

FINANCE COMMITTEE MEETING
held June 6, 2022
6:05 p.m.

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

Also Present: Councilwoman DeGeorge, Finance Director Mahoney, Clerk of Council
Kemper

Audience: Dr. Dan Sweeney

Mr. Tadych called the second meeting of the Finance Committee of 2022 to order in the Council Chambers of Bay Village City Hall at 6:05 p.m. and thanked everyone for their attendance.

Review of April and May 2022 Financial Statements

Mr. Tadych stated that in looking at the financial statements there seems to be a large increase in revenue, approximately \$1.256 million higher in revenue than last year. Mr. Tadych noted that the increased revenue is from municipal income tax receipts. Mrs. Mahoney is thinking that in the private industry they are a little ahead of the City on income taxes. Mrs. Mahoney noted that people are submitting their estimates for 2022. If they are planning to make more money the estimates would be higher which would increase the revenue for municipal income tax.

Finance Director Mahoney stated that the additional funds are accounted for. The cost for everything has gone up. Inflation is high and increasing prices on all goods and services. Wages for City employees this year increased the budget by \$657,000.

Mr. Clark added that people continue to work remotely. In a community like Bay Village that may be a big part of it. He asked Mrs. Mahoney if the Regional Income Tax Agency (R.I.T.A.) would be able to provide insight as to people redirecting funds to Bay Village that would otherwise go to the working community of the City of Cleveland or another community. Mr. Clark noted that he filed for a refund through the City of Cleveland because he worked remotely all but six days last year. That money could get redirected to Bay Village as a R.I.T.A. community. This policy went into effect for 2021. Mrs. Mahoney will check with R.I.T.A. regarding the activity in that regard that would affect Bay Village income.

Mr. Clark stated that the year 2019 is a good comparison for municipal income tax receipts because that was a pre-COVID year. That reflects \$1.3 million year-to-date over for the first five months of 2022.

Health Care

Mr. Tadych stated that Health Care expenses are not discouraging. He asked Mrs. Mahoney to put in the month and year of 2022 to date.

Mrs. Mahoney stated that it doesn't change materially.

Mr. Tadych stated that it does change. Last year there was a 100% increase. He would like to know how many participants are dropping out of the program.

Mr. Winzig asked about the balance of the funds at the end of the fiscal year, as tracked by Jefferson Health Care. There is a significant amount of carry-over.

Mrs. Mahoney stated that usually they would ask the City to take a moratorium instead of submitting the monthly deposit.

Mr. Tadych asked if Jefferson would grant a partial moratorium, e.g., just pay one-half of the monthly deposit. Mrs. Mahoney stated that they have continually kept depositing to keep things consistent on the City side.

Mr. Winzig asked if there is a target number that Mrs. Mahoney would want it to be. Mrs. Mahoney stated that there is not a target number. Her goal is to eventually to have barely any funds on the City side and just have it on the Jefferson side.

Mr. Winzig suggested that Mrs. Mahoney could withdraw some funds and put them in a money market fund. Mr. Clark added that as rates are going up the City should be stepping up the rate of return of the investment of the funds that are being held by Jefferson Health Care. He asked Mrs. Mahoney to provide an update. His guess is that we are earning a decent amount on the \$754,788.99 on deposit with Jefferson Health Care.

Mr. Clark stated that he asked Human Resource Director Demaline to give Council an update on health care in the Executive Session that will be held on June 21. HR Director Demaline has agreed to do so.

Mr. Tadych noted that health claims are \$57,000 lower than in 2021. Mr. Clark asked if some of the costs are down because more employees are opting out of the plan. Mrs. Mahoney stated that although more employees are opting out there are new hires in 2022. Mr. Clark noted that at the end of 2021 the health care plan was provided for 248 covered lives. Mrs. Mahoney stated that a few have been added in the last couple months. However, it is doubtful that a new hire would have high claims. Mr. Clark stated that he would think the City has a younger, healthier workforce. Mrs. Mahoney stated that along with inflation of everything else health care costs will rise as well.

Budget Report

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Mr. Clark brought up the question of how best to house the funds from the sale of the former library. Mrs. Mahoney's recommendation was to place the \$1.4 million in the Capital Municipal Buildings Fund, Fund 495. The funds will potentially transfer at the end of this week. Mr. Clark asked Mrs. Mahoney to let Council know when the funds transfer. Mr. Winzig noted that the new owners of the building are coming before the Planning Commission on June 15 with footprint plans for the building.

Mr. Clark asked Mrs. Mahoney to provide Council with a report of the Reserve Funds at the end of June.

Revenue Budget

Mr. Tadych stated that revenues have increased significantly.

Mr. Clark asked Mrs. Mahoney if there is anything of note that Council should be aware of under the Revenue Budget report.

Mrs. Mahoney stated that there is nothing significant, either positive or negative, other than the municipal income tax receipts. The remainder of Property Tax receipts will be received in the fall. Everything seems to be trending consistently.

Mr. Winzig called attention to the Reimbursement for Sidewalks. He stated that he noted that the agenda for this evening's City Council meeting includes moving forward with the 2022 Sidewalk Replacement Program. He asked if this would affect that same account, and if the appropriation would change the current budget.

Mrs. Mahoney stated that it will change the current budget because it is anticipated to receive additional funds. Mrs. Mahoney stated that the receipts in 2022 might not be received in time to be reflected in this year's budget. Mr. Clark noted that the City will have to carry a higher balance of those improvements before residents start being assessed for the sidewalk repairs or replacements. The money will work its way to the City; it is just a question of when. Potentially it could be two years until receipt of the reimbursements.

Mrs. Mahoney stated that the City has not yet received their second tranche of COVID funds from the federal government. The amount to be received by Bay Village is approximately \$800,000. Mr. Clark noted that some of the large municipalities have just received those funds today.

Mr. Clark asked how the Building Department is trending revenue wise with contractor registration and permits. Mrs. Mahoney stated that more permits will be received in the summer months. Receipts were lower in the winter than Mrs. Mahoney anticipated. There is 64% remaining in expected revenue for permits.

Expenses

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Finance Director Mahoney stated that she has received an update on the fuel recovery charge for the month of May. The diesel fuel charge is \$12,000 for one month, so we are looking at over \$100,000 additional for the year.

The increase in interest costs, going from 2% last year to 2.50% this year, for the note issuance is over \$125,000 for next year.

Mr. Clark noted that the good news is there is about \$4 million of investments coming up through the end of next May. There should be a higher level of investment rates.

Mrs. Mahoney stated that looking a fuel costs for City vehicles. A 20% increase, about \$35,000, over last year in costs is anticipated.

Mr. Tadych asked if Mrs. Mahoney can increase the budget numbers now to reflect that increase. Mrs. Mahoney stated that she would have to ask Council for approval. Mrs. Mahoney will speak with Director of Public Service and Properties Liskovec and consider this further after Council's summer recess.

Wage increases for City employees for 2022 amount to over \$650,000. The average percentage of increase is 4.9%. The Police Department employees (officers) were given \$750 each in exchange for eliminating their shift differential, averaging about \$250 per patrolman, per year. For the Fire Department, emergency overtime was removed, which averaged about \$600 per year. Each firefighter/paramedic received \$1800 this year with the elimination of emergency overtime going forward. Service Department employees (approximately 30) received \$500 each in exchange for removing the mechanic's job description out of their union contract.

Mr. Clark asked if the \$650,000 in wage increases is for all employees including administration, or just the bargaining units.

Mrs. Mahoney stated that the amount is for all employees, including administration. She noted that when looking at the budget report as of the end of May, 62% is the percentage remaining to be spent for the remainder of the year. If the percentage is higher, that would be a problem. Looking at the May report, all seems to be in order and within the budget. It is not quite the same as the number of months because we have only had ten of the twenty-six paychecks to be issued.

Mr. Tadych noted that the high municipal income tax receipts would indicate that residents have made a significant amount of money this year. He asked if the City is going to see a more prompt area of receipts on charges, such as refuse collections.

Mrs. Mahoney stated that she would be surprised to see much change in the habit of paying refuse bills. About 1000, or one-sixth of the properties in Bay Village, are assessed each year.

Mr. Winzig asked about the line item called Communications. Some of the departments are showing a negative. He asked if this is a new line item, broken out differently than in the past.

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Mrs. Mahoney stated that the line item Communications represents cell phone charges, and the Marks radios for police and fire. The encumbrance for the whole year is done at the beginning of the year.

Mr. Clark asked Mrs. Mahoney if she is getting good service from the software vendor for the new Finance system.

Mrs. Mahoney stated that there are still problems with Tyler Technologies. They have converted over the Service Department, Recreation Department and Finance Department. Last week they were able to have a consult with Tyler Technologies for four hours, and will have another consultation this week for four hours. The plan is to move to the remaining departments. When the issues that have been experienced with the Recreation Department and Service Department are worked through, they will move to Community Service, Building, and Mayor's office.

Mr. Clark asked how they are being paid.

Mrs. Mahoney stated that they have not been paying, except for maintenance, because they have not been able to get anyone to help. Now, they are paying as they use their consulting services. Monies originally budgeted for the conversion have not been used, due to the fact that there were no travel costs because of the pandemic, saving about \$25,000. Mrs. Mahoney's goal is to get the simple departments running very well before pushing it out to Police and Fire. The Police Department uses the system now, so it may just be integrated with the Finance Department system.

Mr. Tadych asked if it would not be best to fix the problems with the Service Department and Recreation Department before converting the others. Mrs. Mahoney agreed.

Mrs. Mahoney stated that \$225,000 has been spent for Tyler to this point. Mrs. Mahoney will provide the exact numbers as compared to the amount budgeted.

Mr. Kelly asked Mrs. Mahoney if the universe of problems have been identified. Mrs. Mahoney stated that they have been identified. Mr. Kelly asked if the support team can give Mrs. Mahoney an idea of how long it might take to work the kinks out.

Mrs. Mahoney stated that the conversion person for the Executime piece was not the best. A new person is helping to fix the issues.

Mr. Kelly asked if Tyler can provide some kind of time frame that they recognize that they are not getting the project done and there may be a problem.

Mrs. Mahoney stated that they are not at that point yet. There was also transition in the payroll staff. Service, Recreation, and the Finance Departments have been up and running for almost a year. The new system is working, but could be better. She still sees the merits of the system.

Mr. Winzig asked Mrs. Mahoney if, in the event she wanted to accelerate the amount of training they provide, he would bring it to Council because he thinks they would support additional investment given the fact that there is surplus funding.

Mr. Tadych stated that he does not know if he would support additional investment in Tyler Technologies.

Mrs. Mahoney noted that Mr. Jim Milton, Finance Department Specialist, and she just returned from the Tyler Technologies conference, which was helpful. She noted that in any software system there are always problems.

Mr. Tadych stated that he has seen them work well in the business world.

Mr. Winzig noted that when the Council approved the request for the system, Mrs. Mahoney stated that it would free up her staff's time due to reduction of paperwork.

Mrs. Mahoney stated that it absolutely has freed up staff time, especially in payroll and purchase orders. It has also made things more efficient, e.g., researching and transferring information.

Mr. Tadych asked what the other departments are doing to check whether it is working correctly in their department. Are they working the old way and seeing if it comes out the same in the new way? They say they are unsure of their results until they do it that way. Mrs. Mahoney stated that she cannot control what they do. They could be sure of their results. She uses it in the Finance Department and it is fine. Mrs. Mahoney noted that it is difficult for people to change.

Mr. Winzig asked if the Finance Committee could receive a Capital Projects report before Council recess. Mrs. Mahoney stated that the Capital Projects reports are issued quarterly. One can be expected at the end of June.

Interest Rates on Recent Note Sale

Mr. Tadych stated that Fifth Third Bank purchased the notes and sold them in one day to the City of Westlake. Mrs. Mahoney advised that Fifth Third Bank and the City of Westlake both bid the same amount of 2.5%. Key Bank bid at 2.527%. A fourth bidder bid 4.45%. The new money portion was just for the Road Improvement Program for 2022. Mr. Clark stated that challenges in the past were borrowing money for Capital Equipment for which we had to wait a long lead time, borrowing money for equipment and waiting for the equipment to be delivered.

Road Improvement Projects have begun on Wolf Road and Ashton Lane, with Lake Road starting soon. Mr. Tadych noted that the trucks are driving down Wolf Road at a very high rate of speed.

Mr. Clark noted that the Family Aquatic Center will be paid off at the end of 2022. The Fire Truck purchase of 2012 is paid off in full. Existing funds in the amount of \$625,000 have been used to pay off the first bond issue for the Police Station. There are not many years left on the

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Bradley/Naigle Road Improvement, a zero percent loan with two years remaining. The Police Station Note has seven years remaining.

Mr. Tadych asked if interest rates rise significantly, will the City have to call the issuance done this year, or could we let it go at the current rate? Mr. Clark stated that the issue paid off was callable, but it was also at a 3.16% rate, a higher rate than when it was done in 2011. The one just issued is a one year note; they are rolled every year.

Mr. Tadych stated that he is trying not to roll them next year because the rates will be higher

Mr. Clark acknowledged that they will be higher but noted that there will also be a higher rate of return on investments. Legally we can pay 90 days before the maturity date, or use Bond Retirement Funds to pay them off. We pay off our roads in seven years, with no balloon, pay off our equipment over five years. The City has established a good discipline on that front. The 2012 Bond Issue is relatively low at 2.04%. In 2018 the one year note was 2.12%. Increases in the Federal Reserve are factored in the 2.50% rate.

Mr. Tadych stated that he had Mrs. Mahoney do some work on the agenda request of March 4, 2022, which was the first time budget numbers changed because of payroll. He asked Mrs. Mahoney to go through and put the percentage of increases on the right hand side of the detail report. He noted it is difficult to read.

The City Council and the Mayor (without staff members salaries) were included at the beginning of the year for their salary increases, which were done by separate ordinances.

Going through the report you can see the percentage of increases. Mrs. Mahoney stated that the average increase over the whole City was 4.9%.

Mr. Tadych stated that the Service Department union employees received their 3% increase plus \$700 for each person, moving that 3% to almost 4%.

Looking at the numbers further in the report, Mr. Tadych stated that they are significantly up disproportionately. He asked for the opinion of the others.

Mr. Tadych noted that some of the increases are very high.

Mr. Kelly stated that the main thing that drew his attention is the more seasonal, part time employees. The market for those types of opportunities has changed dramatically and is reflected in those percentage of increases, e.g., the Recreation Department part time being up 12.5%, Street Construction part time up 25%. Some of this is indicative of the fact that the employment market has changed significantly in the last twelve to eighteen months.

Mr. Tadych stated that is true when you are talking about percentages. You are basing a percentage on a very low salary rate. When you are talking a smaller percentage on a higher rate, even at 6% or 5%, that represents a lot more money that you should be looking at rather than the part time people.

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Mr. Tadych stated that 5% or 6% on larger pay is very significant. It does not include an increase in vacation time or anything of that nature. This represents only dollars.

Mrs. Mahoney noted that there was no bargained increase in vacation time. If there was an increase in vacation accrual, there is no real budget cost increase. Mr. Tadych stated that there is an increase in that the City is receiving less work for more money.

Mr. Tadych stated that it is important that this be reviewed.

Mr. Clark stated that the largest increases are in Fire, Emergency Paramedic Unit.

Mrs. Mahoney stated that the Service Department was a 4.4% increase, all things included.

Mr. Clark stated that the Finance Committee needs to follow up on reports of how the new Finance Department software system is working. If there is a problem we must obtain better help or advise that we will not pay.

Mrs. Mahoney stated that it is nothing that hasn't happened in other conversions. It takes a long time.

There being no further comments or discussion, the meeting adjourned at 6:55 p.m.

David L. Tadych, Chairman

Joan T. Kemper, Secretary