

**MINUTES TO FINANCE AND AUDIT COMMITTEE
SHEFFIELD LAKE, OHIO
November 20, 2012**

This regular meeting of the Finance and Claims Committee was held Tuesday, November 20, 2012. Chairperson Stark called the meeting to order at 7 PM.

ROLL CALL OF MEMBERS:

Present: Stark, Kovach, Bring, Smith, McCullough, Belaska, Rosso, Erdei,
Mayor Bring, Finance Director Smith, Service Director Smith, Law
Director Graves, Treasurer Woods

Absent: Elliott, McCullough (excused)

Attending: Members of the Media; Avon Lake Press

PRESENTATIONS: None.

FINANCE DIRECTOR'S REPORT: Finance Director Smith reported as you know I emailed everybody Friday afternoon the 2013 budget and actually I was going to look for any questions that you may have to start with that I may be able to answer. President Rosso advised I like the way you put it together and showed the comparisons. Councilperson Belaska asked can you tell me what step pay is? Finance Director Smith explained in the Police and Fire contracts they have the ability to buy out their sick time in any 3 years, if they have enough sick time then they can buy it out which is good because when they retire we don't owe that big chunk of change. We have 2 people that are just finishing that up in the Fire Department and we have 1 person in the Police Department at this time that is taking advantage of that. It is really not a bad deal for the city, that is actually a good thing for us. Law Director Graves clarified it is just step 6 because in their contract they reach the first 5 steps in their pay, so this is their step 6 which is what she is talking about. Chairperson Stark stated revenue we know we took a hit, what have we or have we talked about any way that we can bring revenue into the city to help make up for some of this. Finance Director Smith answered Fire Chief Card has come to us and talked about the possibly an operating levy and just put it out there for the voters if they want to support what is going on. We have to do the Police and Fire because it has to give some kind of relief to what is coming out of general fund. What I emailed you all, all the things that we have lost over the last few years – I went with 2008 because that was actually a perfect year for us. Our property values were where they should be, we received full public utility reimbursements, we had personal property tax still in effect, average estate tax and then we have gotten cuts. They have taken away public utility reimbursements, personal property reimbursements which was supposed to be drawn out til 2018 which would have riddle it down and would have given us time to try to recoup from that – that is \$87,000.00 that was gone last year totally and is gone this year. You really kind of have to double that when you look at those kind of revenue

losses because we have no ability to recoup it and we can't carry any of it over so it is just gone and we have to try to manage without it at all. That is why I try to give you the total. Let me explain the Police and Fire pension what I just received, now had I given you the budget last Tuesday I would have had to given it back to you again last Friday as well because Police and Fire pension we normally pay the city's portion which is 24% of Fireman's pay and 19-1/2% of Policeman's pay – we normally pay our portion quarterly. Now they told us we are going to pay it on a monthly basis so in order to help us absorb that hit because with both departments about \$75,000.00 a quarter, they are allowing us to take that one quarter/the first quarter of 2013 and spread it over 3 years. So in essence what we normally pay for 4 quarters, we are going to have to pay all those months plus an extra month for every year for the next 3 years which is \$25,000.00 extra a year for 3 years. That will get us up to speed. PERS did this a few years back and we had the same situation but we were in a much better position, it wasn't that big of a hit. We have had all these cuts and then when you have to add that \$25,000.00 extra it is like getting another cut because it is just an expense that we can't get away from. Either we pay the whole quarter which we can't afford or we do take their deal and go with paying an extra month for the next 3 years. Also I got our renewal numbers on our hospitalization costs that went up by 5.7%, it is \$33,000.00 for the entire budget and that is all the departments that has been increased for a year. It is almost \$25,000.00 just for general fund increase. So that is just like not getting income and when we have those kind of increases. So with what I gave you on this spread sheet plus this additional general fund hospitalization costs – just for the general fund alone we are pretty much in the negative by almost \$475,000.00 from where we were this same time in 2008. So that is a lot to absorb, fortunately since 2008 we have had several people that have retired or gone out on disability, we have had a hiring freeze other than the Patrolman that we just put on but we had really no choice but to replace him with her. But our levels have gone down to the point where we had to do that. Mayor Bring advised I sent Tammy the other day, we had a Mayors meeting. Finance Director Smith stated the local government which you know I have harped about this for a few years. We used to get about \$326,000.00 towards the general fund every year, that got cut down to like \$174,000.00 for 2013 budget that we are looking at. Now the state is already talking about taking that away as well. I just can't imagine where we are going to get this money and I really don't have an answer. The state also has a SB601 on the books right now that everybody is trying to fight before the end of the year so they don't pass it but the state wants to consolidate all the municipal tax laws so they are the same and then they want to be able to control it. I will tell what that is going to do, I understand that they want to make it more lucrative for businesses to come into Ohio but like Mayor Smith from Avon who was at this meeting said they are trying to kill an ant with a sledge

hammer because it is way over done. This whole bill which our tax ordinance is maybe 20 or 24 pages long – it is not that big, this bill is 67 pages long – it was 36 pages just to explain what they were trying to do. I am at a loss for words because if they start taking over municipal tax and controlling what we can and can't get from businesses we are going to see a loss there as well. I don't know the exact impact on that yet, I am still looking into that but I have been working on the 2013 budget before I could get into those numbers. Mayor Bring stated one more thing, just today we were discussing we are trying to put up our new salt bin. That runoff has to be contained, the EPA has now demanded that we contain that. Now we are going to have to go there and dig that all up and contain that. Regardless of whether we put up the salt dome up or not, that was something that was mandated and they continue to do that not only to this city but every city and every time they mandate something that is additional costs. You asked how we bring revenue into the city and how we do something else, you negotiate contracts but the odds of us negotiating contracts and having something lower is about slim to none. We already tried that several times last year and the arbitrator comes in and rules in their favor. So we are stuck by that arbitrators ruling. The only other thing that we can do is look at departments and whether we keep departments or whether we dismantle departments then you got the unions to deal with. So we are in a situation where we can't win. Again when I ask for things, I don't ask for things just to ask for things. Chairperson Stark stated considering the condition of the city, do we need to start looking at and I never thought I would have to say this raising some fees for city services possibly to help make some of this? I hate to nickel and dime people but we got bring money in. Finance Director Smith answered that is actually a good thought, now keep in mind our biggest issue is general fund and things that effect general fund. Like the personal property taxes that got taken away, we had to absorb those by the general fund because they were taken away from the levies and fortunately our levies are so old in Police and Fire that they are unaffected by the recent property tax devaluations because those are actually back so far that we have gotten back that far. Let's hope we don't get there because then we are really bad. Mayor Bring stated I also asked the Police Department because I looked at the revenue that was coming in monthly and we are averaging about \$3000.00 to \$4000.00 and if you look at the last one it was \$11,000.00. We don't want to penalize people for living in this city but again – and we have an excellent police department but we have people that have not written a ticket in almost 6 months. It is not saying that they are not doing their job but again I think their leeway's are a little bit too lenient. So the revenue is starting to go up there. I just ask those guys to do their job. Again if you go to the court you will find out that there was not a ticket that was not given for 15 mph under the speed limit, always 15 mph over. All legitimate and we are trying to do that and that is helping out a little bit but these are just little bites here and there and it

is very difficult. Finance Director Smith stated the only places I had to really lower our lines per say for expenses is Police part-time and Fire overtime, that was the only flexibility I had in the general fund at all. So we are going to have to look at that, we are going to have to revisit that very shortly after the first of the year. They are basically under-funded – it does balance as of right now. I will know a little bit more after I close November. It is so hard when you have a couple hundred thousand dollars to deal with it is easy but when you have like \$50,000.00 it is a little tougher to find where it all comes together because I have to have some carry-over to match what I have already budgeted for in 2013. I will know more in the first week in December as well and I will keep you updated on that as well. Mayor Bring advised right now around this area we are the only one that doesn't have commercial fees for building and that has been brought to David and David is going to bring that to you guys so Mr. Wiblin is going to pass his test and that will bring some revenue in especially with Speedway and some of the stuff because those are pretty expensive but we are getting them. So we need to do that too, we are trying in every way possible to look at everything we can look at. Councilperson Belaska stated maybe we need to increase like the dog-at-large's and things like that – I don't know if we can or not and it would be up to the Law Director that start raising some of those a little bit more. Mayor Bring stated the Magistrate has his fines and there is only so much you can do on that, that is kind of regulated in the state. Finance Director Smith stated enforcing them helps too. Councilperson Belaska asked under 101.199.5324 grant expenses and then 101.199.5510 election costs – can you explain those 2 things to me. Finance Director Smith answered grant expenses are any small grants we might get that we don't have a line currently for, this year we got like a bike trail grant that is just sitting there and I don't know if we are going to use it or not. If we don't we don't and if we do that's fine. Election expenses is a costs that comes straight from the county auditor, I have no control over that at all. I budget for that, sometimes we don't depending on if we have anything on the ballot which we didn't in 2012 so we probably won't really have many election expenses. But if we have anything on the ballot we get charged for it. That is a standard account that I have in the budget every year. Councilperson Belaska asked what is retact fee's, 101.199.5550? Finance Director Smith answered that is another county expense, that has something to do with collecting property taxes. It is the county's way of getting they're funding so they can stay afloat – they charge back the city when they give us money. They charge us back for treasurers fees, dretac fees, foreclosure fees, election fees and forget what else is on those. That whole little section; it is like 101.199.5520 and on through. Councilperson Belaska asked I see we have 101.230.5337 animal control - \$200.00. Finance Director Smith answered that is if we need a cage or something. I don't think I actually appropriated anything for that in 2013? I think you are looking at 2012. Councilman Erdei

stated I see a lot of city's hiring a firm or something to go after people that aren't paying their taxes and that, do we have a high level where people aren't paying the taxes? Finance Director Smith advised we have 2 separate plans; we have a civil plan – all through Regional Income Tax; they do the whole thing and charges next to nothing to do it. They will take people to Lorain Muni Court and charge them civilly looking for them to pay their taxes. The other thing we are going to do next year; we normally have a subpoena program at the beginning of the year, like in February and we subpoena all the residents that haven't filed when they are supposed to file. We are changing that and we are trying a new system where they actually do a comparison to the federal returns for our zip code and then they go after people that way. That has actually been more lucrative and less costs to the city. RITA does that actually free of charge, so that is going to be a huge benefit next year. Law Director Graves advised to add onto that, we are still going to do the subpoena program every other year but annually now we will do this more targeted collection geared toward people who we already know to have taxable income. Mayor Bring advised the last time they did that we had a lot of people come in and pay, I think it was \$40,000.00. Finance Director Smith added if not more, that was what we got immediately but over long term payment plans we got more like \$60,000 to \$70,000.00 out of those. President Rosso stated back on the police/fire pension, how is 12 months different then 4 quarters, do you pay like back or something so January you got to pay for 12? Finance Director Smith answered since time began we have paid a quarter so that is 3 months, so right now I am going to pay the third quarter of 2012 this month. President Rosso stated oh so you wouldn't have paid the 4th quarter until the end of February for 2012. Finance Director Smith stated right now there is a little bit of a leeway right now of how we pay and that has been since time began. In order to catch up we either have to pay for a full quarter and then start paying on a monthly basis or they give you the option which is what we have to take. President Rosso stated a comment I would like to make, you had talked with Chief Card about maybe putting a safety levy on and people have brought up about raising fees. I am not sure raising fees is ever going to generate enough money that we are talking about here – it is a one time charge. When we look at what is the best way to go, should we take a look at instead of a fire/police levy – reducing our income tax credit by another quarter percent. Easier to pass in my personal opinion because all the people that are retired and not working don't get hit. Finance Director Smith stated people on fixed incomes don't get hurt like they would on a property tax levy. President Rosso concurred those people all vote no on a property tax. So not saying that is the absolute way to go, just throwing it out there as an option as you guys are reviewing things because I think the last time we did it; 6 years ago, I think we took a quarter or half of a percent. Law Director Graves advised we raised it a quarter percent. Finance Director Smith stated we left the credit because the credit

was one half of one percent and it still is. President Rosso stated either way it is a much easier sale. Law Director Graves asked do you think it is easier to sell a reduction in the credit or an increase in the rate? President Rosso answered off the top of my head I don't know, it is six one way and half a dozen of the other. I thought we did the credit before. I think it is much easier to pass then a property tax levy. Law Director Graves stated along with the litigation involving the Ford Motor Plant would save Avon Lake and Sheffield Village. That was one of the problems we had to equalize it. Finance Director Smith stated I actually agree with you, I think that is better for our retired folks that only have so much income to deal with it. It doesn't hurt them at all. Mayor Bring stated I have actually been discussing this for a while, I didn't want to bring it to you guys until – what I am actually having Mr. Card do is get a list of items that he needs or is asking for. He is going to get the costs of all these and then I was going to get some costs of the Police Department of what we need and get all of that gathered and bring that to you and then we will have discussions about that before we even think about putting that on so at least you know what it is about and then tweak from there. He came to us with some things and I looked at it and told him we are going to go for what we possibly think we can get. We have been talking about this for a few months. Councilman Erdei stated I kind of like Rick's idea, there was a couple of city's that reduced and let the voters decide.

Finance Director Smith explained the following appropriations. She advised there is going to be a lot more in December because I will have to be lowering and changing some lines for sure in December on the 2012 budget. Lorain County 911, we all know that we got that 0 interest loan from the county to implement it here for us which I think is going to relieve a little bit of manpower in our Fire Department. We did get the check and all this is is appropriating that money so we can encumber it before the end of the year and get that on its way. The Chief already knows everything that he needs to buy and that is the money that we will pay back over 10 years; \$5000.00 a year and that is in the budget as well for next year the first payment.

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| Est.& Incr. | 101.220.5490 | Lorain County 911 | 54,705.00 |
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*Motion by Kovach/Second by Belaska to accept and add the appropriation to the next Council agenda. Yeas All.

MAYOR'S REPORT AND/OR COMMENTARY: None.

LAW DIRECTOR'S REPORT: Law Director Graves stated I haven't really researched the issue yet but I think that there may in fact, was there any discussion on the standardization of the local income tax where that is going to only apply to statutory communities or whether Charter communities could still/whether it would be a home rule argument? Finance Director Smith answered no actually

nobody did, there was just me and the rest of the Mayors at the meeting. Law Director Graves stated we will have to look into that I think that there might be a home rule argument. Finance Director Smith stated I have RITA's for you too, they're summary of the whole thing. Law Director Graves stated I could take a quick walk through the investment policy now? Before you tonight you have a revised proposed investment possible policy for the City of Sheffield Lake. What we did is we took the one that we had provided earlier and cleaned it up a little bit and added a few things. We think that this is a good draft that is ready to be forwarded onto review by Council as a Whole. We have added a few things such as the standard of care exercised by the Finance Director, we added a couple of permitted investments that being the Star Ohio account and Star Plus account that seems to be getting a lot of favorable reviews. We expanded the classification of prohibited investments and added a paragraph regarding efforts to diversify the city's investments to minimize risks. I think it is a good policy, it incorporates some of the language that we like from other communities and I would recommend that Council take a look at it. President Rosso asked does this need to be passed before the first of the year for the auditors? Finance Director Smith answered it would be nice, it is just one of those goofy things that if we don't pass something or don't have it for the auditors they ding us for it on their management comments that we don't have an investment policy. I would prefer that we do because I prefer less comments. President Rosso stated that would be my recommendation then to add it to Councils agenda and then go through 3 readings with emergency clause.

CITY TREASURER'S REPORT: None.

OLD BUSINESS:

Proposed investment policy – discussed above; *Motion by Kovach/Second by Belaska to accept and add to the agenda. Yeas All.

NEW BUSINESS: None.

PRESIDENT OF COUNCIL COMMENTARY: None.

MEETING ADJOURNED: With no further business before this committee,

*Motion by Belaska/Second by Kovach to adjourn at 7:32 PM. Yeas All.

CLERK OF COMMITTEE AFFIRMATION:

This Meeting of the City Committee of the City of Sheffield Lake, Ohio, was held and conducted under all Rules and Regulations Governing the Sunshine Laws of the State of Ohio as they may apply. All meetings are recorded and available in Council's Office.

CLERK OF COUNCIL/COMMITTEES

Kay Fantauzzi

CHAIRMAN

Leanna Stark

I, Kay Fantauzzi, duly appointed Clerk of Committee
Of Sheffield Lake DO HEREBY CERTIFY that this
Is a true and exact copy of the Minutes of the
Finance of November 20, 2012.

COUNCIL PRESIDENT

Rick Rosso

and/or

COUNCIL PRO TEM

Eric S Elliott