

**SPECIAL FINANCE COMMITTEE MINUTES
SEPTEMBER 30, 2009**

The Special Finance Committee meeting was held on September 30, 2009, at North Royalton City Hall, 13834 Ridge Road. Meeting called to order at 6:03 p.m.

PRESENT: Committee: Chairman Mike Farrell, Vice Chair Gary Petrusky, Vince Gentile; Council: Dan Kasaris, John Nickell, Don Willey, Larry Antoskiewicz; Administration: Mayor Robert Stefanik, Finance Director Karen Fegan, Fire Chief Mike Fabish, Safety Director Bruce Campbell; Other Attendees: Pat Jones, Sara Macho, Melissa Martin.

NEW BUSINESS

1. 2009 Budget

Mr. Farrell said the purpose of this meeting is to discuss the 2009 budget. He said the budget was amended back in June and voted on it in July. That budget amendment constituted \$623,000 and we are now asking to once again amend the budget. Mr. Farrell said he would like to discuss the original amendment that was passed in June and whether or not the cuts that were made have been effective.

Mrs. Fegan said the goal was to come up with a percentage from each department. She said the original budget along with the adjustments that were made in June, are all included in the report that she distributed. Mr. Farrell asked if the numbers are reflective of the amended budget or the original budget. She said they reflect the original budget.

Mr. Farrell asked what the 42.82 percent was under Capital Outlay. Mrs. Fegan said \$160,000 was cut from the Police Department back in June. She said this was due to some security measures with the building and some other issues.

Mr. Farrell asked Mrs. Fegan if she can explain to the committee the areas on the report where the benefit of the actual cuts are noticeable. Mrs. Fegan asked that everyone look at their mini bud report and look at the actual to date expenditures through the month of August. She said this is in line with where we should be at the end of the year.

Mr. Farrell asked if there is anything in regard to the proposal that should be pointed out. Mrs. Fegan said there may be areas on the report where it appears that numbers were put in more than once, so she gave the following example to clarify those areas. She said that under the Police Department Police Facility, it shows a negative \$20,000. She said that \$20,000 was cut which means that the General Fund does not have to transfer the \$20,000 over to the Police Facility Fund. Mr. Farrell asked if all of the deducted numbers are all going back to the General Fund. Mrs. Fegan said the main goal was to help the bottom line of the General Fund. She said we looked in other departments and funds to see if there would be any savings that would have a positive effect in the General Fund.

Mr. Farrell asked where we stand to date if we look at the total number of the General Fund vs. the total number of our revenue. He asked if we are in line with our projections last June. Mrs. Fegan said the total number in projected cuts is close to \$300,000. She said the net number in projected cuts is \$199,000. Mr. Farrell asked if we can see something that we can base these cuts off of. Mrs. Fegan said our expenditures are in line with where we should be for the end of the year. She said the budget cuts in October will allow her to make further decreases in budgeted revenue in the General Fund. She said in June she decreased the income tax in the General Fund by \$405,000. She said she will now be cutting back on other revenue line items in the General Fund by \$200,000. Mrs. Fegan said by cutting the expenditures, it has reduced the budgeted revenues so that everything balances out and we can show a positive fund balance. Mr. Farrell asked Mrs. Fegan how she came up with the figure that has been presented to carry us out to the end of the year. Mrs. Fegan said by looking at where we were with the General Fund cash at this point of the year, knowing that we usually take a good hit to the cash in the fourth quarter, we knew we

would need an extra buffer to help with the budget process next year. She said when we went to the departments asking for adjustments they felt they could make within their departments, along with some additional adjustments, she came up with the \$300,000 reduction.

Mr. Farrell asked about the expenditures. He said when he received the information from Mrs. Fegan which included budget cuts, it does not appear that these numbers include overtime. He asked if the report he was looking at reflects all overtime or just reflective of paid overtime. Mrs. Fegan said the report includes only paid overtime. She said with the current financial system, the only way they track accrued or banked overtime is manually so this report only includes overtime that is paid out. Mrs. Fegan said when an employee works overtime, they can either bank that overtime or they can be paid for it immediately. When the overtime is in the bank, with their department head's approval, they can pull that overtime and take it as time off. Mr. Gentile asked if the Finance Department tracks banked overtime or does the individual department track this. Mrs. Fegan said both the Finance Department and the individual departments track this. Mr. Gentile asked if this is reflected in the monthly overtime report. Mrs. Fegan said no it is not. Mr. Gentile asked what the longevity is on banked hours. Mrs. Fegan said every department has a different limit as to what they can put in the bank. She said Police and Fire can accrue so much during the year then at the end of the year it comes down to a lower number and at the first pay in the new year they get a check for the difference. Mr. Farrell asked if that number is then adjusted at the end of the year for hours earned. Mrs. Fegan said Police and Fire are the only departments that can accrue hours over the limit with a payout at the end of the year. Mr. Gentile asked if they can overrun into a new contract at a higher pay rate. Mrs. Fegan said they can, but there is a cap and once they hit the cap, they can bank those extra hours.

Mr. Farrell asked Mrs. Fegan if she can get to Council a current cost on all banked overtime from all departments so they can determine how much money is actually owed. He also asked if we are banking the money for accrued overtime. Mr. Farrell said he is concerned that we do not know where we stand on overtime and said he would like to try to gauge the amended cuts that were made in June and July. He said all departments were told there is a freeze on overtime, but he said he does not see that. Mr. Gentile asked Mrs. Fegan if she places a monetary value on overtime since she does not know in advance if the overtime is going to be banked or paid out. Mrs. Fegan said she does not know which way it is going to come out and it is something that she places a dollar amount on at the end of the year and it is rolled over as a negative from year to year. Mr. Willey asked if the overtime will be tracked on the new payroll system. Mrs. Fegan said yes, it will be shown on the employee's paystub. Mr. Farrell asked if this is typical of all city services. Chief Fabish said all cities have comp time but he said he feels our city is ahead of the crew because we have a cap on accrued overtime. Mr. Farrell said he is not questioning what we have been doing all along, he is just concerned that we do not have any accountability for overtime in our system. Mayor Stefanik said that Mrs. Fegan goes by historical information and she is usually right on the money.

Mr. Antoskiewicz asked Mrs. Fegan if the adjustments she has made are the projections that will be carried out until the end of the year. Mrs. Fegan said yes. Mr. Farrell said he does not think we can go by historical information this year because we are seeing things this year that we have not seen in the past. Mr. Kasaris said he believes the reason we have seen an increase in the overtime payout is because the economy has gotten worse, the banked hours are emptying. He said as we get closer to the end of the year, he feels the bank will be emptying out a little more. He said since we do not know who is going to cash what in between now and December 31st, and said if we knew how many hours were out there, we would at least have an idea of what we might be paying out. Chief Fabish said in the past they have gone to the unions and have said they would like to place a freeze on overtime and said that is something we can do. Mr. Gentile said we are sensitive to declining revenues and we are trying to reach out to May 15th of next year and looking at every dollar being spent. Mr. Gentile said we will probably not realize the loss of revenue from unemployment until the middle of May next year at tax collection time.

Mr. Farrell said we have seen a down trend in our income consistently throughout the year. He said we are now tracking the unemployment within our city. Mr. Farrell said in August of 2008 there were 1,145 unemployment claims and in August of 2009, there are 2,666 claims. Mr. Farrell said we will not see this

until May 2010. He said what we have seen is almost reflective of last year. He said that he is hopeful that the cuts that were requested in June and July and the cuts that are being proposed for October will be enough to offset that income. Mr. Farrell said he feels that the measurement of unemployment gives us a tool to be able to project how badly we may slide in the upcoming months of 2010. Mr. Farrell said we need to get through this budget and also think about the mini budget that needs to be done to run the first quarter of 2010. He said this is why it is important to know how much we owe in banked overtime. He asked Mrs. Fegan if each department is responsible for tracking their banked overtime. Mrs. Fegan said they are responsible for tracking it and reporting that information to the Finance Department then the Finance Department keeps a running total of that overtime. Mrs. Fegan said she will get a total of what is out there in banked time currently. She said that the only problem is we do not know if this banked time will be in addition to their regular salary or are they going to use it as time off. Mr. Gentile said the mini bud report will not reflect a negative number to add on to the balance sheet so we do not know where we sit with overtime.

Mr. Gentile asked if on the proposed overtime, we can see that number broken out into categories so Council can get a better idea of how the overtime monies are spent. Chief Fabish said he details a description of everything that is a capital expense and why they need it. He said he also details where his department was last year and the items that will be required in the current year. Chief Fabish said when they do in service training for their EMS Certification they have a whole shift on duty and do not bring off duty people in except for three men to cover the squad for the day so the men that are on the shift are able to attend the training. He said he lists out all of the hours including SERT, vacations and also tries to budget for sick leave. Mr. Gentile said Council would like to see these expenses as they are reported. Chief Fabish said that it is very difficult for him to report that way. Mr. Kasaris asked Chief Fabish how many men are able to be on vacation at one time. Chief Fabish said two men are permitted on vacation at one time, but he said that still requires overtime. Mr. Kasaris asked what would happen if only one man was permitted to take vacation at one time. Chief Fabish said he would not be able to give all of the men their vacation for the year if this were the case. Mrs. Fegan said that as far as the Fire Department tracking expenditures, on the Finance side, there would be no way to track that and report that because the Finance Department would not know what hours were being pulled out. Mr. Gentile asked Chief Fabish if he can breakdown the overtime between education, emergency and vacation make-up overtime. He said Council just sees a single amount with no breakdown. Mr. Farrell said when he looks at a large number in the overtime category he questions why we do not just hire two additional fire fighters. Chief Fabish said the total overtime number would not change that much by hiring two new people. He said the more people he places on a shift, they all have to get their FSLA day and there will be nine days where there will be one person off every day and three more days where there are two people off each day. Mr. Gentile asked Chief Fabish what his minimum staffing is at the Fire Department. Chief Fabish said there are 8 men on duty, 5 at one station and 3 at the other station. Chief Fabish said the Fire Department is different than the Police Department. He said the Police Department is able to operate with a few less people because they are able to operate with three men on at midnight where the Fire Department still has 8 men on a shift at midnight because that is a 24 hour shift.

Mr. Nickell asked why the Fire Department cannot do 10 hour shifts. Chief Fabish said it is based on the contract. Chief Fabish said he has suggested to the labor attorneys that the men work their FSLA day and just pay them time and a half for it, but this cannot be done. Mr. Nickell asked if we have thought about part-time firemen. Chief Fabish said this is something we will have to seriously look at. He said he feels this will promote a huge labor problem for fire departments in general. Mr. Farrell asked Chief Fabish if he can get Council overtime numbers that are used for education. Chief Fabish said it is less than the shift bill. Mrs. Fegan said the education and training portion of the overtime is approximately \$100,000. Chief Fabish said he has used some discretion when men ask to go to school because he realizes his bottom line number is diminishing. He said his goal is to keep 8 men in the stations so when they are needed, they are available. Mr. Farrell told Chief Fabish that his intent is not to tear into items that are contractual but to make sure that as a Finance Committee when they are looking at the numbers, they are

looking at real numbers. Chief Fabish said he understands that, but asked that Council not fixate on the size of that number unless they are willing to subtract \$180,000 which would have been for two additional salaries.

Mr. Farrell said he is still not certain if the proposed amendments are going to benefit the city. He asked Council if they have questions on any of the amendments that we may have missed considering the amount of information we are discussing, to please get that information to Mrs. Fegan so she can back to Council with the detail.

Mrs. Fegan distributed a document on the proposed amendments which is broken down by department. Mr. Farrell said he would like to review this report line item by line item. He also told committee members that these amendments will be discussed from now until the end of the year at the upcoming Finance Committee meetings. He said he does not want to get to the end of the year and have to make large adjustments because they were not done earlier in the year.

Mrs. Fegan said that Chief Bican suggested decreasing school conferences by \$10,000. She said there is also \$10,000 coming out of building materials and supplies, \$10,000 decrease from other equipment replacement which will leave \$3,000 for the remainder of the year, and \$10,000 out of traffic lights which will deplete this budget altogether.

Mrs. Fegan said Animal Control has reduced their budget by \$500 which will zero out their budget. She said Dispatch has reduced their budget by \$5,000 from other equipment replacement leaving them with \$4,500. Mrs. Fegan also stated that we will be taking out \$20,000 from Police Facility which will leave them approximately \$6,500. Mr. Gentile asked Mrs. Fegan if she expects that this will all be spent by the end of the year. Mrs. Fegan said she does not expect that they will spend the remainder of this money. She said they are watching expenses very closely.

Mrs. Fegan said the Fire Department has cut \$2,000 from their telephone budget which will leave them approximately \$8,000 for the remainder of the year. Mr. Kasaris asked if the Reverse 911 calls come out of this budget. Mrs. Fegan is not sure but will check and let Council know. Mrs. Fegan said we are also taking \$5,000 from data processing which will leave \$5,400; \$1,000 from maintenance and buildings which will leave approximately \$6,000; \$1,500 from equipment maintenance control which will leave \$11,000; \$2,000 from hydrant repairs which will leave \$13,000; \$1,500 from communication equipment maintenance which will leave approximately \$14,000; \$10,000 from vehicle insurance. Mrs. Fegan said when she budgets insurance for the vehicles, she bases it on historical information. The other items in the Fire Department's budget that were cut are \$500 printing and copying expenses; \$2,000 from tire replacement budget which leaves approximately \$3,000; \$1,000 from uniform replacement; \$500 from firefighters supplies which will leave \$6,500, and \$2,000 from firefighters safety education which will leave \$1,700. Chief Fabish said he usually uses the firefighters safety education money for give aways for the children during Fire Safety Week. He said this year he will not have the money to buy those supplies. Mrs. Fegan said she added \$13,000 to the wages and benefits category in the EMS Fund. Mr. Farrell asked where the \$13,000 came from. Mrs. Fegan said it was basically a trade-off from other cuts made in 2009. Mr. Gentile asked Mrs. Fegan if she is getting closer to where we were historically in salaries. Mrs. Fegan said the budget is always so tight and it is always a concern, so this will give us a little more room to breathe. Mrs. Fegan said she also took \$5,000 from fuel, oil and lubricant which will leave about \$4,800. She said she took \$5,000 from medical supplies which will leave \$17,000.

Mr. Antoskiewicz said although he understands going through each line item, he feels we should look through the budget and ask about line items where there are concerns. He said that as far as what will be left in that budget after cuts, that will be noted on the next mini budget report. Mr. Farrell agreed and said we will go straight to the totals.

Mr. Kasaris said we are at 81 percent for overtime in the Fire Department year to date and we still have three months left. He said we should be at 75 percent. He asked what we are going to do to insure that this figure is not going away like some of the other items have. Mrs. Fegan said that the \$13,000 added to the salary category will help. She said that the category as a whole was only at 63 percent when it should have been at 75 percent so she said between the two she feels this will carry us to the end of the year.

Mrs. Fegan said technically since this will not be approved until October, these adjustments will not be available on the mini budget report until November. She said she can mark up the September report with the approved numbers and email the marked up report to Council. Mr. Petrusky asked if we can make these changes retroactive. Mrs. Fegan said she will check on that as she is not sure of the legality of that. Mr. Farrell said the budget cuts we made in July were made to carry us through September. He said the cuts that we are making today will carry the city through the end of the year so he does not understand how we benefit from making this retroactive. Mr. Petrusky said he just wants to see these changes made retroactively on the report.

Mrs. Fegan said the Cemetery will cut \$3,300 from their budget.

Mrs. Fegan said the Building Department cut \$5,900 from their budget, Economic Development Department cut \$2,500, BZA cut \$350, ARB cut \$350 and Service cut \$37,400 but within that there are several areas where their salary categories were bumped up to make sure they are okay until the end of the year. These areas include \$20,000 in Recycling, \$3,000 in Fines, \$20,000 in Snow Removal and \$80,000 in Stormwater. Mr. Willey asked why the Recycling Department's personal services budget is going up \$20,000. Mrs. Fegan said it looks that tight for the end of the year. Mrs. Fegan said their overtime is higher than it should be this time of year. Mr. Farrell asked how their overtime can be so high. Mrs. Fegan said she will check with Mr. Kamps and get back to him.

Mr. Petrusky asked if we should be cutting the \$4,000 out of the fuel budget since we are usually over on fuel. Mrs. Fegan said at the end of August they were only at 44 percent of their budget. She said they spent about \$2,400 in August so if she takes that out for the end of the year she thinks we can take \$4,000 from there. Mrs. Fegan said they had \$16,000 in their budget prior to taking out the \$4,000.

Mr. Farrell asked if we have to do something different in a month or two in the Service Department, will we be able to pull money from one of the other funds. Mrs. Fegan said she reviews these numbers every month and said if we need to we could take a look at that. Mrs. Fegan pointed out that the reduction in capital outlay in snowplowing was the additional truck that Mr. Kamps wanted to purchase for brine setup.

Mr. Petrusky asked what piece of equipment we are renting for \$20,000. Mr. Willey said it is a small excavator.

Mrs. Fegan said the Mayor's office has cut \$13,500 out of their budget.

Mrs. Fegan said Finance will reduce their budget by \$7,000.

Mrs. Fegan said the Law Department has cut their budget by \$12,200. Mr. Farrell asked what the \$10,000 for contractual services represents. Mrs. Fegan said there are two of areas in the budget that are truly difficult to predict at the beginning of the year. She said those two areas are legal services in the Law Department and professional services in the Engineering Department. Mrs. Fegan said the Law Department is doing more and more in house work and at the beginning of the year they budgeted money for outside negotiators, so they felt comfortable taking \$10,000 out of this budget which leaves them \$53,000.

Mrs. Fegan said Legislative Services has cut \$7,000 from their budget. Mr. Gentile said next year each department will get only one copy of Codified updates along with a disc.

Mr. Farrell said we have a total of \$88,840 and within that number he asked if the (\$100,000) under capital projects represents the project that was on the books for this year but we ran out of time. Mrs. Fegan said yes. He asked if this project will carry into 2010. Mayor Stefanik said this project will be carried into the winter months. Mr. Farrell asked if we will be freezing the \$100,000 for this project. Mrs. Fegan said if it does not get spent out of Fund 33, it will stay in that fund and becomes the beginning balance in 2010. Mr. Farrell asked how much money we are cutting out of the Engineering Department. Mrs. Fegan said they cut \$48,000 and most of that is coming from the consultants.

Mr. Willey said he feels both the Law Department and Engineering Department have saved the city a lot of money. He said both departments are very responsive to the residents needs.

Mrs. Fegan said there have also been some transfers that have taken place. She said we will be making our last payment to the Police Pension Fund. She said there was an additional transfer to the Income Tax Fund to cover three funds that we have hit our limit on for the year. Mr. Farrell asked what we are projecting as far as income for the remainder of the year. Mrs. Fegan said it will probably come in a little lower than in past years, but we will see income.

Mr. Farrell said the total for all departments is \$158,450 which includes the adjustment for the Engineering Department. He asked Mrs. Fegan if she feels this will be enough of an amendment to carry us through to the end of the year. Mrs. Fegan said because we have addressed the salary earnings that we were concerned with and said barring anything unforeseen coming in, she thinks we will be okay.

Mr. Farrell asked if everyone is comfortable with the proposed amendments. Mr. Willey said he is comfortable with these amendments as long as we continue to review through the end of the year.

Mr. Gentile said he is comfortable with these amendments now, but asked what the Temporary Appropriation Ordinance that we will do in December for the first three months of next year will be based on. Mr. Gentile said we have not yet realized the loss of revenue due to unemployment. Mr. Willey suggested asking RITA to generate a report with this information.

Mr. Kasaris said he is comfortable with the budget amendments. He asked what we are going to do to control overtime for the rest of the year. Mr. Farrell said we are still on a freeze except on an emergency basis.

Mr. Farrell asked Mrs. Fegan to revise the report so that the \$100,000 in the Stormwater Fund is not reflected in the total.

Moved by Mr. Gentile, seconded by Mr. Petrusky to **recommend to Council to approve the Appropriation Amendment as presented.** Yeas: 3. Nays: 0. **Motion carried.**

Mr. Kasaris asked if there will be additional Special Finance Committee meetings in October or November. Mr. Farrell said the budget numbers will be reviewed at the next Finance Committee meeting which is scheduled for October 19th. He said it will be determined at that meeting whether or not a special meeting is necessary.

ADJOURNMENT

Moved by Mr. Gentile, seconded by Mr. Petrusky to **adjourn the meeting.** Yeas: 3. Nays: 0. **Motion carried.**
Meeting adjourned at 7:59 p.m.