

FINANCE COMMITTEE MEETING
held September 16, 2013
6:30 p.m. Conference Room

Present: Young, Clark, Tadych

Also Present: Mayor Sutherland, Councilman Lee, Councilwoman Lieske, Councilman Miller, Law Director Ebert, Finance Director Mahoney, Service Director Galli, Operations Manager Landers, Interim Police Chief Holliday, Fire Chief Lyons

AUDIENCE

The following audience members signed in this evening: John Suter, Marty Mace, Russell Thompson, Jerrie Barnett

Mr. Young opened the meeting at 6:30 p.m.

Review of August Financial Reports (Exhibit A attached)

Mr. Young advised that the cost for health care for employees is over budget, to date this year, by 18%, or \$150,000 compared to the previous year.

Municipal Income Tax receipts are above last year's receipts, to date this year, by 19%, or \$620,000.

Mr. Clark noted that the amount of \$395,000 that needs to be transferred back to the Bond Retirement Fund must come out of the Municipal Income Tax receipts. Additional funds are also needed in the Accrued Benefits Fund.

Overtime costs for the Police Department are at \$60,000. Interim Police Chief Holliday has been informed by the Finance Director that these costs are within the expected range at this point in the year.

Mayor Sutherland noted that the Police Department personnel will be using overtime to perform the background checking process for the three firefighter openings. Chief Lyons stated that there has been one retirement and two firefighters leaving for positions with other municipalities.

Mr. Young noted that attention is needed to the Equipment Replacement Fund, and the Accrued Benefits Fund, prior to beginning the work on the 2014 Budget.

Assistant Director Popovich is looking into the matter of the lease payments of Kiddie Kollege for use of the Bayway Cabin.

Minutes of a Meeting of Finance Committee
September 16, 2013

The encumbrances in the Equipment Replacement Fund are for Fire Department, Police and Service Department vehicles. This is why the negative \$233,000 is shown in the account. This is due in part because the \$395,000 transfer has been made to the Bond Retirement Fund.

Revenue in the amount of \$17,000 is shown in year-to-date receipts for Law Enforcement.

The Infrastructure Improvement Fund expense amount of \$104,106.73 is incorrectly recorded. It belongs on the Bradley Road Improvements line. There have been advances made out of the Infrastructure Improvement Fund this year. Discussion of the finalization of the Bradley Road/Naigle Road project will be held this evening.

Mr. Clark noted that the Bond Retirement Fund balance of \$1,767,817.98 seems high but there are a lot of debt service principal payments to be made in December. Interest payments have amounted to \$161,063.02 of the original budget of \$1,931,381.00. Advances were paid to the Equipment Replacement Fund, and \$310,000 to the Public Improvements Fund.

Analysis of Reserve Funds (Exhibit B attached)

The report indicated that the advances have been made from the Infrastructure Improvement Fund in the amount of \$2,550,000.00, which is why the balance is at \$204,549.49. The \$2,550,000.00 will be paid back from receipts into the Bradley Road/Naigle Road Intersection Project, the Cahoon Road Aerial Sewer Project, and the Sidewalk Fund. This will increase the fund balance to \$2.7 million. This will fund the Cahoon Road Sanitary Sewer Project. Ohio Public Works Commission interest free loan money for the Cahoon Road Sanitary Sewer Project has been applied for in the amount of \$780,000. Project cost is \$1.4 million.

Mr. Clark asked if an adjustment needs to be made to the General Reserve Fund by adding \$163,000, which were the funds received as reimbursement from FEMA, and First Energy for storm-related damages. Mrs. Mahoney will make that adjustment.

Mr. Clark noted that there has been no activity in the Municipal Buildings Improvement Fund in two years. Discussion will be forthcoming for needed improvements at the Community House. The Fire Detection System was \$20,000 but was not funded out of the Municipal Buildings Improvement Fund. The balance in the fund stands at \$1,926,307.71.

August Financial Reports (continued)

Interest on Investments revenue is at 94.62% of the budget, to date this year. Mr. Tadych noted that additional interest will be forthcoming.

Ambulance Reimbursements are only at 55.25% to date this year. Chief Lyons stated that the billing company is slow to send out bills in January, February, to allow other bills to be paid with deductibles first. It is expected that additional revenue will be seen toward the end of the year.

Court fines collected are lower than the anticipated amount of \$80,000. Fines received amount to \$34,793.52, or 43.49% of the budgeted receipts for 2013.

Minutes of a Meeting of Finance Committee
September 16, 2013

Mr. Clark asked Mayor Sutherland if the reconfiguration of the rollback on property taxes by the state has affected the receipts. Mayor Sutherland stated that the reconfiguration will affect any future operating levels. Renewal levies are o.k. but renewal replacement gets treated as a new issue. Mayor Sutherland stated it will not affect the city as much as it will affect the schools. In order to get things passed, they will figure that in their millage, and now they will have to ask for a higher amount.

Expenses

Outside Legal Expense is at a minus \$7,910.82. Mr. Young noted that these expenses include labor contract negotiations,

Mr. Young noted large overages in accounts such as OPERS – General Administration, Network Operations, and General Liability Insurance. Mrs. Mahoney stated that she posted bank fees to the Network Operations account. Election expenses for the September primary election may not appear until 2014. Those expenses are expected to be approximately \$18,000. Unemployment Insurance is in the negative amount of \$4,194.95. Telephone Expense for the Police Department is also at a negative amount of \$3,603.75. The Mayor said there may be something going on here with the problems that they are having with the narrow banding of the radios. The Police may be using their cell phones more. Interim Police Chief Holliday stated that the radios are bad, due to the mandated federal narrow banding. The Mayor stated that they have narrow banded to such a way that it is putting our officers in danger. They have been in basements and calling for back-up and they can't communicate. On the Fourth of July, Sergeant Leasure was trying to talk to Detective Krolkosky, who was within sight distance and they could not communicate on the radios. The Mayor will be coming back to Council very early in 2014 with the request for a major investment in radios. All the other communities are facing the same issue. Rocky River is going to the Marks Radios which is probably what the West Shore communities will all do. The infrastructure is in place with the towers; what are needed are the radios. The large tower that was put up at Columbia Road is for the Marks Radios. Mr. Clark asked if the investment will be a package deal with other West Shore communities. Mayor Sutherland stated that is what they will do.

Fire Chief Lyons stated that the Fire Department has replaced all of their radios. Area Fire Departments got together a couple of years ago and purchased through a Federal grant. Mr. Tadych asked if there is additional Federal grant money available. Chief Lyons stated that those funds are no longer available. Mayor Sutherland stated that there may be state money available.

Mr. Clark asked if the credit for the missed refuse collection due to the sympathy strike has been received. Mrs. Mahoney stated that a check was not received. There was supposed to be a credit given during the month of June. Mrs. Mahoney will investigate. Mr. Clark noted that it appears that there was a credit because expenses to date are only at 57.23%. We also have not had to pay the fuel recovery charge this year. Mr. Tadych asked the amount of the credit that was to be received. Mayor Sutherland stated that it was \$2.50 per household, for 6,250 households.

Cahoon Road Sanitary Sewer Project

Service Director Galli reviewed the ordinances that are on the agenda for the Council meeting this evening in regard to the Cahoon Road Sanitary Sewer Project. The CT Consultants amount came from the OPWC application for funding that was done in 2010. The Trax Construction was the second successful bidder for the construction work for the project. The first successful bidder, Mr. Excavator, withdrew due to an error in the bid.

Items in the bid including utility relocation of \$150,000 have been reduced to \$15,000 due to the idea that the poles will be supported and not relocated. Additional funds were requested from the Ohio Public Works Commission in the form of an interest free loan. The original loan amount of \$600,000 has been increased in an amount up to \$180,000. We are eligible to receive 40% of the total final contract amount of \$1.4 million.

Mrs. Mahoney will prepare a supplemental appropriation in the amount of \$1.5 million to cover the construction and engineering costs. Mr. Clark noted that an advance will be taken from the Infrastructure Improvement Fund when the Bradley/Naigle Intersection Project is finalized and the reimbursement is received from that project into the Infrastructure Improvement Fund. Mr. Clark noted that the project scope is lower than the original estimate of \$1.7 million.

Mr. Young noted that if the city were not receiving the funding through the Ohio Public Works Commission for 40% of the project, it would be necessary to take out notes. There would be a cost to do so. Mr. Clark commented on the possibility of tying in funding with the existing note that is coming up. We can roll the notes, as long as rates are low, and how this would be handled as well as other capital projects behind it would be part of the whole strategy. Mr. Tadych asked if Mr. Clark is suggesting rolling and increasing. Mr. Clark stated that there is \$500,000 worth of treasury debt rolling off this year.

Mrs. Mahoney stated that she will prepare a supplemental appropriation ordinance for this project. Purchase orders cannot be written until the funds are appropriated.

Bradley/Naigle Road Final Financial Summary (Exhibit C attached)

Mrs. Mahoney stated that the city has the \$1,326,567.00 reimbursement from the Ohio Public Works Commission. The amount spent for the project was \$1,542,519.77. We advanced \$1.5 million. The City of Westlake owes the City of Bay Village \$144,510.89, for which they will be billed by Director Mahoney. Total reimbursement coming back to the City of Bay Village is \$1,471,000.00, short in the amount of \$29,000 of what the city had advanced.

The transfer has been appropriated back to the Infrastructure Improvement Fund.

The amount of \$1 million will be transferred into the Infrastructure Improvement Fund from the Cahoon Road Aerial Sewer Project. The project will be closed out this week.

Mrs. Mahoney stated that they can appropriate the \$1.5 million for the Cahoon Road Sanitary Sewer into the Infrastructure Improvement Fund, or they can create another fund. Mr. Young suggested not creating a separate fund.

Mayor Sutherland stated that some work will have to be done in that area on private property. Mr. Young asked if the city will do the work, or the residents. The Mayor stated that this would have to be discussed. This project will close two sanitary sewer overflows, but we want to make sure we are monitoring the right water. They have unique issues in the neighborhood that CT Consultants will have to review.

Mr. Clark suggested restoring all of the advanced funds into the Infrastructure Improvement Fund before we appropriate further funds.

Mr. Tadych asked if the Environmental Protection Agency is going to get involved with the Bassett Road issue for the Saddler Beach Homeowners Association. Mr. Galli stated that at this point he would say no. There is storm water coming out of the sewer.

Administrative Compensation Ordinance

Mr. Ebert related that union contracts have now been settled with AFSCME Service, AFSCME Administration, and Police Blue. The contracts are a 2% increase for 2013, 2014, and 2015. Since the increase goes into effect July 1, 2013, it represents a 1% increase for 2013. The increase in health care contribution is 8, 9 and 10%, plus the additional deductibles which give a total of 28 1/2% single coverage, and 24.3% family coverage. The contract for Police Gold is close to being settled, and the Fire contract still needs to be settled.

The administration employees are currently paying 10% for health care contribution this year. They will have a credit back to the 8%. Health care changes are effective October 1, 2013.

The administrative compensation ordinance is effective for only one year, due to forthcoming personnel changes. Mr. Clark asked if the ordinance should be placed on first reading this evening. Mr. Young suggested treating the administrative compensation the same as the union contracts.

Mr. Young referred to the section of the administrative compensation ordinance that states that "Seeley, Savidge and Gourash shall receive such additional compensation at an hourly rate approved by the Mayor." Mr. Young stated that it is important that an hourly rate be quoted in the ordinance for an understanding by the general public. At this time the hourly fee that Mr. Ebert's law firm charges the city is \$175.00 per hour. Mr. Young noted a recent hiring experience in his personal life that amounted to paying an attorney \$220.00 per hour. Mr. Clark stated that estate work is normally \$225.00 per hour, and bond attorneys are paid \$350.00 to \$450.00 per hour, depending on the work being done. Mr. Clark stated that one of the concerns about outside legal expense is that it is not just the work that Seeley, Savidge and Gourash would do, but there are labor negotiations and workers compensation. The Mayor added that the city also uses bond counsel and defense attorneys. Mr. Young stated that in addressing next year's budget he would like to try to control that portion of the budget, but at this time he would like to

Minutes of a Meeting of Finance Committee
September 16, 2013

address the hourly rate to see if it is a competitive rate. Mr. Young asked Councilman Steve Lee his opinion of Mr. Ebert's rate for his law firm of \$175.00 per hour, since Councilman Lee is an attorney. Mr. Lee stated that he feels it is a fair rate, depending on the expertise involved. He also assumes there is some volume discount applied to multiple matters.

Mr. Ebert commented stated that he is always compromising thousands of dollars. Mayor Sutherland stated that they always negotiate with law firms, whether it is bond counsel or others.

Mr. Ebert noted that the city has changed bond counsel to Squires, Sanders and Dempsey. They charged a flat rate but if you calculate the hours it would average out to \$350 to \$400 per hour.

Mr. Young stated that in the city's case it is not the attorney that is involved it is the decision that the Mayor and Council make as far as what cases should be pursued. He has strongly insisted on the city paying for legal advice and pursuing cases that he, later on, would like to take back because it was not a good expenditure of the taxpayers' money.

Mr. Clark suggested getting a yearly breakdown of compensation, and the amount of work that Mr. Ebert wrote off for the city. Mrs. Mahoney stated that she could pull those records.

Mr. Tadych stated that there is a lot of knowledge that is already there an outside firm would have to gather before they could go any further. It is an asset to the city.

Mr. Clark stated that the tracking of both the compensation and what Mr. Ebert has written off will be helpful in terms of transparency for the Finance Committee.

Mayor Sutherland stated that putting the rate in might compromise having the best representation. From time-to-time it may be necessary to bring in a specialist. If there is a set rate that is far below the market, they don't need to work for us. Mr. Young agreed that the hourly rate for the law firm should not be included in the ordinance, but that it is important to have fully discussed it in committee.

Mrs. Mahoney will increase the 2013 budget by \$70,000 to accommodate the wage increases.

The meeting adjourned at 7:30 p.m.

Mike Young, Chairman

Joan Kemper, Secretary