

FINANCE COMMITTEE MEETING
held November 8, 2016
6:00 p.m. Conference Room

Present: Councilman Dwight Clark, Chair
Councilman Tom Henderson
Councilman Dave Tadych
Finance Director Mahoney

Also Present: Mayor Ebert, President of Council Koomar, Councilman Marty Mace,
Police Chief Spaetzel

Chairman Clark opened the meeting at 6:05 p.m. and thanked everyone for their attendance.

Operating Budget 2017

Finance Director Mahoney advised that revenue projections are much the same as 2016, with the exception that the municipal income tax receipts are projected at a 3% increase, and a small increase in investment revenue is anticipated.

In regard to expenses, the 2.25% wage increase has been included for both contracted employees and the General Administration employees, and a 2% increase in wages for the Council and the Mayor. There is a zero percent increase for health care, and a 12% cost share for employee contributions for health care.

Mr. Clark offered the following notations he had made while reviewing the documents prior to the meeting:

Personnel Expenses

It appears that the budget includes wages for the Mayor's Assistant and Mayor at full salary. Mr. Tadych asked about money left over from 2016. Mrs. Mahoney stated that it will just roll into the General Fund. Mrs. Mahoney stated that the vacancies of the Service Director and the Mayor will be approximately \$170,000 per year. About \$40,000 will be unspent for the remainder of 2016. Mr. Tadych asked if there is a savings on gasoline not used. Mrs. Mahoney stated that there will be a savings of gasoline reflected, although the Mayor and Service Director did not use a lot of gasoline.

Mr. Clark stated that he is in favor of leaving the salaries in the budget for 2017 and seeing a positive variance. Mr. Tadych stated he would like to see some of that money used for the Animal Control Officer. Chief Spaetzel stated that an Animal Control Officer will not be hired in 2016, but they will try to hire one as soon as possible. Realistically, it will probably be February.

Minutes of a Meeting of Finance Committee
November 8, 2016

Mrs. Mahoney suggested budgeting the salaries for the Mayor and Service Director and having a positive variance at the end of the year.

The Secretary of the Board of Zoning Appeals, Planning Commission, and Architectural Board of Review is shown under Civil Service, Planning Commission/Board of Zoning Appeals. Mrs. Kemper will retain the duties of the Civil Service Commission. Kristine Jones will serve as the secretary to the Board of Zoning Appeals, Planning Commission, and Architectural Board of Review. Her expected hours are 10 hours per week at \$14.25 per hour. The amount of \$4,000 will be budgeted for her position for 2017.

The Accrued Benefits Fund has a fund balance of \$100,000. Mr. Clark asked if it is necessary to appropriate another \$30,000 out of the General Fund for 2017. Mrs. Mahoney stated that it is good to build up a balance in the account to be prepared for retirements. The amount of \$80,000 was spent in 2016. Mr. Clark noted that 2% of municipal income tax receipts are allocated to the Accrued Benefits Fund annually. Mr. Koomar suggested preparing for retirements for the next three or four year trend. Mrs. Mahoney stated that in 2013 the expenditures from the Accrued Benefits Fund was almost \$330,000, in 2014 \$217,000 and in 2015 \$123,000. The average of the last three years is about \$223,000.

In regard to the Debt Schedule, Mr. Clark stated that in the past we have adopted a working practice of trying to borrow no more than our resources would allow us to do. The proposed borrowing amount for 2017 for the annual program of \$1.6 million exceeds our resources by about \$88,000. Mrs. Mahoney feels comfortable with that because there is enough balance in the Debt General Bond Retirement Fund. It is a high water mark of borrowing before we get into the Sunset Project and the Bruce/Russell/Douglas Project. Mrs. Mahoney stated that she likes to have two years of reserves (two full years of payments, not including the refundings) and that would mean about \$4.4 million in 2018. The cash balance in Bond Retirement, estimated at 12/31, is \$4.8 million. Mr. Tadych asked how the interest expense on the Bond Retirement Fund could be going down. It has been coming down, but how much more can it come down? The rates should be lower on the debt that we are paying down, unless it is old debt at higher rates. Mrs. Mahoney stated it is old debt and a few things have rolled off. We are paying down \$360,000 per year on the Police Station, and \$180,000 on the 4% coupon debt for the Community Gym and the Pool. Mr. Tadych stated that we paid down the same last year, so how can it drop \$20,000. Mrs. Mahoney will provide further information for Mr. Tadych.

General Fund Expenditures, Services by Division, there is a significant increase in Administration, Personnel Services (6%). Mrs. Mahoney stated this represents health care for Service Employees. There is more family coverage included than in the past.

Mr. Clark stated that he does not see a reason to budget for the full amount of a Service Director's salary for the entire year.

For Refuse Collection an additional \$30,000 is budgeted because of the increase in the contract with the refuse collection company. Mrs. Mahoney stated that she originally budgeted \$15.26 per house for the whole year and it should have only been for nine months. Mrs. Mahoney will reduce the amount by one-quarter.

Minutes of a Meeting of Finance Committee
November 8, 2016

Service Garage, Personnel Expenses are up 17% of the 2016 budget. Mrs. Mahoney stated that she moved an employee there from Streets, Fund 270.

Property Maintenance costs increased due to the fact that sidewalks were done in house for the first time last year and the cost of equipment and supplies were under-estimated. Mr. Tadych asked if it will be necessary to increase the billable amounts for sidewalk replacements for residents. Mrs. Mahoney stated that she will make that determination after seeing the final numbers for 2016. Mr. Clark noted that there is a significant difference in the revenue number, which is much lower than the expenditures. The amount of \$25,000 was collected and \$75,000 expended. (Account 245 – Private Property Maintenance in the All Funds Budget Analysis.) Mrs. Mahoney will provide further information.

Sewer Capital represents sewer improvements through equipment replacement for the pump stations. Large projects were done in 2013, 2014 and 2015.

Mr. Ebert has prepared a resolution for Council to urge the flow and strength testing to determine the participation in the support of the Rocky River Wastewater Treatment Plant by the four cities who are served by the plant. It is suggested and has been well-known that the Bay portion is significantly higher than it has been in the past. If the results of the testing proves positive for the City of Bay Village, it is hoped to reduce the amount paid by Bay Village by at least \$100,000. Mr. Tadych stated that this would be good information to have before passing the budget.

There is a 5% increase in the Fire Department Personnel Services. Mrs. Mahoney stated that there are four new firefighters who will be receiving increases as they move to a higher grade. They receive a 14% increase in pay from their second year of service to their third year of service.

There are 11 ½ firefighter wages charged to the Emergency Paramedic Unit. The remainder, 13 ½, are charged to the General Fund Fire Department.

There are two full time Police Dispatchers. The department is still working on hiring the part time dispatchers. Full time and part time dispatcher wages are included in Police Personnel Services. Mr. Koomar asked how many full time equivalents are being budgeted for 2017. Mrs. Mahoney stated that full time equivalents for Police includes deputies, crossing guards, and jailers is seven. Mr. Koomar asked how many part time dispatchers will be hired in 2017. Mrs. Mahoney stated that 75% of 4200 (3,687) hours will be addressed by hiring part time dispatchers. Chief Spaetzel stated that there could be 5 to 7 part time dispatchers hired at 25 hours per week. They will not receive health care benefits.

Personnel Services Animal Control is budgeted for a full year at an approximate amount of \$30,000.

The Building Department revenue received by the City is 20% of the receipts of building permits. SAFEbuilt, Inc. retains 80%. The increase from 75% will reduce General Fund expense by about \$12,000. Mrs. Mahoney will make the necessary adjustment.

Minutes of a Meeting of Finance Committee
November 8, 2016

Mr. Tadych asked the actual amount for Prisoner Care for 2016. It was increased significantly from 2015 to 2016 and now it is staying high. The three year average is \$5,000 and \$7,000 was budget for 2016. It includes food and miscellaneous items such as cots and blankets for prisoners. Mrs. Mahoney stated that expenditures this year were about \$3,000. Mr. Tadych suggested reducing the 2016 budget to \$5,000.

Revenue Budget – General Fund-

Mr. Clark asked Mrs. Mahoney to highlight items subject to SAFEbuilt. Inc. Mr. Clark asked if the City is on track with the SAFEbuilt rental. It was increased at the last renewal by 2% and currently is \$1,057.74 per month. The lease expires in May of 2018. When renewed it will be increased another 2%.

Promotional Sales Items – Revenue is \$4,700 through October. The revised amount of \$6,000 will be budgeted for revenue for 2017.

There have been only 47 passes for the Community Gym sold in 2016. The expenses far exceed the revenue.

A 3% increase has been budgeted for Bay Family Services. The contract is shared with the Board of Education.

A negative number for Private Property Maintenance may be the case due to the cost of services being paid by the City, subject to reimbursement by the property owner through their tax duplicate. The actual reimbursement may not be seen for several years.

Grant revenue shown will be removed if the grants do not become a reality. The amount of \$225,000 is shown for the Fire Department SCBA grant. The Dwyer Memorial Center has applied for a \$150,000 kitchen renovation grant, and a \$50,000 generator grant. Mr. Ebert stated that there will be a meeting with the engineer to determine if the electrical panels are sufficient for these renovations at the Dwyer Center.

The amount of \$80,000 was included in the 2016 budget for sewer modeling at various locations in the City. The needed sewer work on Bradley Road at Lake will be paid out of the Sewer Fund.

Mr. Henderson asked about the Sunset project. Mr. Ebert is hoping that Council will be able to move forward at the beginning of the year, with an actual project sometime in late summer or early fall. The project will be debted out separately. Mr. Koomar suggested that the project be included in a Supplemental Appropriation Ordinance at a future date.

Health Insurance Fund 600 – Mrs. Mahoney stated that Jefferson Health Care is paid approximately \$105,000 per month for claims and administration fee. Employee contributions for health care for 2017 are expected to be \$141,000. This includes a reduction of \$12,000 for

participation in the City Wellness Program which reduces the contribution of the employees who participate in the amount of \$20 per month. Fifty employees are expected to participate in 2017.

The reduction is based solely on participation. There are no other requirements at this point.

The vehicle formerly used for the Mayor is being used as a loaner for employees whose City vehicles are being serviced.

Election Expense – The amount of \$10,000 for 2017 is subject to further research to determine if the amount is adequate.

Fire Pension – Mrs. Mahoney noted that the amount of money needed to fund the Fire Pension Fund payments is a combination of General Fund money and Property Taxes. The City portion is 24%, and the Firefighters' portion is 12.25%. Police portion for pension is 12.25%, but the City pays 19.5%.

Mrs. Mahoney stated that a millage increase of one quarter mill from the presently collected 2.25 mills to 2.5 mills on our EPU levy would cover the deficit of \$110,000 over what the Property Tax collects. There is a quarter of a mill available on a valuation of \$510 million. If it were decided to begin collecting that quarter mill it would begin in 2018 if filed in the 2017 Tax Budget. Mrs. Mahoney noted that since the voters approved 2.5 mills she would have taken it from the time the voted millage passed by the voters.

There is an amount of \$33,000 budgeted for Architectural and Engineering for 2017. A contract for engineering services with CT Consultants for 2017 will be required.

Part time wages for the Police Department has been increased in the budget from \$130,930 in 2016 to \$151,050 in 2017 to accommodate the part time dispatchers. Mr. Koomar asked if the dispatchers could be listed on a separate line for management purposes. This is a new expense for the City and there will be questions of trending and it would be cleaner to get to that data if it is separated from the beginning. Mrs. Mahoney stated that she can provide that information to Council but disagrees on adding another General Ledger line in order to be consistent by department. The detail will be provided in a separate document.

Mr. Koomar asked the amount of part time police personnel budgeted in 2016, not including the dispatchers, and the amount of wages for the part time police personnel, not including the dispatchers, budgeted in 2017. Mrs. Mahoney will provide that information. Mr. Koomar stated that if we have 23 officers on staff now and we add an extra 2080 hours he would expect the part time wage to drop significantly. Chief Spaetzel stated that the new officers are still under training.

Crossing guards includes budgeting in 2016 for the Dover/Wolf intersection for which Council appropriated funds. Chief Spaetzel stated he will not hire someone for that position. Mr. Koomar will discuss this further with Mayor Ebert.

Minutes of a Meeting of Finance Committee
November 8, 2016

Chief Spaetzel is confident with the amount of \$80,000 budgeted in 2017 for overtime wages for the Police Department.

The Fire Liability Insurance is budgeted at \$41,000, significantly higher than the three year trending number. Mrs. Mahoney has changed the method of calculation as a percentage of the whole.

Fire Pension for Emergency Paramedic Unit is budgeted for \$60,000 in 2017. That \$60,000 added to the \$50,000 in the General Fund equates to the \$110,000 that the City must add in addition to the Property Tax collections for that purpose.

Recreation Department part time wages budgeted at \$95,000 is for all part time recreational employees, with the exception of part time swimming pool employees. The seasonal wage line has been dropped to zero and all of those wages are included in part time employees.

Mr. Koomar asked if there was ever a conclusion about the discrepancy in the pool budget. Mr. Ebert stated that there is an issue right now as to whether there even is a leak in the pool. Mr. Koomar stated that Mrs. Mahoney had indicated to him at one time that more people may have been hired than in the past. Mrs. Mahoney stated that she does not know if they hired more people but there were more hours being worked part time than in past years. Mr. Koomar asked if keeping that line item might help from a management perspective to catch that before the end of the season. Mrs. Mahoney stated that she does not know if having a seasonal line item was that helpful. Mr. Koomar asked what is used on a per pay basis for tracking to know that things are in line for the budget. Mr. Clark noted that there were negative variances this year so they will be watching very closely next year.

Mr. Clark stated that what concerns him is that maybe there wasn't a leak at all in the pool, and money has been appropriated for repairs. Mr. Ebert stated that the decking is being cut to check, because the water is holding. Mr. Tadych asked the source of the loss if it wasn't a leak. Mr. Ebert stated that he cannot answer that question at this time. If there was a water loss they will make an application to the Cleveland Water Department. The water usage went up. Mr. Clark and Mr. Mace suggested that the sun and heat this summer might have been a contributing factor. More information will be given to the Finance Committee as further tests are conducted.

Mr. Tadych asked how gasoline is allocated. Mrs. Mahoney stated that now that the gas fobs are operational, once a month she logs in and runs a report from the fuel master system and it indicates how many gallons are used by each fob. It is then allocated to expenses. When the gas is purchased the expense is taken from Fund 270. At the end of the month, Fund 270 is credited back (Street Repair), and the expense is charged back to the departments that used the fobs. It is charged to Fund 230, Vehicle Operating Supplies line item. In the Police Department each vehicle has a fob.

Mr. Tadych asked how the budgeting was done compared to last year. Mrs. Mahoney stated that she takes a three year average, looks at where we are year-to-date and determines a reasonable number. He asked if the right amount is being budgeted this year for gasoline for each department. Mr. Tadych stated that looking at the Community Services Department, the average

Minutes of a Meeting of Finance Committee
November 8, 2016

was \$6,700, the 2016 Budget is \$6,200, and now we are jumping to \$6,800 and the price of gasoline isn't going in that direction. Mrs. Mahoney stated that she used the three year average, which is \$6,765. Mr. Tadych suggested reviewing all of the gasoline usage by department with consideration for lowering the amount.

Equipment Replacement – Mr. Clark made a notation that the numbers will be revised based on how the Capital Budget is fine-tuned. The numbers seem significant because of the placeholder for the fire grant of \$225,000.

Mr. Clark stated that we are at \$25,000 year-to-date on Snow Removal Wages. Is the \$90,000 in the Budget for 2017 the right number? We were positive by \$65,000 in 2016. Mrs. Mahoney stated that the average is \$70,000. In 2014 the expenditure was \$100,000. Mrs. Mahoney will lower the budget amount to \$70,000.

The Street Construction Operating Supplies Budget of \$75,000 includes gasoline, repairs, oil, and anything needed to keep vehicles operating.

A small amount of road salt was ordered for next year, with of \$44,000 total budget of salt for 2017. This will be taken from Fund 250 State Highway. If there is not enough revenue in this account from vehicle license fees, the remainder of expenditures are taken from Fund 270, Street Construction.

Fund 600 – Health Care – Mr. Clark stated that Mrs. Mahoney has presumed that the premiums will remain the same and actual claim costs will go down. Jefferson Health Care estimate for the City of Bay Village is \$974,110, plus the \$299,960 in Administration. The Administration Fee to Jefferson equates to \$25,000 per month. Mr. Clark commented that this seems high. We were paying Medical Mutual about \$260,000 per year in administration costs. Mrs. Mahoney stated that Jefferson Health Care is higher in administration costs. Because we are in a consortium, the claim costs are supposed to be lower. Mr. Clark stated that if they are not next year, the situation will be revisited.

Workers Compensation costs are expected to be lower due to a more engaged Human Resource Manager who works closely with the employees.

Mr. Tadych commented regarding the salaries for the two people in the administrative roles in the Recreation Department. He noted that one of the salaries was kept flat for 2016. He asked what next year's salary for that employee will be. Mrs. Mahoney stated that she budgeted the increase on the flat salary for 2016.

Mr. Clark stated that the Capital Budget for the Fire Department includes a tablet for \$5,400, with a note from Bailey Communications that \$2,500 is a more reasonable number. Mr. Clark suggested including a placeholder for a reasonable value for the trade-in of the ambulance that is being replaced against the cost of the new ambulance. Mr. Clark noted that the Sewer Camera Truck resale in the past resulted in a windfall of \$50,000.

Minutes of a Meeting of Finance Committee
November 8, 2016

Mrs. Mahoney stated that the quote for the Wi-Fi at Bradley Park came in at \$22,000. Her thought is that these funds may be better allocated for the restroom renovation.

Discussion followed concerning options for providing a van for the Animal Control Officer. This will be discussed further at the next Finance Committee meeting.

There being no further business to discuss, the meeting adjourned at 7:45 p.m. The next meeting of the Finance Committee will be held on Monday, November 14, 2016 at 6:30 p.m. Mr. Clark tasked Mr. Tadych and Mr. Henderson to provide Mr. Clark with their thoughts on the 2016 Capital Budget.

Dwight Clark, Chairman

Joan T. Kemper, Secretary