

**FINANCE COMMITTEE MINUTES
OCTOBER 19, 2009**

The Finance Committee meeting was held on October 19, 2009, at North Royalton City Hall, 13834 Ridge Road. Meeting called to order at 6:30 p.m.

PRESENT: Committee: Chairman Mike Farrell, Vice Chair Gary Petrusky, Vince Gentile; Council: Dan Kasaris, Larry Antoskiewicz, Don Willey; Administration: Mayor Robert Stefanik, Finance Director Karen Fegan; Other: Nick Cinquepalmi.

APPROVAL OF MINUTES

Moved by Mr. Petrusky, seconded by Mr. Gentile, **to approve the September 14, 2009 Minutes and the September 30, 2009 Special Finance Committee meeting.** Yeas: 3. Nays: 0. **Motion carried.**

UNFINISHED BUSINESS

1. Monthly Finance report including tax collection status/2009 Budget

Mrs. Fegan stated the mini budget report, along with the income tax report were both distributed today. She discussed income tax and said we are down \$116,000 for the month compared to last year. She said we are down approximately \$716,000 for the year. Mr. Farrell said although we made cuts in the amount of \$758,000 we were not anticipating the \$116,000 income tax deficiency in September, and asked what the administration recommends we do to keep ourselves in check for the remainder of the year.

Mr. Gentile asked Mrs. Fegan if she has a percentage of what we are down for the year. She said year to date we are down 7 percent.

Mrs. Fegan said there are a few line items that she does not feel we will be expending fully. She said those items total approximately \$150,000. Mr. Farrell asked if these items are in addition to the cuts that have already been made. Mrs. Fegan said these are items in the budget where she believes we will have savings at the end of the year. She said these items include legal services, traffic signal repairs, conference expenses and Planning Commission is well under their budget so she believes there may be some savings there as well. Mayor Stefanik said the department heads are aware this is not a great year and things are tight. He said they realize that we have to make cuts in the first three months of next year.

Mr. Farrell asked Mrs. Fegan if she can give Council a tally of the numbers discussed above so that Council can review those items. He said his first concern is the overtime report. He asked why the overtime numbers are growing when there is a freeze on overtime. Mrs. Fegan said that all departments are watching their overtime, but there are some departments such as Police and Fire that will always have some overtime. She said it comes down to whether or not this overtime is for emergency purposes or whether it could have been avoided. Mr. Farrell said he is concerned about the amount of overtime in the Service Department. He said they have used almost all of their overtime and we are coming into the winter months when overtime may be necessary. Mrs. Fegan said we have bumped up snow removal to make sure they will be covered through the end of the year. Mr. Antoskiewicz said although this is a concern, we have already appropriated money ahead of time. Mr. Farrell asked what we should do about the overtime for the remainder of the year. Mayor Stefanik said there were situations in the Police Department and Fire Department where 3 people were out on sick leave or injury leave. He said overtime is for emergency situations only and these are emergency conditions. Mr. Farrell asked if the overtime report can be broken down by emergency overtime so it does not affect regular overtime. Mayor Stefanik said we will have to depend on department heads to decide if the overtime was an emergency. He said sometimes we have to let the departments make that judgment call on what is emergency overtime and what is not. Mr. Farrell asked what we will cut to compensate for the overage on budgeted overtime. Mayor Stefanik said we would have to take it out of snow plowing then re-visit snow plowing at the end of the year.

Mr. Kasaris asked where we are on the fuel budget. Mrs. Fegan said she did not have a chance to get to that item today. Mr. Kasaris asked if the \$150,000 that we may be able to cut from various line item budgets if necessary includes fuel. She said it does not include fuel. Mrs. Fegan said at the end of August we were at 42 percent of our fuel budget. She said she will work on this and get it out to Council by the end of the week. Mr. Kasaris asked what percent of expenditures have been cut. Mrs. Fegan said we have cut a corresponding dollar amount of about \$600,000 and then another \$150,000. Mr. Farrell asked if there

is anything else left that we can cut or reallocate. Mrs. Fegan said there are other line items we can cut in addition to the \$150,000 if necessary. Mayor Stefanik said he feels we can keep a handle on expenses through the end of the year. He said the department heads are also aware that the first three months of next year are going to be very tight. Mr. Gentile asked Mrs. Fegan if she is comfortable with the fact that we could potentially have \$250,000 less in collections between October and November. Mrs. Fegan said as big of a decrease as this month was for us compared to last year, it was only 2/10 of a percentage difference. She said last month overall we were down 6.8 percent and this month we are down 7 percent.

Mr. Gentile said the overtime in the Police and Fire Departments are mainly going to be due to staffing issues, but we cannot predict the amount of overtime in the Service Department as it is contingent on the weather.

Mr. Farrell asked Mrs. Fegan if she will share the information she receives from RITA once she has those figures. He said if it is a double digit number that could present some problems. Mr. Gentile said once we get October numbers and compare them to last year, this will allow us to do a comparison as to job loss in the community. Mr. Gentile asked Mrs. Fegan when she expects to receive updated unemployment information. She said she will request that information at the end of October and have it available at the November meeting if possible.

Mrs. Fegan said she would like some guidance on the temporary budget for next year. She said normally she likes everything finance related to go three readings, but she suggested holding off this year and placing this on the December 1st Council agenda so it gives us more time to see where we are at and what we are doing. Mr. Gentile said he would like to review this as long as possible in case we have to make adjustments. Mr. Gentile said we may schedule a Special Council meeting so we can review the December 15th report and we may have to amend the temporary appropriation at that time. He said Council may even have to come back in January and amend it. Mayor Stefanik suggested scheduling a Special Council meeting on December 29th.

Mr. Willey asked about the capital expenditure items in the first quarter of 2010. Mrs. Fegan said the police cars are usually in the first quarter's budget because if we wait until the full budget is done, we will get closed out of the state purchasing. Mr. Farrell asked if we need the vehicles this year. Mrs. Fegan said if we skip a year, it hurts us because these cars are used all of the time. Mr. Petrusky said if we skip a year we are putting more money into these cars to keep them running and at some point they may be unsafe for our officers. Mr. Willey said he questions why these cars are being turned over at 75,000 when they are supposed to be good for 200,000 miles. Mayor Stefanik said we are always turning cars over in departments and they are not in good shape by the time we get them.

Mr. Farrell said we are going to have to challenge items that we have not challenged in the past. He asked where we are to date on income and expenditures for the 2009 budget versus what was proposed in January, less the cuts that the departments made. Mrs. Fegan said we are at 66% of the budget for General Fund expenditures. She said we are at 76 percent of the budget for revenues.

Mrs. Fegan said she did not go back to amend the ordinance that states how the income tax funds are disbursed to various funds. She said this will be on the November 4th Council meeting agenda.

NEW BUSINESS

1. First time homebuyer tax credit extension to 2010

Mr. Farrell said this Resolution is on the Council agenda tomorrow evening. He said if anyone has a problem with this, now is the time to discuss it.

Mr. Willey said his understanding of this tax credit is that this credit applies to first time homebuyers who have not owned a home within the last three years and the sale has to close by November 30th of the same calendar year. Mr. Petrusky said the other stipulation is that you have to live in the house for three years.

Moved by Mr. Gentile seconded by Mr. Petrusky **to recommend 09-105 to Council for approval.** Yeas: 3. Nays: 0. **Motion carried.**

2. Central Purchasing Office (CPO)

Mrs. Fegan said she understands the need for a central purchasing office, but she has some concerns as far as staffing and said we have to know that whoever the person is that is going to assume this position has the authority to have the final say on purchasing supplies. She said the whole premise behind a CPO is to purchase in bulk to save money. She said this is not something that is going to be implemented right away. Mr. Gentile said this program would have to be monitored. He said Mrs. Fegan would probably do the reconciliation back to each department so they can see what they are spending. Mr. Farrell said whenever there are several departments, there is a lot of overlapping that takes place which usually incurs an expense. He said the reason he would like to see a CPO is because when we have access to tools that are not in place that can save the city money, we need to identify and implement those items. Mr. Farrell said the way supplies are currently being ordered is not efficient. Mayor Stefanik said we have already started making some changes in this area. He said we are now using only one kind of stationary for every department. Mr. Farrell said there are companies such as Staples and Office Max that provide open contracts where they stock supplies for companies then when a department needs supplies, they would have to get a requisition from the central purchasing agent in order to purchase that product. Mr. Gentile said Staples and Office Max also offer electronic accounts to companies which is less expensive than using a paper requisition.

Mr. Gentile said he has contacted KEK Supply, the company we currently use for paper and other supplies, to request a three year history on items the city has purchased. He said it is going to take time to go through the itemized list, but it will help to determine if they are the best company to use for supplies. Mrs. Fegan said the Finance Department does watch pricing. She said they will contact the appropriate department if they receive a requisition for an item that they know we can get at a better price.

Mr. Farrell asked Mrs. Fegan if she has any idea how much money in supplies has been consumed by all departments. He said the reason he is asking is because when looking at the whole number for an annual year and then price that item, the difference in the competition that we will get back from suppliers will be much better.

Mr. Farrell said we do not expect to have a central purchasing agent in place immediately, but feels this is just another tool that can be implemented and it is up to the administration to let Council know if they feel this is something that can be implemented.

Mr. Antoskiewicz said he would like to see a new phone system installed where all departments can connect. He feels this is important.

Mrs. Fegan said she will not be able to come back to Council with what it will cost to put a central purchasing office in place until she has a better idea of whether or not this will require an additional person or if this is something we can absorb with the current staff. Mr. Farrell said Council does not expect an immediate answer, but they do expect some kind of action on whether it will work or not.

Mayor Stefanik said that once the new system is up and running and payroll is on track, we will begin looking into this.

ADJOURNMENT

Moved by Mr. Gentile, seconded by Mr. Petrusky **to adjourn the meeting.** Yeas: 3. Nays: 0. **Motion carried.**
Meeting adjourned at 7:35 p.m.