

**SPECIAL FINANCE COMMITTEE MINUTES
FEBRUARY 13, 2010**

The Special Finance Committee meeting was held on February 13, 2010, at North Royalton City Hall, 13834 Ridge Road. Meeting called to order at 9:08 a.m.

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

NEW BUSINESS

1. Discuss and Review 2010 Budget

Mrs. Fegan said this was a difficult year for putting together a balanced budget. She said in trying to weigh providing continuing services to the residents and continuing to provide the high level of service we currently do with the overall economy, she believes they have come up with a good estimate. Mrs. Fegan said all of the departments realize the position the city is in and have been willing to make the necessary cuts to their budgets to get the city through this tough time.

Mrs. Fegan said on the revenue side for income taxes she reduced it another four percent off of last year's actual. She said she spoke with other communities and looked at the economy and said this is her best estimate. Mrs. Fegan said on the property tax side, because the county changed the estimated values of the housing stock in the city by about 4 percent, and the funds that the millage will fluctuate, she reduced those by approximately 4 percent also.

Mrs. Fegan said there was one item she over looked when she was working on the budget. She said the Building Department was asking for a new Electrical Inspector and Zoning Inspector and the plan was not to fill either of those positions with a full time replacement. She said when she set up the budget sheets for salaries for the Building Department she included one of those positions. She distributed replacement sheets to Council for that portion of the budget. Mr. Kasaris asked what the amount was for that position. Mrs. Fegan said it was approximately \$75,000 which included medical, PERS, etc. She said she did not re-appropriate that money anywhere else. Mr. Petrusky asked if the \$75,000 made any change percentage-wise. Mrs. Fegan said it was not enough to really notice. Mr. Gentile asked where the money went. Mrs. Fegan said it went back into the General Fund. Mayor Stefanik said if we do hire people to fill the position of Electrical Inspector and Zoning Inspector, they will be part time and will not be working for the city, they will be contracted. Mr. Petrusky asked how much we budgeted in for contract work. Mrs. Fegan said this is something she may come back at a later time and move some monies around. She said she has about \$70,000 in part time salaries in the Building Department which includes part-time clerical staff and part time inspectors.

Mr. Antoskiewicz asked if there are any retirements coming up. Mrs. Fegan said we had two retirements in 2009 and due to the timing of those retirements both of them are being paid out this year. She said she actually has six retirements scheduled for this year. Mrs. Fegan told Council that an Accrued Balance Fund has been set up and is on the Council agenda next week. She said since this is a tight year we will not be putting as much money in this fund as we would like. She said hopefully over the years we can put money in this fund so when there is a retirement we have a source of payment that is not coming out of the operating budget of that department. Mr. Kasaris asked if any oil and gas revenues can be placed in this fund. Mrs. Fegan said yes. She said her thought is as the economy picks up and maybe in the future when state taxes come in higher than budgeted, possibly placing the excess in state taxes in this fund. She said if Council wants to possibly place half of the oil revenues in this fund and keep half where they are now that would be great. Mr. Gentile asked Mrs. Fegan what the rollover is on the General Fund revenues. Mrs. Fegan said after all of the purchase orders it was \$1,064,000. Mr. Gentile said this was off of what was originally projected.

Mr. Gentile said as he went through the budget and looked at fluctuations, he noticed in some instances, where there was a decrease in prior salaries, he noticed an increase on the levy side. He asked Mrs. Fegan if she is confident in the health of the levy. Mrs. Fegan said she is confident in the health of the levy and

said we are guaranteed that money. She said the effective millage rate for this year will increase. She said due to the drop in property tax, the county will increase the effective millage rate on that portion of our property taxes. She said the funds that will take a hit are the General Fund, General Retirement Fund and the Pension Fund. She said the actual levies for the Police and Fire departments are covering more wages, especially the Police Department because they are not getting new vehicles this year. Mrs. Fegan said money that would have been spent on vehicles is now going toward wages which means the General Fund will have to cover less of the wages. She said the difference between the 2010 budget and the 2009 actual is approximately \$100,000.

Mr. Gentile asked about the sick leave and medical benefits. He said there is a significant increase out of the General Fund for both of these items. Mrs. Fegan said the medical benefits investment increased and said the increase was caused by medical benefits for dispatchers. Mrs. Fegan said as far as sick leave is concerned it is estimated to cover sick time if necessary. Mr. Gentile asked if the money in these categories is not spent during the month, could this money be moved to non-emergency overtime. Mayor Stefanik said the department heads know there is to be no overtime. Mr. Gentile said he feels outside of the Police Department and Fire Department and the Service Department for snow removal, he does not see the need for any overtime. Mrs. Fegan said by taking departments down to zero for overtime, if any employees in that department have any overtime banked they can pull that out at any point and if they pull it out, that department will be charged with that overtime. Mr. Gentile said he would like to see the non-emergency overtime to be close or slightly less than last year. He said he would rather have a department head come back to Council to request more overtime if necessary.

Mr. Gentile asked about overtime in the Rubbish Department. He said he would like to see these numbers limited. He said when he gets to the levies he sees more overtime. He said in the Fire Department there is a 20 percent decrease. Mrs. Fegan said as far as the 20 percent decrease is concerned the system views this report as a budget report so there has to be something to compare 2010's budget to. She said the system would not allow her to compare it to 2009's actual therefore the percentage change column is a percentage difference between the 2010 budget and the 2009 budget. Mr. Gentile said the reality is a lot of this has been shipped to the levy to protect the revenue from tax, but items we were buying with the levy will not be bought this year because this money is being used for salaries. Mrs. Fegan said the goal was to try to keep the staffing level where it is and if that meant doing without new equipment purchases, that was what was going to happen.

Mr. Gentile asked about Ordinance 10-32 relating to income tax. Mrs. Fegan said the changes in income tax are two-fold. She said one of them is in the ordinance because we are changing the percentages slightly to bring more money to the General Fund. She said the second change is that the SCMR Fund and the Stormwater Fund show transfer of money to the General Fund. Mrs. Fegan said if income tax collections come in higher than expected, these transfers will not take place.

Mr. Gentile asked about the large increase in employee salaries. Mrs. Fegan said part of the reason this looks like it was bumped up is because of who is being classed to each of those departments and also because this is the department for a lot of the service employees. Mr. Gentile asked Mrs. Fegan if she got the reconciliation. Mrs. Fegan said she will have that on Monday.

Mr. Willey asked if we are ahead in payments for the Fire Station on York Road. Mrs. Fegan said we used the money we were collecting for EMS transport to pay the debt on this station. She said this is part of the remainder of the money that is in the capital improvement fund. Mrs. Fegan said that money is there for future stations and for equipment purposes. Mr. Willey asked if we have to place this money in the capital improvement fund. He asked if this money could be used for salaries. Mrs. Fegan said we would have to go back and change the ordinance in order to do that. Mr. Willey asked if the information Council has in terms of employees, salaries, raises, etc. is reflective of any percentage of the collective bargaining unit. Mrs. Fegan said it is not. Mr. Willey asked Mrs. Fegan if she would anticipate any kind of hit on these numbers. Mrs. Fegan they are not anticipating anything. Mr. Kelly said they are hoping for a reasonably good outcome. Mr. Gentile said it would be up to Council to ratify any type of contract. Mr. Kelly said

yes, but that is assuming we get an agreement. He said there is always the possibility we will not be able to agree.

Mr. Willey asked how the re-arranging of shifts that Chief Fabish submitted will reflect the overall community. Mrs. Fegan said it will reduce his overtime projection by approximately \$100,000.

Mr. Antoskiewicz said the summary sheet shows that we are not hiring at all, but asked if we will be hiring part time people in the summer for the Service Department. Mrs. Fegan said she determines a dollar amount and it is up to Mr. Kamps as to how many people are hired based on that dollar amount.

Mr. Kasaris said he feels the overtime for 2010 should be 25 percent less than where we ended up in 2009. Mr. Kasaris said Mayor Stefanik, Mrs. Fegan, Mr. Schmitzer and Mr. Kamps did a great job putting the budget together. Mr. Kasaris said he realizes the budget is easy to do when the money is flowing in, but when it is not that is when leadership becomes more important.

Mr. Kasaris asked why there was an increase in the part time rubbish salaries. Mrs. Fegan said that figure represents the summer help in that department.

Mr. Kasaris said last year we spent \$150,000 on professional services and this year we have increased it to \$200,000. Mrs. Fegan said most of this is reimbursable. She said \$125,000 of that we will be getting back from the developer. She said the breakdown from Mr. Schmitzer is as follows: \$30,000 for new homes, \$15,000 for commercial construction, \$7,500 for subdivision and \$5,000 for utilities. Mrs. Fegan said there are some fees where if we are doing work that is above and beyond, those fees fall under Mr. Schmitzer's contract. She said there are Bowen fees that are added to some of these as well. Mrs. Fegan said if we cut back on this it will greatly affect the work that will be done in the city. Mr. Nickell asked if Mr. Schmitzer is paid for attending Council meetings. Mrs. Fegan said that time is in his contract. Mrs. Fegan said any hourly employee who attends a Council meeting is attending as a resident of the city. She said if an employee is there is an official capacity they should be getting paid for it. Mr. Kelly said the Law Department bills for attending committee meetings, but they do not charge for Council meetings.

Mayor Stefanik said he does not feel it is wise for departments to budget the same amount as the previous year for overtime.

Mr. Petrusky asked if we change the status of the part time people we now hire to seasonal employees, would that allow the city to not have to pay overtime. Mr. Gentile said weekend work is not considered overtime, that is part of their schedule. Mr. Kelly will look into this.

Mr. Kasaris asked about the Cold Patch Fund and asked why there is an increase over last year in the amount of cold patch that we will be purchasing. He asked if use of the Durapatcher would cause the cost of cold patch to drop. Mrs. Fegan said since there is not as much money available for street repair this year, there may be a bigger need for patching work.

Mr. Petrusky asked about the increased cost for salt. He said he noticed that the projected budgeted level for salt is up 35 percent and said he thought that with our agreement with the county we would be salting less. Mrs. Fegan said the problem with salt is we do not know how much snow we will get. Mr. Kasaris asked how much money we have spent to date on salt. Mrs. Fegan said we have paid out approximately \$150,000 so far this year.

Mr. Kasaris asked what BSL stands for. Mrs. Fegan said this stands for Bonus Sick Leave Day. Mrs. Fegan said this is a program that used to be in place city wide which awarded employees who did not call off for an entire quarter a BSL day which was basically a personal day to use at their discretion. She said

we did away with these days four or five years ago. She said the only department that still receives BSL days is the Fire Department. Mrs. Fegan said that the BSL days all come out of the Accrued Balances Fund.

Mr. Kasaris asked about the \$8,000 increase for data processing in the Mayor's Court. Mrs. Fegan said there are fees added on to every court case and those fees are placed in a special revenue fund called the Court Computer Services Fund. This fund was established so that cities have the technology to run the court. Mrs. Fegan said these monies can only be used for computer related purchases for the court.

Mr. Nickell asked how much we are paying for computer consulting services. Mrs. Fegan did not have that figure in front of her but said she would get that information to Council. Mayor Stefanik said that eventually he would like to do away with some of the work DIS does for us and have the work done in-house. Mrs. Fegan said DIS does more than just troubleshoot for us, she said they also host our site, all of our off site work goes to them as well as our computer backup.

The committee took a short break at 10:20 a.m.

The meeting resumed at 10:36 a.m.

Mr. Gentile asked about the \$20,000 line item under Employees. He asked if this is a shared salary. She said this is a salary between Cemetery/Parks and Recreation and City Hall.

Mr. Nickell asked if we are looking at telephone services and possibly an in house phone system. Mayor Stefanik said it is still not clear as to whether or not we will be staying in this building.

Mr. Petrusky asked about the jump in Professional Services from \$1,700 to \$12,000. Mrs. Fegan said these numbers should be reversed so this fund has actually decreased.

Mr. Gentile asked about the overtime for Corrections Officers. He said we have \$30,000 budgeted and asked if we are expecting the same amount of business that we have had. He said if with \$30,000 in overtime it might be better to hire a part time person to defer some of this overtime. Mr. Kasaris said instead of replacing Mr. Sargent we are paying the current employee overtime. Mayor Stefanik said that is what we are currently doing, but we are going to have to create a position and pay scale somewhere in between what Mr. Sargent was doing and what the employee is currently doing. He said Mr. Campbell will assume the responsibilities on the administrative side. Mr. Gentile said \$30,000 in overtime for one person seems excessive. Mrs. Fegan said that is not for one person, she said they are looking at the possibility of a maximum of \$10,000 over last year's budget for overtime.

Mr. Kasaris asked about the increase in sick, vacation, holiday and overtime in the Finance Department. Mrs. Fegan said they used very little sick and vacation time in the Finance Department last year so this is the sick and vacation time that will be available this year. She said due to the conversion, they had asked for carryover of some vacation time. Mrs. Fegan said that her employees do realize that the vacation time does have to be used this year. She said as far as overtime is concerned, she brought it down from last year's budget, but due to the conversion there is some overtime. She said this is just an estimate.

Mr. Kasaris asked about the money that is transferred from the General Fund to the jail. Mrs. Fegan said she has budgeted \$540,000. She said if we get some prisoners in from the county that money will be available. She said if we have a lot of non-North Royalton prisoners we are able to charge for them, but if we have a lot of North Royalton prisoners we cannot charge for them. Mr. Kasaris said the county paid North Royalton \$150,000 last year for housing county prisoners. He suggested we assume we are not going to receive any money from the county this year and appropriate another \$150,000. Mrs. Fegan said the \$540,000 only goes over to the jail if they need it to stay in the black. She said the amount she budgeted for the jail this year on the revenue side is \$85,000. Mr. Kasaris said he feels this budget may have been cut too much. He suggested adding \$75,000 to the revenue projection. Mayor Stefanik said we

may not need the additional money. Mr. Gentile asked what it cost to run the jail last year. Mrs. Fegan said it cost \$814,000 to run the jail last year and it has been fairly consistent the past several years. Mrs. Fegan said every three or four years the city looks at jail operations to determine if we should just close the facility. She said the problem is we would still need holding cells and we need someone to supervise the prisoners. She also said if we do not have a jail, we are paying someone else to house prisoners from North Royalton. Mrs. Fegan said they have done a financial analysis taking into consideration every option and it is not cost effective. Mr. Gentile asked how many employees are working in the jail. Mrs. Fegan said there are 7 full time and 6 part time employees. Mr. Gentile suggested reducing the size of the jail and reducing the staff by not bringing in any prisoners other than those from North Royalton. He said if we are only housing our own prisoners we would not need as much staff. Mayor Stefanik said currently we need two people on staff at all times and this may hold true even if there were only four prisoners in the jail. Mr. Gentile said if we scale down the prison and only house our prisoners we can scale down the cost. Mayor Stefanik said this is a 24/7 operation so he does not see how we can scale down staff. Mr. Antoskiewicz said if we only have two full time staff there at all times, we may be able to save on part time employee wages. Mr. Nickell said there are too many variables involved to decide this right now, but said we should wait to see how things go with the county and possibly discuss this again next year.

Mr. Kasaris asked about the REL/REF Funds. Mrs. Fegan said these are the Trust and Agency Funds. She said these are funds where the money that is in the fund is not our money it is there on behalf of someone else. She said for example, the OBBF Fund is a 1 percent and 3 percent fee that the state adds on to building permits and we collect the money to send to the state. She said this is basically an escrow account.

Mr. Gentile said he would like to start being able to track the accrued amount on the monthly overtime report. Mrs. Fegan said the total of accrued overtime at the end of the year was \$241,000. Mr. Kasaris asked about the \$170,000 for overtime in the Police Department and asked if we are able to tell how much overtime was accrued but not used. Mrs. Fegan said this number is just an estimate. Mr. Gentile asked Mrs. Fegan if she would be able to give to Council a monthly report of what was accrued and what was paid out then quarterly give them an updated report by department. Mr. Gentile used the Police Department as an example and said he would like to see overtime held at \$170,000 this year. Mr. Gentile said departments should not exceed the monthly amount of overtime that has been budgeted without Council's approval. Mr. Gentile said he does not want to see the accrued overtime and the cashed out overtime exceed the line item for overtime. Mr. Antoskiewicz asked Mrs. Fegan if we know the accrued and cashed out overtime monthly or is this something we do not know until the end of the year. Mrs. Fegan said she would know the accrued number. She said a lot of the departments are able to accumulate 260 hours in their accrued bank but they are required to bring that number down to 200 hours by the end of the year. She said if they are over 200 hours the city would have to pay them out anything over that amount. Mr. Gentile said we need to get a handle on the overtime and bring this in to real time. Mr. Gentile said if we track this as accrued and paid out, this would not come as a surprise at the end of the year. Mr. Gentile said we need to bring this together this year so we can get a handle on overtime. Mr. Gentile said he feels like some of the overtime is sliding under the radar. Mrs. Fegan said the overtime is being tracked it is not sliding under the radar. She said this overtime may not be on the report, but it is being tracked. Mrs. Fegan said she will add the accrued balances to the quarterly if not monthly, report for Council's review.

Mr. Willey asked if we have a policy for payout of overtime. Mrs. Fegan said some departments do have this in their contract.

Mr. Gentile said we cannot continue to increase the overtime. He said we need to collectively work together to bring the budget into real time and get a handle on the overtime. Mayor Stefanik suggested putting overtime overage into the General Fund. Mrs. Fegan said her concern is she would not want to budget more money than necessary in a department when there are so many other needs for that money. She suggested reviewing historical information for the department.

Mr. Willey said he is in favor of funding this but said he does not feel we should do this by individual line items. He also said we need to look at the policy as he feels it has some good merits.

Mrs. Fegan said the city has worked very hard to limit the amount of time that employee's bank. She said vacation is now on a use it or lose it basis unless there are extraordinary circumstances which would actually have to be signed off by the Mayor. She said as far as sick time is concerned, the city issued a new policy called the Shaker Plan where if an employee does not use any of their sick time for an entire year and their balance is at a certain level, five days of sick time is included in their pay, five days go into their bank and five days are taken away.

Mr. Kasaris said since there is an overtime freeze in effect we should not see an increase in overtime.

Mayor Stefanik said if a department head would leave this year or retire the city would hire a replacement for that person even though there is a hiring freeze. He said as far as the jail administrator is concerned, we may just bring up Mr. Campbell's salary range since he has assumed those administrative duties. He asked Council to keep these items in mind.

Mr. Kelly announced that the Law Department would like to pull the ordinance that is on the agenda for Tuesday evening's meeting having to do with First Energy. He said they would like to take this out to bid. Mr. Kelly said until recently electricity was only available from the transmission company but now because it is a separate commodity available in the marketplace, they feel it is appropriate that it should be bid.

ADJOURNMENT

Moved by Mr. Gentile, seconded by Mr. Willey to **adjourn the meeting**. Yeas: 3. Nays: 0. **Motion carried.**
Meeting adjourned at 11:45 a.m.