

## **FINANCE COMMITTEE MINUTES NOVEMBER 18, 2014**

The Finance Committee meeting was held on November 18, 2014 at North Royalton City Hall, 13834 Ridge Road. The meeting was called to order at 6:48 p.m.

**PRESENT:** Committee Members: Chairman Larry Antoskiewicz, Vice Chair Gary Petrusky, Paul Marnecheck; Council: John Nickell, Dan Kasaris, Dan Langshaw, Steve Muller; Administration: Mayor Robert Stefanik, Finance Director Eric Dean, Safety Director Bruce Campbell, Fire Chief Robert Chegan, Building Commissioner Dan Kulchytsky, Community Development Director Thomas Jordan, Service Director Nick Cinquepalmi.

### **APPROVAL OF MINUTES**

Moved by Mr. Marnecheck, seconded by Mr. Antoskiewicz to **approve the October 21, 2014 Finance Committee minutes.** Yeas: 3. Nays: 0. **Motion carried.**

### **UNFINISHED BUSINESS**

#### **1. Monthly Finance report including tax collections status**

Mr. Dean said that we received year to date tax collections of \$12.5 million. Last year we were at \$12.75 million. We are at 92% of our budget of collections so we are down slightly compared to last year of \$247,000. He said he tried contacting RITA to get some more information on why we are down. He said that \$247,000 is 1.9% of our overall collections. He said that RITA responded that their bills for the third quarter were sent a little later than last year and that we should expect to collect a little more in individual taxes in the next month. For the month of November last year we received \$396,000 in individual. According to RITA, we are already at \$358,000, so hopefully some of that decrease was in the late payments that trickled into the next month's collections. Mr. Dean said that our withholding is up and our net profit has been slightly down for the year. He said that everything looks pretty good. Individual taxes have been up and down all year. Mr. Petrusky asked if this up and down trend has anything to do with the franchise fee in Ordinance 14-134 by bringing in some of that extra money in since things seem to be moving around. Mr. Dean said not directly. This ordinance is more for adding some money to the General Fund to have a more balanced budget. He said he is still projecting a slight decrease in income tax and it will be up and down throughout the months. This really is more for cash flow problems, which we don't have. Mr. Nickell said we used to track the unemployment rate in the city, he asked if Mr. Dean knows where we are at. Community Development Director Tom Jordan said that he actually just looked into this. He said that regionally we are doing better than the state and the national averages, but he does not have the actual statics for within the city itself. He said he can get this information through the Cuyahoga County Planning Commission.

#### **2. Overtime**

Mr. Dean referenced the report he sent to Council. He said that it shows the reimbursement we received from the state for the May 12, 2014 storm. He said we received about \$124,000 from the state and a lot of that was equipment costs. Only \$11,000 was actually for overtime. He said this will be received in November and we have not yet made those adjustments. The total overtime to date is only 82% of what was budgeted. Mr. Marnecheck asked if we received 100% of the money we requested in overtime. Mr. Dean said yes. Mr. Marnecheck asked Mr. Cinquepalmi if we incurred any overtime last week for snow plowing. Mr. Cinquepalmi said yes, but not very much. Maybe 30-40 hours total so far. He said we are going to shifts this Saturday night so that should help get us on a regular schedule and have sufficient coverage so that we won't incur too much overtime. Mayor Stefanik said that we will need to move some money from concrete and asphalt in to snow plowing and rock salt since we have started winter a month early this year. He said that some of this money could go towards overtime and/or repairing snow plow trucks and equipment. He said this will be included in an amending appropriation ordinance at the next Council meeting. He said that if we get more storms before then, we are going to probably have to order some salt on an emergency basis before the next Council meeting. He said that this is a worst case scenario, our salt barn is still about half full. Mr. Cinquepalmi said we probably have about 800 tons right now. He said with all the freezing we have had, we

are constantly salting. He said one big storm can wipe out 700-800 tons of salt. Discussion was held on the how and when of salt deliveries. Mr. Cinquepalmi said that we usually reorder when we get to about 400 tons. We can hold about 2,000 tons. Mayor Stefanik said we are on a 24 hour guaranteed delivery so if we see a bad storm coming in three days, we can act quickly. He said he hopes that Council will consider moving the money at the next meeting, and he asked the Law Director if there is a scenario that would allow for us to purchase salt in an emergency situation. Mr. Kelly said yes. Mr. Petrusky said with the price of oil continuing to fall, are we seeing a price reduction for fuel through our consortium. Mr. Cinquepalmi said yes we have seen a slight savings. Mr. Langshaw asked how much money we are looking to move. Mayor Stefanik said \$60,000-\$70,000. Mr. Dean said that this is not an increase to the budget, it's just moving money from one category to another.

### **3. Capital Improvements/City Hall Financing**

Mr. Antoskiewicz asked Mr. Dean when he anticipated that everything will be finalized. Mr. Dean said that he spoke with the underwriters today and we are planning for next year already. He said we are looking at March to finalize the funding for the open projects remaining and to go out to the market and fund the bonds over the 20 year life span. He said that this would possibly include the Edgerton Road water line project. Mr. Kasaris asked if we are thinking of bonding out for whatever we have to pay for Bennett Road. Mr. Dean said that it is an option but right now we are applying for funding for our portion. He said that we do have some money set aside. He said that you don't want to bond a resurfacing project; you go to the market with the long term repairs. Mr. Kasaris said that we had financial consultants tell us that we should bond out roads and we ended up doing this. Is there a difference between what the state did with Ridge Road and State Road vs. what the county is going to do with Bennett. Mr. Dean said that he is not sure what was done by the state. His distinction is whether it is a reconstruction of the road or just a resurfacing. We do resurfacings every year. But if you do a reconstruction of the road, this is where you look at bonding it out. He said that we have bonded out road reconstruction in the past. Mr. Marnecheck asked if the City Hall and Edgerton Road bonds would be one bond to cover all the projects, or multiple bonds. Mr. Dean said it would be one issue. It saves money to do it all at once. It would be split up into each category; it wouldn't be just one bond.

### **4. 2015 Budget**

Mayor Stefanik said that there were a few issues that came up between today and the last meeting at need to be talked about. He said that we got our employee healthcare numbers back today. We budgeted for 10% in this years' budget and the numbers came in at 4.8%. He said that we are one of only a few cities that did not increase by double digits. He attributes this to our aggressive wellness program we have introduced over the last few years. Also, we have put together an employee healthcare committee. He said that our employees also did a great job in trying to utilize generic drugs over name brand drugs. This made a big difference in our premiums. He said that next year the employee co-pay will increase. He said that he has not yet had a chance to meet with Mr. Dean to see what the new insurance numbers will save us next year but we will put this toward the assumed carry over for next year. He estimates that it will be \$120,000-\$150,000 range. Another item is the Building Tech position that is on the agenda this evening. He said that this is a position from the Service Department. Rather than replacing a recent retirement with a Service Department position, we are replacing it with the Building Maintenance Technician III and the pay scale will be the same as a Laborer II in the Service Department. He said that we discussed this with Council a few weeks ago and would really like to see this get approved this evening so we can get started on the ongoing maintenance needs of our new facility. We will no longer have a cleaning company or the window washers come into city hall. This new position will be responsible for all these duties as well as cleaning and maintaining the grounds of all the city buildings. Mayor Stefanik asked Mr. Dean to give an update on the Police Department budget. Mr. Dean said that at the last meeting, one of the things that stood out was the increase in the police budget from 2013. He said that the number we were comparing it to was actually the 2014 budgeted number. It looked like an increase of about \$380,000. He said we were all wondering where that came from. He went back and looked at the detail and some of the items that made it look like a big increase are not going to happen. We budgeted for 4 new officers in the 2014 budget and we only hired two late in the year, so this made it look higher. We now have the two for next year. He said that he is expecting the total increase between 2013 and 2014 to only be around \$230,000. We had a couple more traffic light repairs and vehicle maintenance in 2014 than in 2013, as well as

higher fuel costs and additional supply items. He asked Chief Elek if there were any other unexpected costs in 2014 that didn't happen in 2013. Chief Elek said that we should be ok now. One of the traffic signal repairs was the W. 130<sup>th</sup> and the Parkway when that was underwater in May. We were reimbursed from FEMA but that money goes back to the General Fund, not to the police budget. He said they have been working on some of the pre empts on the traffic signals throughout the city because our system is aging and requires ongoing maintenance. He said that he does this when he has money available. He said the pre empts are for when the emergency vehicles go through the intersections, it turns green for the emergency vehicle and red for everyone else. He said that they are trying to establish the corridor to Parma Hospital and other major intersections. He said that it can cost up to \$5,000 per intersection depending on the problem. Mr. Langshaw asked how the signals are activated. Chief Elek said that they are activated by the yelp mode siren. Mr. Petrusky said that regarding Ordinance 14-134, since we will be seeing a savings in the hospitalization, he does not feel that we should be moving all of the franchise fee in the whole \$200,000. He said that we should scale it back like Mr. Muller said to \$100,000. He said that he uses the YMCA and has noticed that the roof is leaking. He does not know if this is our responsibility or that of the builder. He would rather be on the cautious side and keep a little in the Capital Improvement Fund in case something comes up and we need the money. Mr. Stefanik said that this is how it was introduced. Mr. Antoskiewicz said that it is introduced so that \$100,000 will go into the Future Capital Improvement Fund and \$100,000 will go back into the General Fund. He said that 15% is going into the Service Capital Fund. 10% is going into the YMCA Special Revenue fund since it is no longer a capital project. Mayor Stefanik said that there is about \$110,000 in the YMCA fund right now. Mr. Dean said that the allocation to the YMCA Special Revenue Fund will be about \$40,000 per year and will be used for maintenance and repairs. He said that there is a certain level that we are required to maintain, so this is why we have this fund in the first place. He said that he will amend the proposed budget with these new numbers. The previous version contained the full amount going in and also had the higher medical expenses as well. Mr. Muller said that he prefers that we don't touch the amount going into the Future Capital Improvement Fund, but he recognizes that with the loss of revenue from the state, we need to move some of these funds. Since we originally budgeted to move the \$200,000, Mr. Muller asked if there is going to be a change somewhere else for the \$100,000 that we are not moving. Are we making a cut somewhere else, or is it actually going to reduce the carry forward in the general fund. Mr. Dean said this is a revenue item, so he will reduce the revenue he is expecting. This will affect the carry forward. He said the appropriation is just the expense side. Mr. Antoskiewicz said the \$100,000 in the General Fund gives the administration some flexibility if something comes up. If we don't use it, it is still part of the carry over, as is the Capital Improvement Fund. Mr. Dean said this is correct. He said that doing it this way makes us look better at the markets when it comes time to get rating reviews. They want to see that we are not spending more than we are taking in. Mr. Muller asked then if the expenditures that exceed the \$100,000 should be reduced so that the carry forward does not look as though it is actually dropping, since we were expecting \$200,000. Mr. Dean said that the expenditure side has nothing to do with revenue increases or decreases. This is a separate issue. If we are going to show less money going in, he suggests that we look at our medical and make it a little more accurate. He said that he will revise the budget and send it out with the correct numbers. Mr. Marnecheck said that with the changes that Mr. Muller wants, plus the potential savings for healthcare, it sounds like our carryover would still be about the same amount that was originally proposed. Mr. Dean said that is correct. Mr. Langshaw said he just wants to ensure that we achieve the \$1 million dollar carryover we talked about at the special meeting so that we can maintain a good bond rating. He said that the state cuts have hurt us and we are doing the best we can to stay fiscally conservative. He said he is now more supportive of the franchise fee allocations as submitted.

Discussion ensued over the need for the additional Special Finance Committee meeting that is scheduled for November 24, 2014. It was determined that this special meeting is no longer necessary. The Finance Director will present Council with the budget that will contain the amendments discussed this evening, and Council will remove this item from the Finance Committee at their Council Meeting scheduled for December 2, 2014 and adopt the amended budget that same night. Moved by Mr. Petrusky, seconded by Mr. Antoskiewicz to cancel the Special Finance Committee meeting scheduled for November 24, 2014. Yeas: 3. Nays: 0. **Motion carried.**

## **NEW BUSINESS**

No new business.

**ADJOURNMENT**

Moved by Mr. Petrusky, seconded by Mr. Marnecheck **to adjourn the November 18, 2014 meeting.** Yeas: 3.  
Nays: 0. **Motion carried.**

Meeting adjourned at 7:25 p.m.