



## SHAKER HEIGHTS

**Finance and Administration Committee Agenda  
City Hall Conference Room B  
Monday, June 17, 2019, 7:30 a.m.**

1. Approval of the minutes of the regular meeting of May 20, 2019.

Documents:

[FNMN520.PDF](#)

2. Approving a proposed Ordinance for the sale of a City-owned Police Dog. SPW

Documents:

[FINANCE.K9 RETIREMENT VF.PDF](#)

3. Amending fiscal policy statements of the City relating to General Fund and General Capital Fund Carry-Over Balances.

Documents:

[POLICY GENERAL FUND .PDF](#)

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**Finance and Administration Committee Minutes**  
**Monday, May 20, 2019**  
**7:30 A.M.**  
**Conference Room B**

- Members present: Council member Sean Malone, Chair  
Council member Earl Williams, Jr.  
Council member Rob Zimmerman  
Citizen member Martin Kolb  
Citizen member Linda Lalley  
Citizen member Anthony Moore
- Others present: Chief Administrative Officer Jeri Chaikin  
Robert H. Baker, Director of Finance  
Cheryl Arslanian, Assistant Finance Director  
Frank Miozzi, Director of Information Technology  
William Gruber, Director of Law  
Kamla Lewis, Director of Neighborhood Revitalization  
Alexandria Nichols, Director of Recreation  
Sandra Middleton, Human Resources Manager  
Frank Goforth, League of Women Voters

The meeting was called to order by Chair Sean Malone at 7:30 A.M.

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**APPROVAL OF THE APRIL 15, 2019 MEETING MINUTES**

Chair Malone stated that the minutes of the April 15, 2019 meeting were approved as recorded.

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**AUTHORIZING A THREE-YEAR PERSONAL SERVICES CONTRACT WITH WESTLAW, A THOMPSON REUTERS COMPANY, IN THE TOTAL ESTIMATED AMOUNT OF \$44,280 FOR THE PERIOD JUNE 1, 2019 THROUGH MAY 31, 2022, FOR COMPUTERIZED LEGAL RESEARCH SERVICES FOR THE DEPARTMENT OF LAW.**

William Gruber, Director of Law is requesting a three-year research services contract between the City and Westlaw, a Thompson Reuters company, for computerized legal research services (“Westlaw”) for the period June 1, 2019 through May 31, 2022, in the total estimated amount of \$44,280. The only comprehensive online legal research providers are Lexis/Nexis and Westlaw to our knowledge. After having Lexis/Nexis online research services for many years, Lexis was not very responsive to our requests for a proposal for ongoing services. Also, Lexis does not provide all of the online access that the Law

Department required. By moving to Westlaw, we were able to terminate paper subscriptions that were available to us through Westlaw, but not Lexis.

In 2015, Council approved a contract with Westlaw/Thompson Reuters in Ordinance 15-106, enacted on December 21, 2015, for a three-year contract (2016-2018), at a cost of \$54,742 for both computerized legal research and printed legal research materials. That contract expired on December 31, 2018. We have been paying month-to-month since then while negotiating with Westlaw.

To convert again to another online provider would be very disruptive to Law Department lawyers and staff, since there is a learning curve to understand and make full use of the online services provided, which we are still learning. All staff are satisfied with the available services through Westlaw, and we believe the upgraded services will provide additional research capacity. Thus, we did not seek alternative proposals this time with the expiration of the Westlaw contract.

Westlaw now requires separate contracts for computerized legal research and printed legal research materials. We are eliminating three printed publications. The print publication contract offered to the City for all items currently purchased is \$24,307 for the 3-year contract. The contract with the elimination of 3 publications will be \$13,354, a savings over three years of \$10,953.

Westlaw offered an upgrade to our online services at a cost of \$1,193.81 per month for the first year, and 3% increases each year. The total annual cost will be \$14,326 for year one, and \$44,280 for the three years. The price for the same services we are currently receiving, without the upgrade, would be \$40,683 for three years. Therefore the upgrade will cost an additional \$3,597, which will be offset entirely by the savings from the elimination of some print publications.

Thus, the total 3-year cost for both print and online services will be \$57,634, a 5% increase over what we paid for the print materials and online services for the three year period 2016-2018. The annual amount for 2019-20 will be \$18,562. The Law Department budgeted \$22,000 for these services and publications for 2019.

Citizen member Cicarella stated that he was on the board of the Cleveland Law Library and suggested the City might check into the services they provide.

Council member Zimmerman stated that the memo presented to the Finance Committee needed to be revised before being presented to Council to clear up details requiring cost savings and the section regarding Lexus not being responsive to the request and not seeking other alternatives.

In response to Chair Malone regarding cost, Director Gruber stated the total cost was \$44,280 for online services only and was eliminating the publications.

The Finance and Administration Committee recommended authorizing a three-year personal services contract with Westlaw, a Thompson Reuters Company, in the total estimated amount of \$44,280 for the period June 1, 2019 through May 31, 2022, for computerized legal research services for the Department of Law.

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**AUTHORIZING A SOLE SOURCE CONTRACT WITH TYLER TECHNOLOGIES, WITHOUT COMPETITIVE BIDDING, IN THE TOTAL ESTIMATED AMOUNT OF \$95,000 FOR EXECUTIME TO AUTOMATE THE TIME AND ATTENDANCE, SCHEDULING SELF-SERVICE (ESS) AND TIME CLOCKS SYSTEMS.**

Cheryl Arslanian, Assistant Finance Director, stated that the City desires to automate the collection of employee time and attendance data as well as the process of scheduling time off. The purpose of doing so would be to reduce errors and employee time spent entering this information from paper timesheets and or electronic spreadsheets and to provide a more efficient and manageable method of scheduling personnel. Under the current process, one employee in each department typically enters all time and attendance information into the MUNIS payroll module. Due to the volume of entries required in larger departments, the chance of errors from typing or omission is significant. Automating this data capture will save time and increase efficiencies in each department. Further, an automated scheduling system will enable employees, especially those in bargaining units, to schedule time off and trade time in an efficient manner including electronic device processing of supervisory approval. The electronic scheduling will also assist managers in ensuring appropriate staffing.

The Employee Self Service (ESS) system will benefit the entire work force by providing employees with access to pay advices, W-2 records and even employee benefit information through a secure web portal available to employees 24/7. The system would allow employees to update personal information should as address and dependent changes while also automating the workflow of this information to appropriate supervisors, HR and Finance personnel.

Chair Malone requested a review of the sole source bidding process and requirements.

Director Gruber stated there is no requirement for sole source. The only question that should be asked is if there is any competition for this product and is this product proprietary this being software and if not using this software the difficulty and cost of switching out the system to accommodate other software involved.

Chair Malone suggested that the memo be revised to include an explanation of the requirement of the City for sole source, so there is a better understanding of sole source eliminating the need to be questioned.

In response to Council member Williams regarding travel cost, Assistant Director Arslanian stated that the estimated travel expense would be for Tyler to travel to Shaker Heights for the installation of the software and employee training.

Director Baker stated that both fire and police work a 24/7 shift and both have their own timekeeping system that would require a custom interface to be written. A reconciliation between the outside vendor system and MUNIS payroll would need to be done each pay period. This payroll software was designed to handle varies scheduling issues seamlessly.

In response to Chair Malone regarding employees entering their own time, Assistant Director Arslanian stated this system would allow employees to enter their time on their cell phone or on a touch screen time clock.

Citizen member Lalley stated her support on this item and the approval of the purchase of a sole source software that is an add-on to the MUNIS system that the City has been using for years.

In response to Chair Malone regarding the estimated cost of \$87,195, Assistant Director Arslanian stated the City is still negotiating the final contract, so the request to appropriate not-to-exceed \$95,000 would cover any unforeseen expenses and avoid requesting more funds in the future.

The Finance and Administration Committee recommended authorizing a sole source contract with Tyler Technologies, without competitive bidding, in the total estimated amount of \$95,000 for ExecuTime to automate the time and attendance, scheduling self-service (ESS) and time clocks systems.

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**AUTHORIZING A CONTRACT WITH SPRINGSTED, LLC FOR THE TOTAL AMOUNT NOT TO EXCEED \$38,000 FOR THE CITY'S CLASSIFICATION AND COMPENSATION PLAN STUDY.**

Sandra Middleton., Human Resources Manager, stated that 2004 was the last classification and compensation plan. Since that time, City services have expanded, departments have been reorganized or abolished, and several position classifications have been restructured.

In January 2019, the City submitted a request for proposals (RFP) for a comprehensive Classification and Compensation Study. The purpose of the Classification and Compensation Study is to address changes in the City operations and staffing over the past 14 years, which may have affected the type, scope, and level of work being performed and compensation thereof.

The RFP was posted on the City's website and was sent to 12 known companies. 11 proposals were received by the deadline. The cost of the proposals ranged from \$23,891 to \$85,000. A review committee of Jeri Chaikin, CAO, James Heath, Assistant Fire Chief, and Sandra Middleton, Human Resources Manager, reviewed each proposal for technical approach, project team experience with municipal governments, evaluation tools and implementation plan. The review committee reduced the field of companies to four and a SKYPE interview was held with each of the prospective companies. Unanimously the review committee agreed that Springsted was best suited to meet the City's objectives. Springsted has 50 plus years of public sector experience with offices in nine states. They have worked with over 250 clients and they understand the complexity of Shaker Heights as they completed the last classification and compensation plan study in 2004. The project team leader for Springsted has a Master of Public Administration and is the former Chief Information Officer for the City of Tulsa, Oklahoma.

The completion of the scope of work will take approximately 90 days and will commence immediately upon execution of a contract. The project cost should not exceed \$38,000. The goal is to have the final report in time for recommendations to be considered in the 2020 budget

In response to Council member Zimmerman regarding proposal rates, Manager Middleton stated the variance in the cost submissions arrived from the different business approaches of the companies and the number of employees assigned to perform the study. Springsted was not the lowest, but unanimously the review committee agreed they were the best suited to meet the City's objectives.

Citizen member Cicarella asked if the City believed it was having issues retaining good people and believed that the best judge of the right people would be the City staff since they have the knowledge and history of the job, instead of hiring outsiders to analyze the right people. When you hire a company to perform a study like this, they will always conclude that the City needs to be paying their employees more without having history or knowledge of the City's actual workings. He believes from past experience and research that hiring these types of firms are not in the best interest of the City.

Manager Middleton stated that we are not having issues attracting people, but we are hiring people at the top rate of the scale, leaving them no growth.

Citizen member Cicarella asked if the City was not aware of the market place.

Manager Middleton stated that a review of the national and local market place was needed in order for the City to be competitive in hire. Presently we contact other cities comparing a certain pay scale, but we are in need a current data to be more efficient.

In response to Citizen member Lalley regarding a possible rate increase, Citizen member Cicarella stated that he was referring to an increase in employee rates, not the contract rate.

In response to Citizen member Lalley regarding the contract cost, Manager Middleton stated that the company would have four employees working full-time for ninety days. She stated it would be impossible for City HR staff to dedicate that kind of time, completing that task in ninety days. She stated that at the completion of the contract, the City would be provided the software to maintain the information collected for ten years.

Chief Administrative Officer Chaikin stated that having an outside company collect this type of data would reassure the employees that there was objectivity. She stated as the times and work force change, the younger work force is seeking more flexibility and the City needs to prepare to attract and retain employees by offering flexibility and benefits.

In response to Council member Williams regarding bargaining employees, Manager Middleton stated that the bargaining contracts have more incentives than the non-bargaining and that this is only a measure to look and make sure the non-bargaining employees are receiving the current rate scale and possibly more incentives suggested by Springsted.

Citizen member Kolb stated that in the last fifteen years since the last study was performed with all the structural and personnel changes, it is long overdue for a study of this type. He believes this type of study would only benefit the City in attracting and retaining good employees.

In response to Chair Malone regarding positions, Manager Middleton stated that positions could be removed, added, reclassified or combined. She stated the contractor would provide a cost analysis for the City regarding recommended personnel change that would affect the budget.

The Finance and Administration Committee recommended authorizing a contract with Springsted, LLC for the total amount not to exceed \$38,000 for the City's Classification and Compensation Plan Study.

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**AMENDING SECTION 141.22 OF THE ADMINISTRATIVE CODE OF THE CODIFIED ORDINANCES OF THE CITY OF SHAKER HEIGHTS IN ORDER TO CODIFY VARIOUS FEES FOR THE USE OF THE THORNTON PARK ICE RINK.**

Alexandria Nichols, Director of Recreation, stated in 2018 the Recreation Department conducted a rink fee study because it had been six years since Thornton Park Ice Rink fees were reviewed and adjusted. Data was compiled from several area rinks, both private and public, to see how Shaker Heights fees compared to other rinks. The included Rink Fee Comparison spreadsheet displays fees by facility and includes admission, program fees, and facility rentals fees. As with most community facilities, each municipality is unique and sets pricing based upon their own unique formula so an apples-to-apples comparison is not easy. However, in reviewing the rink fee spreadsheet, it is clear that Shaker Heights fees are generally lower or aligned with area rinks.

As the committee considers changes to rink fees, it is important to understand historical changes to fees. Prior to the change in 2013, fees had been the same since 2008 and before that fees were updated annually at a rate of 7.5% based upon hockey program fees. In 2008, fees were modified to reflect how USA Hockey changed fee collection and the fee increase was only 2%. In 2013, fees were increased for most items by approximately 5%. The approximation was to round fees to the nearest dollar.

The rationale behind the fee review was to ensure cost recovery through users fees because expenses increase annually. For example, with every minimum wage increase, seasonal labor expenses go up. Costs for full-time and part-time staff increase annually as do supplies and materials. The fee review was to look at similar facilities to see if a fee increase would be sustainable within the local rink market. With regard to the Rink Fee Comparison spreadsheet, it is important to note that private rink operations include The Pond, Strongsville, and Winterhurst. All other rinks are owned and operated by municipalities or non-profits. Private rinks tend to charge higher fees because their pricing model is more about cost recovery than public service. In reviewing the general admission fees, Shaker Heights tends to have lower pricing than most of the rinks. Hourly ice rental rates and Learn to Skate fees tend to be on par with publicly operated rinks.

Shaker Youth Hockey is a program operated by the City and includes a youth hockey league, spring hockey clinics, other skills clinics, and a hockey camp. The youth hockey league fees are regulated by the same rink ordinance but are being not considered as a part of this rink fee change because program registration does not align with the recommendation to change fees. These will come before the Recreation Committee at a later date. It should also be noted that Shaker High School Hockey uses Thornton Park Ice Rink for practices and games and there are no fees to the schools for the use of the rink.

Chair Malone stated that the Recreation Committee had a detailed discussion on this item with an increase of \$17,000 projected to revenue and that Finance and Recreation is presently looking into changing the current financial categories to the accounting system to track revenue most effectively. He stated the City goal is only to become competitive with other cities with their fees.

In response to Council member Williams regarding the rinks requiring subsidy, Director Nichols stated The Pond in Strongsville and Winterhurst are for profit rinks while all over rinks are owned and operated by municipalities or non-profits.

Citizen member Moore stated that the City should be making an effort on the implementation of a rink sponsorship program and should set no limits on any type of sponsorship that would be offered to help reduce the subsidy.

Citizen member Cicarella stated he was in total agreement with Citizen member Moore and suggested that that fees for hockey should be raised substantially and the team be required to seek sponsorship since hockey has a built in collection of companies that would sponsor them.

In response to Citizen member Lalley regarding a count of resident versus non-resident usage, Director Nichols stated that it could be done for certain rink activates, but others would be tricky since they are walking in off the street.

Chair Malone stated that the actual recreation building is a high maintenance building since it was built to be an indoor/outdoor building and modifications have been done.

Citizen member Cicarella stated the only way to get rid of the subsidy is to raise the fees and have sponsorships.

Citizen member Moore stated that it is time to perform a full scale analysis on the usage of the rink, so the City can have a better measure of the rink and then a decision can be made in regards to fees and what needs to be done to relieve the burden.

Director Nichols stated that a facility study was just performed and what exactly it would cost to keep maintaining the facility. The study showed that the rink is maintained and actually in decent shape.

The Finance and Administration Committee recommended amending Section 141.22 of the Administrative Code of the Codified Ordinances of the City of Shaker Heights in order to codify various fees for the use of the Thornton Park Ice Rink.

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**AUTHORIZING THE ACCEPTANCE OF THE APPLICATION FROM SMITH-MULLEN FOR THE SALE OF THE CITY-OWNED VACANT LOT AT 3685 WINCHELL ROAD, SHAKER HEIGHTS, OHIO, PERMANENT PARCEL NUMBER 736-18-147 FOR THE AMOUNT OF \$1.00 TO UTILIZE IT AS A SIDE YARD.**

Kamla Lewis, Director of Neighborhood Revitalization stated that the City has received an application from Yvonne Smith and Victor Mullen, 3689 Winchell Road, who are interested in acquiring the city owned vacant lot adjacent to their home in order to use it as a side lot. Their proposal to purchase this vacant lot included the installation of a rear patio, create a play area, landscape and fence it and use it as a side yard, at a cost of approx. \$3,025.

At the May 8<sup>th</sup> Neighborhood Revitalization and Development Committee meeting it was recommended that this application be approved by Council.

In response to Council member Zimmerman regarding the Side Lot Program, Director Lewis stated there was a slowdown in that program because the last City administration believed that land was an asset and that it should be retained. The program is on the website, but has had very little activity since there is no set price for the side lots under the program. The program was not to generate revenue, but to improve the neighborhood.

In response to Citizen member Cicarella regarding the property deed, Director Lewis stated that if the owner should sell the house, the property and the added value will go with it. There is no way to restrict that.

In response to Citizen member Kolb regarding property tax, Director Lewis stated that once the property is consolidated the owner will have to pay property tax on the entire property.

In response to Chair Malone regarding tax abatement and the maintenance of the lots, Director Lewis stated that there is tax abatement in the Moreland area. Director Lewis stated that all lots are inspected on an annual basis and only one half lot has not been maintained according to the agreement.

The Finance and Administration Committee recommended authorizing the acceptance of the application from Smith-Mullen for the sale of the City-owned vacant lot at 3685 Winchell Road, Shaker Heights, Ohio, Permanent Parcel Number 736-18-147 for the amount of \$1.00 to utilize it as a side yard.

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**2020 TAX BUDGET FOR THE FISCAL YEAR BEGINNING JANUARY 1, 2020.**

Robert Baker, Director of Finance, stated the Ohio Revised Code requires that Ohio city councils adopt a tax budget for the next fiscal year no later than July 15<sup>th</sup> of the current year and that the adopted tax budget be submitted to the County Budget Commission no later than July 20<sup>th</sup>. The tax budget represents the City's first estimate of its anticipated financial resources and needs for the coming fiscal year. The primary purpose of the tax budget is to demonstrate the City's need to levy property taxes for the coming fiscal year (2020).

The tax budget is available for public inspection and is available on the City website and at the main counter in the City's Finance Department prior to adoption and submission to the Budget Commission. In accordance with ORC 5705.30, a public hearing is not required prior to the City Council's adoption of the tax budget. However, the City of Shaker Heights in previous years has held such hearings prior to City Council's adoption. Maintaining the public hearing prior to adoption will enable the public to comment if desired. In addition, an advertisement of the 2020 Tax Budget public hearing to be held on May 28, 2019 was published in the Sun News Newspaper on May 9, 2019. The published notification satisfies the ten-day advance notice required by the Ohio Revised Code.

The Finance and Administration Committee recommended adopting the resolution for the 2020 Tax Budget and approval by City Council on May 28, 2019 and subsequent transmittal to the Cuyahoga County Budget Commission after such approval no later than July 20, 2019.

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**DECISION ITEM: GENERAL FUND 2019 FIRST QUARTER BUDGET UPDATES**

Director Baker presented the General Fund 2019 First Quarter Budget updates to the committee.

Revenue:

Total 2018 General Fund operating revenue through March 31 was \$14,200,650 or 29.34% of the 2018 actual. 2019 three-month revenue is \$13,928,264 or \$272,386 less than the 2018 three-month revenue. This was primarily the result of income taxes being \$159,753 behind 2018 for the first three months and real estate taxes being \$204,629 behind 2018. The County believes that the real estate tax deficit is result of early payments of real estate taxes in December 2017 to avoid adverse effects of the new federal income tax on deductions for local taxes. The income tax deficit is the result of December 2018 RITA tax collections we received in January 2019. These collections were similar to other fourth quarter income tax collections and were \$893,649 below a year earlier. Since then, RITA monthly collections in 2019 have exceeded 2018. By the end of the first quarter, RITA collections had wiped out all but \$97,886 of the \$893,649 deficit, and after the May Advance, income tax is now \$179,388 ahead of 2018. It will take several more months of property tax collections to determine how much of the real estate tax deficit is attributable to the change of the federal income tax law. The question in forecasting income taxes for the remainder of 2019 is whether there will be a falloff in collections during the fourth quarter. All other general fund revenue sources in the aggregate produced \$91,996 more than in 2018 for the first three months, but total operating revenue was \$272,386 less than in 2018. Those sources more than \$20,000 below the amount received in 2018 were: Licenses and Permits, \$64,692; and Intergovernmental Revenue, \$54,539.

Expenditures

Total General Fund Operating Expenditures through March 31 were \$8,781,140 or 22.55% of 2019 budget and \$220,295 less than 2018 due in part to the decreased spending Police and Public Works. The benchmark for personal service expense is 23.08% for 2019, and actual personal service expense was 22.07%. Non-personal service expense for the first quarter was 23.74% of the budget compared to the 25.00% benchmark. **As the percentage to budget numbers indicates, expenditures are in line or below the budget for the first three months, but the cost of the Public Works bargaining settlement has yet to be appropriated or paid in 2019.**

Excess of Expenditures over Revenues

Through March 31, 2019, revenues exceeded expenditures by \$4,234,466 compared to \$4,460,600 in 2018. This negative difference of \$226,134 is the result of the decrease in income and real estate tax collections in the first quarter of 2019. **The 2019 budget projected revenues slightly exceeding expenses in 2019 without the Public Works wage increase. Final 2019 results will be dependent on the amount of income and real estate taxes received over the remainder of the year.**

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There being no further business, the meeting was adjourned at 8:43 a.m. The next meeting will be June 17, 2019.

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Robert H. Baker  
Finance and Administration Committee



# SHAKER HEIGHTS

## Memorandum

To: Members of Finance and Administration Committee  
From: Jeffrey N. DeMuth, Chief of Police   
ec: Mayor David E. Weiss  
Chief Administrative Officer Jeri E. Chaikin  
Robert Baker, Director of Finance  
William Gruber, Director of Law  
Date: June 10, 2019  
Re: City-Owned Police Dog (K-9)

The Shaker Heights Police Department's K-9 Program has been in operation for over thirty years. Upon retirement of a City-owned K-9, it is the past practice of the City to allow the retired dog to live with its handler until the dog expires. During the time between retirement and death, the City can still be considered the owner of the dog as there is no official paperwork that transfers the ownership of the dog to its handler. Also during this time between retirement and death of the dog, the handler has, generally, assumed the costs for food and veterinarian care. In addition, there may be a liability issue for the City during this time when the dog is retired and under the care of the handler and their family.

To fully address these issues, the Police Department is proposing that the City enact an ordinance which reads as follows:

### **141.07 Sale of Police Dogs**

- (a) As used in this section, "Police Dog" shall mean a dog that has been trained, and may be used, to assist the City's Police Officers in the performance of their official duties.*
- (b) Upon the retirement of a City-owned Police Dog, or if a Police Dog is injured in the line of duty, becomes disabled and is unfit for duty, or grows too old to be fit for duty, the City's Police Officer handler at the time of the Police Dog's retirement shall have the first chance to purchase the dog for one dollar (\$1.00). The Officer who purchases a dog under this section shall assume all responsibility for the dog thereafter.*
- (c) If an officer chooses not to purchase a Police Dog as authorized by this Section, the disposition of the dog shall be as determined by the Chief of Police and Finance Director of the City.*
- (d) A City Police officer who leaves the City's K-9 Program while the Police Dog assigned to the officer is still fit for duty forfeits the right to purchase the animal under this section.*

Enacting this ordinance will provide clarity as to ownership of the dog upon retirement from service with the Police Department.

Presently, one retired K-9 is living with his retired handler and one K-9 is facing imminent retirement due to the promotion of his handler.

On June 7, 2019, this item was presented to the Members of the Safety and Public Works Committee. The Members indicated that this new ordinance makes a lot of sense for the City, and unanimously approved this item to be forward to the Finance and Administration Committee and City Council for their consideration.

It is recommended that the Finance and Administration Committee approve the proposed ordinance for sale of City-owned Police Dogs. It is further recommended that this item be forwarded to City Council with a recommendation for approval.



## Memorandum

To: Members of the Finance and Administration Committee

Cc: Mayor David E. Weiss  
Jeri Chaikin, CAO

From: Robert Baker, Director of Finance Department

Date: June 17, 2019

RE: Policy for General Fund and General Capital Fund Carry-Over Balances

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By Resolution No. 03-158 (copy attached), the City Council amended a prior Resolution No. 95-163 which made fiscal policy statements about the General Fund and General Capital Fund. The original and amended policy statements were not binding, but served as guides for the City. The 2003 amended Resolution provided that the City, as a goal, should endeavor to carry forward at the beginning of each year a General Operating Fund balance of not less than 20% of the budgeted operating fund expenditures. Any amount in excess of 20% shall be available for transfer to the General Capital Fund. The Resolution also stated that the City, as a goal, should begin the year with a General Capital Fund balance that, at a minimum, is equal to the current year's general capital debt funding requirement plus the total of all Estate Tax revenue received by the City and credited to the General Capital Fund in the prior year.

The Finance and Administration Committee has indicated a desire to look at the policy in Resolution No. 03-158. That review should be of the policy for both the General Fund and the General Capital Fund. State law permits the creation of reserve balance accounts and funds. Section 5705.13(A) authorizes the creation of "reserve balance accounts" for budget stabilization, self-insurance programs and retrospective rating plans for worker's compensation. Section 5705.13(B) authorizes the creation of special revenue funds to accumulate cash for (i) payouts at the termination of employment and (ii) the 27<sup>th</sup> pay that occurs every eleven years. Section 5705.13(C) authorizes the creation of capital project funds to accumulate resources for the acquisition, construction of fixed assets, including motor vehicles. The legislation creating such a fund must identify the assets to be paid for by the fund, and the fund cannot last longer than 10 years.

State law does not require or prohibit formal policy statements like Resolution No. 03-158. The first question to be considered by the Finance and Administration Committee is whether funds or accounts should be created as authorized by state law or the existing non-binding policy should be amended. At the state level, most "Rainy Day Funds" are created pursuant to state statute and have provisions for required deposits into the fund, minimum fund balance and use of any fund balance above a maximum amount set out in the statute. Policies have been created, as in Shaker, by Council action, administrative action or informally. In Westlake, the informal policy is a general fund balance equal to 90 days operating expenses. In Beachwood, the informal policy is 180 days of operating expenses

of a combined general fund and capital improvement fund. I recommend that Shaker not create state statute authorized funds, but revise the existing Resolution 03-158.

Our existing policy is a target balance of 20% of budgeted operating expenditures in the General Fund. The City does not have a policy for a minimum or maximum balance in the General Fund. Policies which have minimums or maximums have to deal with what happens if the balance falls below the minimum. Some of these policies require either expenditure reductions or increased revenues. For those policies with maximums, the policy requires a transfer of money to another fund or a reduction in revenues. I recommend that the Shaker policy have neither a minimum nor a maximum.

The next question is what should be the target balance of the General Fund? Brook Park requires a two month operating reserve. Solon requires the city to attempt to maintain an unencumbered general fund reserve of at least 20% of each year's appropriations. Cash reserves above the target "may be used primarily for" early retirement of debt or capital projects. The City of Dublin approves the practice of maintaining a general fund balance that exceeds 50%. If the balance exceeds 75%, the excess of 75% will be transferred to a capital improvement fund. Attached is a spreadsheet that shows the Annual General Fund Results for the years 2006 through 2018 including the General Fund Reserve %. At the end of 2018, the General Fund balance was \$17,067,917 and the General Fund Reserve % was 35.60% per spreadsheet.

The General Fund Reserve % was above 20% in 2006 and 2007 (and probably in prior years), but declined to less than 20% for the next five years with the start of the Great Recession in 2008. When the General Fund Reserve % fell below 20% in years 2008, 2009, 2010, 2011 and 2012, the Administration reduced spending, but not as a result of Resolution 03-15. After passage of the income tax rate increase in 2012, the General Fund Reserve % was above 20% from 2013 to 2018. This increase in the balance of the General Fund is likely due to the growth of the income tax revenues since the passage of the rate increase. With the present uncertainty over income tax collections, how high would we want to set the target General Fund Reserve %? I believe that the target could be raised to 25% that is the same as Westlake's policy of a 90-day reserve. I recommend that the policy expressly state that any excess above 25% can be transferred to the General Capital Fund, the Sewer Capital Fund or any other fund authorized by Council.

All of the above discussion relates to the General Fund. The provision in Resolution 03-158 about the General Capital Fund balance reflecting the Estate Tax collections in the prior year should be deleted. I suggest that the General Capital Fund test should be that the year-end balance (plus grants receivable) equal prior unspent capital appropriations plus current year capital appropriations. Attached is a copy of a proposed Resolution that would implement the revised Reserve Fund Policy.

Shaker Heights Annual General Fund Results

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	36,412,374	36,918,498	36,586,769	39,644,062	37,161,772	39,408,039	37,276,274	43,954,673	44,566,450	45,266,450	47,495,501	48,436,530	48,440,108
Total Expenditure	35,017,869	37,747,135	37,473,336	40,525,206	36,770,775	39,435,017	38,085,816	41,369,823	42,147,034	43,590,780	45,337,833	47,733,480	47,945,484
Excess Revenue	1,542,222	(622,317)	(777,154)	(648,334)	505,741	71,652	(669,078)	2,584,850	2,419,416	1,675,670	2,157,668	703,050	494,624
General Fund Reserve	8,616,232	7,993,915	7,216,752	6,568,420	7,070,160	7,141,810	6,472,733	9,023,886	11,413,603	13,039,258	12,907,925	15,432,623	17,067,917
Reserve % of Expenditures	24.61%	21.18%	19.26%	16.21%	19.23%	18.11%	17.00%	21.81%	27.08%	29.91%	28.47%	32.33%	35.60%

RESOLUTION NO. 03-158  
BY: Ken Kovach

Amending Fiscal Policy Statements of the City relating to the Desired Level of Certain City Fund Balances.

WHEREAS, the overall goal of the city's fiscal policy is to establish and maintain effective management of the city's financial resources; and

WHEREAS, formal policy statements provide a basis for achieving this goal; and

WHEREAS, the City adopted with the approval of Resolution 95-163 on October 24, 1995 fiscal policies relating to the General Fund and the General Capital Fund that, while not binding, are used by the city as a guide.

WHEREAS, the City's adherence to these fiscal policies has contributed to the overall financial strength of the City; and

WHEREAS, the Finance Committee and Council has recently reviewed the issue of the desired levels of carry-forward balances in both the General Operating Fund and Capital Fund; and

WHEREAS, the Finance Committee has now recommended fiscal policies relating to the General Fund remained unchanged and that the fiscal policy relating to the General Capital fund be revised.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Shaker Heights, State of Ohio:

Section 1. That the city should, as a goal, endeavor to carry forward at the beginning of each fiscal year a General Operating Fund balance of not less than twenty (20%) percent of budgeted operating fund expenditures. Any amount in excess of 20% shall become available for transfer to the General Capital Fund.

Section 2. That the city should, as a goal, endeavor to begin each fiscal year with an annual Capital Fund balance that, at a minimum, is equal to the current year's general capital debt funding requirement plus the total of all Estate Tax revenue received by the City and credited to the General Capital Fund in the prior year.

Section 3. The policy statements set forth herein are nonbinding, and shall not be construed or enforced so as to mandate or impose upon the city any particular fund balance or fiscal procedure.

Section 4. The fiscal policies authorized by Resolution 95-163 as heretofore in effect, are hereby repealed.

Section 5. This resolution shall take effect from and after the earliest time allowed by law.

Adopted November 24, 2003.

Approved this \_\_th day of \_\_\_\_\_.

\_\_\_\_\_  
JUDITH H. RAWSON, Mayor

Attest:

\_\_\_\_\_  
JERI E. CHAIKIN  
Clerk of Council

RESOLUTION NO. 19-  
BY:

Amending Fiscal Policy Statements of the City relating to the Desired Level of Certain City Fund Balances.

WHEREAS, the overall goal of the city's fiscal policy is to establish and maintain effective management of the city's financial resources; and

WHEREAS, formal policy statements provide a basis for achieving this goal; and

WHEREAS, the City adopted with the approval of Resolution 95-163 on October 24, 1995 and Resolution No. 03-158 on November 24, 2003 fiscal policies relating to the General Fund and the General Capital Fund that, while not binding, are used by the city as a guide.

WHEREAS, the City's adherence to these fiscal policies has contributed to the overall financial strength of the City; and

WHEREAS, the Finance and Administration Committee and Council have recently reviewed the issue of the desired levels of carry-forward balances in both the General Operating Fund and Capital Fund; and

WHEREAS, the Finance and Administration Committee has now recommended fiscal policies relating to the General Fund and the General Capital fund be revised.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Shaker Heights, State of Ohio:

Section 1. That the city should, as a goal, endeavor to carry forward at the beginning of each fiscal year a General Operating Fund balance of not less than twenty-five (25%) percent of budgeted operating fund expenditures. Any amount in excess of 25% may be retained in the General Fund as a reserve, including a reserve for a year with twenty-seven pays, or all or a portion of such excess may be available for transfer to the General Capital Fund, Sewer Capital Fund or any other fund authorized by Council.

Section 2. That the city should, as a goal, endeavor to begin each fiscal year with an annual Capital Fund balance and grants receivable that, at a minimum, is equal to the current year's general capital funding requirement plus unexpended prior year appropriations.

Section 3. The policy statements set forth herein are nonbinding, and shall not be construed or enforced so as to mandate or impose upon the city any particular fund balance or fiscal procedure.

Section 4. The fiscal policies authorized by Resolution No. 03-158 as heretofore in effect, are hereby repealed.

Section 5. This resolution shall take effect from and after the earliest time allowed by law.

Adopted May , 2019.

Approved this \_\_th day of \_\_\_\_\_.

\_\_\_\_\_  
DAVID E. WEISS, Mayor

Attest:

\_\_\_\_\_  
JERI E. CHAIKIN  
Clerk of Council