

FINANCE COMMITTEE MEETING
held February 7, 2022
5:45 p.m.

Councilman David L. Tadych, Chair
President of Council Dwight Clark
Councilman Thomas J. Kelly
Councilman Peter Winzig (By Zoom)

Also Present: Mayor Koomar, Councilwoman DeGeorge, Councilwoman Maier,
Councilman Greco, Finance Director Mahoney.

Mr. Tadych called the first meeting of the Finance Committee of 2022 to order in the Council Chambers of Bay Village City Hall at 5:45 p.m. and thanked everyone for their attendance.

Review of 2021 Financial Reports

Mr. Tadych began the review of the 2021 Financial Reports of the City of Bay Village, noting the impact of the COVID Pandemic and the General Fund finishing with an unexpected amount of money. He asked Finance Director Mahoney the reason for the high amount of money in the General Fund.

Finance Director Mahoney stated that there was CARES money that paid for \$900,000 of police and fire wages, which would normally have been paid out of the General Fund.

Interest income has declined considerably.

Mrs. Mahoney stated that many investments were purchased with a premium which netted against the interest revenue. Some of that will be seen this year when the investments mature.

Mr. Clark noted that the City of Fairview Park purchased a City of Bay Village note this year.

Mrs. Mahoney stated that Bay Village bought Fairview Park's note and they renewed it just last week, and Bay Village bought it again. Bay Village also bought Rocky River's note.

Mr. Tadych noted the notation in Mrs. Mahoney's report highlighting the financial activity in 2021 regarding the estimated cost of over \$15 million for remediation of sewer overflows as mandated by the Environmental Protection Agency, as a real struggle for the City in the future.

Mr. Clark stated that \$250,000 was transferred from the General Fund to the General Reserve Fund. He asked how much was transferred out of the General Fund to the General Capital Fund last year. Mrs. Mahoney stated that \$1.3 million was transferred.

Mr. Tadych stated that municipal income tax receipts did well in 2021. Mrs. Mahoney stated that she received an email from a resident asking how he can request his refund from the city that withheld his municipal income tax. The resident has been working from home all year.

Minutes of a Meeting of Finance Committee
February 7, 2022

Mr. Tadych stated that municipal income tax receipts in 2021 are 8% over 2020 receipts, and \$100,000 over 2019, compared to 2020 receipts. It was a very good year, with receipts up over \$600,000.

Mr. Clark stated that wages going up and having an educated, mobile work force has helped significantly.

Mrs. Mahoney stated that as City wages increase, the municipal income tax receipts increase. The City employees and Board of Education employees are the biggest taxpayers in the City.

Mayor Koomar stated that the Regional Transit Agency shows their sales tax receipts to the Board of Directors, of which Mayor Koomar is a member. Through the whole pandemic, the sales tax receipts have been very steady and strong. People are still making money and spending money.

Mr. Tadych stated that the City's Healthcare Expense Fund expenses are higher this year than last year by about \$300,000.

Mrs. Mahoney stated that she believes year 2021 in the Healthcare fund is still artificially low in expenses because people were still holding off elective surgeries.

Mr. Clark stated that it is interesting that expenses were lower in 2018 than in 2019.

Mr. Clark stated that under Employee Data in Healthcare, as of December 31, 2021 total lives covered is blank. Mrs. Mahoney will provide that information.

Mr. Clark asked the interest rate the City receives from the Reserve Funds that sit with Jefferson Healthcare. Mrs. Mahoney will provide that information.

Mr. Clark stated that there are three to five rate hikes projected this year and he would like to see that number move up as rates go up.

Mrs. Mahoney stated that in 2020 the receipts were just under \$6,000 but the balance at the end of the year was \$370,000 with Jefferson Health Care. In 2021, about \$4,600 was received and the balance was double. From July through December of 2021 the receipts were \$3,100.

Mr. Tadych stated that, although a slow process, it has been interesting the number of people that are opting out of healthcare. We are almost at 24%.

Mayor Koomar noted that in getting the annual reports from City departments, he noted that the Police Department has had retirements and the workforce being hired are younger individuals which transfers over to the number of claims.

Minutes of a Meeting of Finance Committee
February 7, 2022

Mrs. Mahoney stated that as things quiet down with COVID in 2022 there may be more healthcare claims due to employees seeking medical or surgical procedures that were put off during the pandemic.

Mr. Clark asked if any claims have hit the Stop Loss Category this year. Mayor Koomar will ask Human Resource Director Demaline to provide a Healthcare Overview at the February 22, 2022 meeting of Council.

Mr. Tadych stated that the General Reserve Fund is increased by \$250,000 as Mr. Clark noted earlier.

Private Property Maintenance represents sidewalk repair. At the end of 2021, Mrs. Mahoney asked City Council to advance \$160,000 to that fund to pay out the contractor for the sidewalk repairs. This payment will not occur until 2022. The contractor is paid to repair the sidewalks, the residents are billed and reimburse the City.

New Purchase Order Procedure for 2022

Mr. Tadych asked Finance Director Mahoney how she likes the new system of closing out all purchase orders for the previous year when advancing to a new year. Mrs. Mahoney stated that it is not what she is used to, especially for encumbrances. When speaking with her west side counterparts, their systems also cut off at the end of the year and start the new year. The theory is putting all the activity in the year that the activity happens. The old way was carrying over the encumbrance into the next year.

Mr. Tadych stated that there is \$6 million in the Bond Retirement Fund. Mrs. Mahoney stated that she likes to have one year of debt payments held in the fund.

Mr. Clark stated that there have been annual increases in the Bond Retirement Fund because the amount of tax money taken in has exceeded the obligations. Mrs. Mahoney stated that once it goes into the Debt Service Fund it cannot be transferred out.

Mr. Tadych noted that the debt for the Family Aquatic Center will be completed this year.

Mr. Clark stated that the last payment is December 2022, marking the last payment of a twenty-year non-callable bond issue at 4.03% interest.

Mayor Koomar noted that replacements and repairs have been made extending the useful life of the pool.

Mr. Tadych asked if any funds are due the City of Avon Lake for the jointly owned Walker Road Park.

Minutes of a Meeting of Finance Committee
February 7, 2022

Mrs. Mahoney stated that Fund 400 is for the Walker Road Park Improvement. Fund 480 has \$7,000 but is not for the Walker Road Park. A small assessment is paid from Fund 480 which was established prior to Mrs. Mahoney's employment with the City, and she does not know what the fund is for.

Mr. Clark stated that Fund 602 has money from Bureau of Workers' Compensation rebates. It is a significant number.

Mr. Clark stated that on the Budget Report, Page 1 of the Revenue Page, shows \$7,968,000 for the year. That basically represents 94% of the total municipal income tax taken in. Ninety-four percent goes to the General Fund, 4% to the General Capital Fund, and 2% to Accrued Benefits Fund.

Mr. Clark stated that the budgeted amount for Refuse Collection Fee was almost made for the year, despite the significant portion of people not paying directly. Mrs. Mahoney stated that if they pay through their property tax it gets posted in the account.

Mr. Winzig asked how the process works for the donations from Mr. Coulton for the Tennis Court Funds. Mrs. Mahoney stated that there was no activity in 2021. Mr. Coulton deposits his donation with The Village Foundation, and once a project is completed the funds are requested by the City from The Village Foundation.

Mr. Winzig asked about the shared expense from the schools for the School Resource Officer (SRO). Mrs. Mahoney stated that it has been received in January of 2022.

Mr. Tadych noted the receipt of the Analysis of Reserve Funds and the Project Budget Report received from Director Mahoney. Mr. Clark stated that most of the items budgeted but not paid will come out of the equipment category and represents vehicles bought for the Service Department.

Mr. Winzig asked if a project falls off the Project Budget Report when the project is completed.

Mrs. Mahoney stated that she can write a report with closed and/or open projects. She only ran it with open projects as of now. If a project ends with an unused balance, Mrs. Mahoney would reduce the revenue allocated to the fund and that would free the money up for a future project. The money would go back to the fund from which it originated, under Fund 400 where most of the Capital expenses occur.

Mr. Winzig suggested adding another column for funds unused.

Mr. Winzig stated that he thought the items for the Bradley Park Playground were purchased last fall, but he does not see that expenditure on the expenses side of the report. Mrs. Mahoney

Minutes of a Meeting of Finance Committee
February 7, 2022

stated that the money was not cashed out. Mr. Winzig noted that this would be an encumbrance that would carry into 2022.

Mr. Tadych commented that it is amazing how the balance increased in the General Reserve Fund. There is \$11.1 million in the account at this time. Mr. Clark noted that this has occurred even though a large amount was spent on Capital Improvements over the last five years.

Mrs. Mahoney reiterated the process under the new software system for purchase order carry-overs. The former way was that a purchase order was kept active in the year in which it was originally encumbered. This could be seen on encumbrance reports. The new system closes out all purchase orders at the end of the year, with the numbers kept active so it is easy to follow which year the purchase order was created. The first column on the page of the expense report that says "Original Total Budget of \$41,828,547" ties to the number on the original Appropriation Ordinance adopted by Council. In the Current Total Budget of \$44,070,446.98 the difference in those at this point is the purchase order carry over of \$2.2 million into 2022.

Mrs. Mahoney will include that number in what she asks Council to approve when the increased wages are approved. Almost \$1 million of the \$2.2 million represents Capital expenditures. Going forward, this will be done every year. A Budget Report will be created at the end of the year to make sure the City is still within the original budget that Council approved. This is why encumbrances will no longer be seen on the December report. They will be included on the January reports in the future. Mr. Winzig noted that when planning is done for 2023 they will be able to project the encumbrance carry over. Mr. Winzig suggested rerunning the January 2022 financials to include the encumbrance report.

Mr. Clark stated that the new finance system seems to be working well. The Recreation Department and others are on an actual time-keeping system. He asked when it is anticipated the other departments will follow through and be on line.

Mrs. Mahoney stated that they have been practicing with the Finance Department. When they get the new employee in place to replace the existing Payroll Finance employee who is resigning they will work on that time-keeping system. The Service Department and Recreation Department are up and running with the new system, with Police and Fire Departments to follow.

Mr. Tadych asked how much time the existing employee will have to work with the new employee. Mrs. Mahoney stated that she and Mr. James Milton, the other Finance employee, established the system and will be able to assist the new employee. A start date for the new employee has not yet been established. Anette Oster, the existing employee, will retire on March 10, 2022.

Mr. Tadych asked how interest rate fluctuation at this point will impact borrowing this year. Mr. Clark stated that notes are usually priced in May for the City and at that time there may be only one increase. There will be a step-up in some of the short term money markets on the asset side

Minutes of a Meeting of Finance Committee
February 7, 2022

as well. Mrs. Mahoney stated that the interest rate on the Fairview Park purchase last week was just under one percent. One year ago it was 0.25%.

Street notes are taken out for seven years; all others are taken out for five years.

Mr. Tadych asked if the City can pay off debt earlier would that be under consideration. Mrs. Mahoney stated that there is \$6 million dollars in the Debt Service Fund that would make early payment possible. However, there are looming, large Capital expenditures going forward.

Mr. Clark stated that the Finance Committee also discussed putting the existing police station debt into the note program to save on the interest.

Mr. Tadych asked Mayor Koomar if the Fire Department improvements will most likely not be a total rebuild. Mayor Koomar stated that this is the strong direction the administration has given the successful architectural firm.

The Mayor stated that in regard to the overflow project and the \$15 million expected expense, the City Engineers Bierut and Filarski have knowledge of attractive programs that the City may be able to apply to funding with favorable rates. The planning loans are at 0% and the construction loan is at 0.65%. The administration would like to go through the process for acceptance of the projects and to lock in at that rate. Grants, if received, would offset that debt.

Mr. Clark noted that many cities will lease equipment. Bay Village maintains their purchased equipment much longer than five years.

Mayor Koomar stated that he spoke with the Mayor of North Ridgeville. North Ridgeville does leasing of vehicles and it may be something to look into.

January 2022 Financial Reports

Mr. Winzig stated that there was a good infusion of cash in January, compared to December. On the investment side, the Starohio investment was reduced by \$1 million, and Goldman Sachs went down about \$725,000. Did those monies move to another account?

Mrs. Mahoney stated that there were some large expenditures in January and only a small portion of the property tax was received. The remainder will not be seen until February or March. It is a matter of cash flow at the beginning of the year.

Mr. Tadych noted that the County sent out the property tax bills a little later than they normally go out. Tax payments are due at the County on February 11, 2022.

Mrs. Mahoney stated that property taxes are only received twice per year. Once payments are received Mrs. Mahoney will put the money back in Starohio.

Minutes of a Meeting of Finance Committee
February 7, 2022

Mr. Tadych stated that when you look at the bond and savings accounts, there are only eleven coming due in 2022, which is a good thing. Possibly by 2023 we will have some better money, but they are going to start early enough coming due. March is the first one and from then on they mature pretty frequently.

Mrs. Mahoney stated that also there was a third payroll in December. This is another large expenditure for the end of December, beginning of January, where we needed to move the cash out of savings for a short time.

Mr. Tadych noted that in eleven years when the extra paycheck comes due there will be money to meet the payroll because of the new account created for that purpose which will have a deposit of \$40,000 placed in the 27th Pay Account every year.

Mr. Winzig stated that the second page of the January financials indicates that the money market funds were invested in the Federal Home Loans program.

Mrs. Mahoney stated that this was just Key Bank. All of that money stays in Key Bank. Something came due and she reinvested it. In December there was \$1.1 million just in the money market earning .03%. It was moved to another purchase which increased the return to 1.1%. There were a couple things that came through at the end of December. With the holidays and the COVID, the investment consult met with Mrs. Mahoney at the beginning of the year and the money was put in the Federal Home Loans account.

Mayor Koomar stated that the RTA Board set up a 27th Pay Account, much like the City of Bay Village has done.

Mayor Koomar noted that when he started his administration there were no Capital accounts.

Mr. Tadych stated that the Municipal Income Tax receipts ended the year with a plus. This year it is up sky high compared to January of 2018, 2019 and 2020.

Mrs. Mahoney stated that part of it is that all of the employees contributed an additional amount through the extra pay in the amount of 1.5%. That boosts up the income tax. Mayor Koomar stated that it remains to be seen how the current law will change with people working from home. Over the years we have seen one month spike up due to bonuses, etc.

Mr. Tadych stated that the municipal income tax receipts from December were significantly higher. Now we have a January number that is disproportionate and probably has to be reduced significantly in February.

Mr. Clark stated that he would suspect the unemployment rate in Bay Village is relatively low. Two or three months of receipts will give us a better bellwether.

Mr. Kelly stated that recent years' receipts would suggest it is moving in the right direction. It speaks to our willingness to invest in the way we have, in the way in which we intend to, moving forward in terms of Capital investment.

Mr. Tadych commented that caution with investments is always the best route. Mr. Kelly stated that caution is certainly necessary but the fact is for the City to access the additional funds there is the responsibility to both steward it wisely but also having Capital needs that must be met and having the funds to do so, we should employ the strategy.

Mr. Tadych called for comments on the medical claims' situation going forward.

Mr. Winzig stated that the only thing he noticed on the medical claims is that the City's first payment, compared to the average from last year is a little bit less. We may be covering fewer lives. The charge back to the departments on average in 2021 were \$112,300. The first payment we made this year was \$105,400, a little bit less. It could be fewer lives or just an adjustment after the quarter.

Mrs. Mahoney stated that it is actually based on how many employees are on the plan, single or family coverage. There are 86 as of the end of December in 2021, and there were 92 previously. There were six less employees on the plan. Mr. Tadych stated that he will be anxious to see the number for 2022.

Mrs. Mahoney stated that the lives covered will affect the claims expense. But, it would not affect the numbers charged back to the departments. Those numbers are based on a single plan or a family plan premium. The 86 number of employees is more indicative of how many employees we have on the plan and how much we charge back to the departments.

Mr. Tadych asked if there is a certain number we like to keep on the plan. You don't want to go too far down. Mrs. Mahoney stated that she does not believe there is a contractual number.

Mayor Koomar stated that the number sliding down under 100 is one of the reasons for contracting with Jefferson Health Care.

Mrs. Mahoney stated that under the revenue report for 2022, we expect about \$4.3 million in the General Fund. A small amount was just received so far this year. This speaks to the cash flow issue and why the funds in Starohio and Goldman Sachs were liquidated. Once those funds are received the investments will be replenished. There were large expenses in January. We don't receive the property tax payment until February or March, so that is why it was necessary to liquidate some of our Starohio and Goldman Sachs. Once the property tax funds are received those accounts will be refilled. The main money is in Starohio.

Minutes of a Meeting of Finance Committee
February 7, 2022

Mr. Winzig stated that on Page 3 of the revenue report we budgeted \$500,000 for sidewalks. The total current budget is the same number. Mr. Winzig stated he thought we would carry the encumbrance over from last year and that wasn't paid out yet.

Mrs. Mahoney stated that the revenue on Page 3 shows that we are expecting \$500,000 in revenue for sidewalks. The expense would be on the expense page for the encumbrance. Mrs. Mahoney stated that the encumbrances will begin to be shown in the February report. Encumbrances are not shown in the January report.

Mr. Winzig stated that the sidewalk replacement budget was doubled for 2022 which will mean a really robust program for the residents. We are catching up on the sidewalk replacement/repair project.

Mrs. Mahoney stated that the bills for sidewalk work have been sent out to the residents. They were mailed last week.

Mr. Clark asked if there are historical numbers to indicate what percentage of residents pay the bill in full versus those who apply the charge to their tax duplicate.

Mrs. Mahoney stated that the average is only five or six per year that would apply the charge to their tax duplicate. The deadline for payment to the City is August 1. There is a fee charged for putting it on the tax duplicate, plus the County adds one percent.

Mayor Koomar stated that the objective now is to get through the entire city for the sidewalk program in five and one half years. Previously, it was closer to twenty years. As we get through the first cycle it can be much more manageable. Over the years the accepted tolerances have been adjusted, but there are some bad areas. The Master Plan requires that we maintain a walkable, bicycle oriented community. This program will get us on the right path.

Mr. Tadych asked if a resident is not in the planned area and they contact the City that they would like to have their sidewalk renovated by the City program, would that accommodation be made?

Mayor Koomar stated that there are always exceptions to the rule. The Service Department will always review exceptions. For the contracts let out it is good to keep the contractor in one general area, but if there is a hardship or extreme circumstance those will be investigated.

Mr. Clark asked how many years are left on the police station bond issue that we may consider for refinancing. Mr. Clark noted that he is thinking of the possibility of matching it up to the five years that is used for the street program. There would be significant savings. Mr. Clark noted that the bonds for the police station are callable, unlike the other bonds which are advance refunding bonds, which means the IRS will not allow us to do that. Those were done at a lower interest rate, so they will be kept out.

Minutes of a Meeting of Finance Committee
February 7, 2022

There being no further comments or discussion, the meeting adjourned at 6:45 p.m.

David L. Tadych, Chairman

Joan T. Kemper, Secretary