

## MINUTES OF THE FINANCE COMMITTEE

July 10, 2017

Auditorium

**Present:** Councilmembers O'Malley, Bullock and Nowlin

**Also Present:** Councilmembers Marx, Litten, Anderson (8:00 p.m.), O'Leary (8:00 p.m.), Finance Director Pae, Assistant Finance Director Schuster, Budget Manager Celeste Baker, Pat Chittock, Assistant Finance Director, members of the Lakewood Outdoor Basketball Committee

**Call to order** 7:41 p.m.

### **State Budget Impact on Lakewood and Update of 2017 Revenues & Expenditures**

Ms. Chittock provided an update on the recently passed state budget, HB 49. Overall, she said that it was disappointing and that the State continues to make moves toward centralization.

Director Pae added that 2018 will be a transition year due to the change in timing/deadlines for income tax. Also, the six-year triennial property assessment will take place in 2018. The City will see the expected increases in 2019. She advised the City to be as financially prudent as possible until then.

Mr. Shuster added that the City is anticipating receiving \$100,000 - \$300,000 less from the State's Local Government Fund. The final numbers will be known in August.

Director Pae remarked that continued increases in employee hospitalization costs are the most concerning expense. She distributed a spreadsheet containing the latest figures. In 2017, 10 people have hit the stop-loss. As of now, the City is projecting to go \$2 million over budget on hospitalization. The City will expect to use its budget reserves or make a transfer from the General Fund to cover the cost and be sure to budget appropriately in 2018.

Prescription costs are one of the highest cost expenses within hospitalization. The contracts contain a change in prescription plans effective July 1<sup>st</sup>. The City is hoping to see some relief once all union contracts are settled. Director Pae reminded everyone that all of the collective bargaining agreements which have been negotiated have called for a special health care committee and for healthcare to be renegotiated in 2019. The Committee discussed the overall nature of the health care claims the City is seeing.

The Finance Department reported that income tax was budgeted for a 1% increase in 2017 and is currently underperforming. However, the City is still expected to reach the year's revenue projections. Some of the income tax gap was closed in June.

Councilmember Marx asked what would happen if the City budgeted high for hospitalization in 2018 and the claims came in lower.

Director Pae responded that the City always keeps \$750,000 in the hospitalization fund as a minimum. Anything over would likely transfer back to General Fund.

**Communication from Councilmember Bullock Regarding Council Priorities Budget Process: 2017 Review and 2018 Planning**

Councilmember Bullock advised all Councilmembers to use the form provided to make council priority proposals for 2018. Council will deliberate on the proposals in September and submit them to the administration by September 30<sup>th</sup>.

To complete the process from 2017, Finance will hold an oversight hearing on July 31<sup>st</sup>. This will be a chance for the administration and council to report out on the 2017 priority items and their status. Councilmember Bullock seeks to incrementally improve this process each year.

Roger Sikes, a Cleveland resident and member of the Lakewood Outdoor Basketball Committee spoke in support of increasing outdoor hoops throughout the City. Currently, the Committee is aiming to get hoops installed at Madison Park and is door-knocking through those neighborhoods to talk with residents. Ultimately, they are seeking courts in every ward.

Councilmembers O'Malley & O'Leary expressed support for expanding basketball in the City.

Councilmember Anderson and Mr. Sikes discussed the hoops at Kauffman Park

Councilmember Bullock remarked that expanding outdoor basketball is a good example of an initiative that could be proposed as a council priority in 2018.

Finance Committee adjourned at 8:26 p.m.

	2011	2012	2013	2014	2015	2016	2017 Budget	2017 as of June 30, 2017	2017 Projected
Benefits / Employee Hospitalization	\$ 4,710,562	\$ 4,599,997	\$ 4,872,346	\$ 5,541,929	\$ 6,467,296	\$ 6,671,635	\$ 6,600,000	\$ 4,174,637	\$ 8,349,273
Other	\$ 25,320	\$ -	\$ -	\$ -	\$ 3,280	\$ 854	\$ -	\$ -	\$ -
Prof Services / Management Consulting	\$ 57,774	\$ 58,064	\$ 57,548	\$ 54,977	\$ 65,787	\$ 72,130	\$ 80,000	\$ 70,600	\$ 70,600
A/SCME Premium	\$ 425,014	\$ 398,038	\$ 381,854	\$ 382,126	\$ 90,228	\$ 75,714	\$ 85,000	\$ 48,106	\$ 96,212
Prof Services / Other	\$ 376	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,580	\$ 2,580
<b>Total Healthcare Expenditures</b>	<b>\$ 5,219,045</b>	<b>\$ 5,056,099</b>	<b>\$ 5,311,749</b>	<b>\$ 5,979,032</b>	<b>\$ 6,626,590</b>	<b>\$ 6,820,332</b>	<b>\$ 6,765,000</b>	<b>\$ 4,295,923</b>	<b>\$ 8,518,665</b>
Annual Increase / decrease		-3%	5%	11%	10%	3%	-1%		20%

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