Mr. Tadych noted that people were upset with the target areas.

Mr. Clark stated that one of the things that continues to bedevil him is the cost of health care. Looking at year-to-date 2016, the total number is \$1,295,539, by taking the total cost year-to-date of \$886,960, plus the reserve paid to Jefferson Health Care, plus the current month payments. Mrs. Mahoney stated that Jefferson Health Care reports back to her on a previous month basis. Therefore, she does not have the actual numbers for September. What she has not done is gone back and put in the actual administration fee, claims, and the total. At the end of August, that is a good number. Mr. Clark confirmed then that \$874,000 year-to-date is an actual number that they can say is the total health insurance costs. Mrs. Mahoney stated that is correct, and the way that Jefferson works, we pay them a set monthly amount, which is the \$105,545.32, and part of that goes toward the payment of claims. What does not pay the claims goes into a reserve which is held in a bank account by Jefferson in the name of the City of Bay Village. Eventually what would happen is the City, if we stayed with Jefferson for years and years, we would not have to have a reserve in the insurance fund as we do now, but the reserve would be held with Jefferson. We have \$303,000 in a reserve with Jefferson being held for future claims. If we switch off of Jefferson in the future and went to another company, this would be used for unsettled claims. Mr. Clark asked what the claims number was for September. Mrs. Mahoney stated that she does not yet know that number. It comes in a set number at the end of the month. Mrs. Mahoney stated we are also paying Medical Mutual from our run-out for the time before we were with Jefferson. That will continue until all the claims with Medical Mutual are satisfied.

In reviewing the year-to-date Fund Report through September, Mr. Clark noted a \$13,000 Infrastructure Improvement Fund encumbrance. He asked if the entire encumbrance for the Queenswood Bridge Replacement design should be reflected, noting that the amount of \$130,000

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was appropriated for the design. Mrs. Mahoney stated that she could show that amount in the encumbrance. The amount of \$6,500 has been paid to Osborne Engineering Company. Once the state approves the lone bidder, Osborne Engineering for the design, Mrs. Mahoney will issue a purchase order so that it doesn't carry over to the 2017 budget. The state is paying for 95% of the bridge replacement, totaling approximately \$1.4 million.

The Equitable Sharing Fund has a negative balance of \$12,406.54 due to a reversible grant. The City must spend their funds and seek reimbursement.

The General Fund Revenue report is tracking well. The net profit this year on SAFEbuilt, Inc. to the City is about \$35,000. Mr. Tadych stated that one would think it should be higher. Mr. Clark noted that the City is at the higher threshold, with 20% to the City of Bay Village. Mr. Tadych commented that he believes there was more building in the City this year than last year. Mr. Clark stated that perhaps Jeff Grassi, Chief Building Official will provide a breakdown at the end of the year. Mr. Tadych noted that Mr. Grassi provided a new home construction report to date this year, and the numbers should have been more than last year.

Mr. Tadych noted that the Interest on Investments is higher than what was budgeted for 2016. Mrs. Mahoney stated that she is trying to be more aggressive in putting the cash balance into investments.

In the Recreation Department Expense category, Mr. Clark noted that there is no budgeted amount or expenses for spring, summer and fall program supplies. Mrs. Mahoney stated that the expenses are included in the individual programs activity expense lines. The three line items that were not used for 2016 will be eliminated in 2017.

In the Equipment Replacement Fund 240, Mr. Clark noted that the composter shared with the City of Westlake was paid for in September. Mr. Clark stated that he is more concerned that some of the projects approved still have to be completed. Mrs. Mahoney stated that the Normandy School flashers project is completed. However, Mr. Landers stated that the purchase order has been submitted and the flashers have been ordered but they are not yet installed. The Dwyer Memorial Center windows have been ordered partially, but a second bid is awaited on another portion of the windows. Installation will be included in that quotation. The Bay Lodge floor project is awaiting a pick-up of the material. Purchase orders have been submitted and approved. The hours of installation will be during regular working hours. The work will be done in-house. The Kiddie Kollege floor project will be held in abeyance at this time.

There being no further business to discuss, the meeting adjourned at 7:30 p.m.

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Dwight Clark, Chairman

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Joan T. Kemper, Secretary