

FINANCE COMMITTEE MINUTES

OF JANUARY 14, 2019

Municipal Council of the City of Vermilion
Municipal Complex, 685 Decatur Street, Vermilion, Ohio 44089

In Attendance: **Vermilion City Council:**
Steve Herron, President of Council; Monica Stark, Council at Large; John Gabriel, Ward One; Frank Loucka, Ward Two; Steve Holovacs, Ward Three; Barb Brady, Ward Four; Brian Holmes, Ward Five; Gwen Fisher, Certified Municipal Clerk

Administration:
Jim Forthofer, Mayor; Chris Howard, City Engineer; Amy Hendricks, Finance Director; Tony Valerius, Service Director

Call to Order: Frank Loucka, Vice Chairman, RESOLVED THAT this Finance Committee comprised of the committee of the whole does now come to order.

TOPIC ONE: 2019 Budget

Amy Hendricks conveyed that council received some draft financial reports for December 31, 2018. She reported the 2018 beginning cash balance in the General Fund was \$345,700 and the unencumbered balance was \$227,942. Revenue increased in areas such as investment interest as well as income tax growth. Expenses were limited with a focus on the core city services, so the City was able to end the year with \$636,400. She stressed the importance of being able to watch the spending for coming years, so the City can do a couple things, such as increase cash reserves. They will be looking at a policy soon for this. This increase in the unencumbered General Fund cash should increase the City's 2017 Critical Financial Health Indicator (FHI) to the Caution status and out of the Critical area. The City will need to almost double the amount of cash this year to get into the green ratio. It takes about two months of operating cash in the General Fund which the Auditor of State classifies as 17% of your General Fund revenue of the previous year, so that would require a balance of \$1,001,800 based on the 2018 numbers, but they are definitely making progress and with the new insurance rates this year as a result of the Collective Bargaining Agreement it will help the City in achieving a greater savings on the budget.

Other funds having notable balances that could impact the General Fund are Fund 702 and 703 which are the Self Insurance Funds. The balance is about \$554,000 and this is where the coverage will come for the run-off claims which were incurred prior to December 31, 2018, but are not paid until after January, as well as the premium and administrative fees that will be paid to BAC through March for executing and administering those claims for the City. The remaining monies in the funds will help insurance needs.

She referred to the 2019 revenue for all funds as well as initial budget numbers. The revenue and expense reports have history from 2017 and 2018 (budget vs. actual numbers), and the 2019 actual numbers are things that have been posted within the last two weeks. She noted that council was also provided with the 2019 Estimated Certificate of Estimated Resources that reflects projected cash balances for each fund, as well as revenue sources, taxes vs. general, to give an idea of what the City will have available for appropriation in 2019. She said they are doing well in each of the funds. She said Streets M&R will need a transfer from another fund, but they should have enough growth from the income tax for the road levy to be able to do this. It appears the City is on solid footing to start the year. She will meet with departments on their

specific needs, so they can be prioritized and brought back to council for further discussion. She encouraged caution in expanding spending and continue to work on the debt ratio.

J. Gabriel said the health care savings look great but worries about the contribution to the police pension fund because there is a lot of employees that will be retiring. A. Hendricks said this fund is actually for the payment of the employers share of their police/fire. However, Fund 320 covers severance payments and she has increased that contribution for this year, but she is still trying to gather the data on who is retiring because she will need to put a rather large transfer into this fund this year. She budgeted \$120,000 as this hasn't been funded additionally for a while. She put in 140,000 which is an estimate at this point. It appears that everything else in the budget stands as is, so she should be able to increase this fund. J. Gabriel said everything else looks good and the health care savings are incredible, so he hopes they can get through this year and get the budget up to where the state wants them. He also gave kudos to the engineering department as there was a \$12,000 savings. He appreciates that conservativeness.

Mayor Forthofer said on the administration side he was surprised by two things pertaining to the budget this past year. One is that many departments are not hands-on in the budgeting process; some are, but others who consume a lot of the city's resources really don't participate in building the budget. However, this year they will at the suggestion of the finance director, and they will have a greater sense of ownership. This is one thing that should help control the costs moving forward. Secondly, with health care recovery and the reinvestment of savings, he was amazed by how many surprises they had this past year.

B. Brady asked if Johnson Controls was coming off the budget this year and T. Valerius believed Johnson Controls has been settled, but the administration would double check to make sure. B. Brady thought it was only settled on the leak detection but wondered if they had debt in other places.

B. Brady referred to the expense report Fund 301 (General Bond Obligation) as in 2018 it shows almost \$3 mil and wondered if they moved the money and refinanced it and A. Hendricks concurred. A. Hendricks said she also budgeted in the General Fund for the changes in the ambulance contracts to Lifecare as well as the purchase of the station, and some estimates for utilities and building maintenance.

S. Herron expressed his gratitude that the city is at this stage on January 14.

J. Gabriel said the city cut their leaks back quite a bit, but the numbers aren't going anywhere. He asked if this was because of the stem. T. Valerius said there was so much work in the water plant and with the water stem, so they can revisit this again soon.

TOPIC TWO: Review of Ordinance 2018-90 (IT Contract)

Mayor Forthofer explained that upon his arrival in the administration he found it frightening of the lack of IT support. He said as the city becomes more dependent on technology the support of IT has not come along with it. He said they had the good fortune of having Joe Pinter maintain the system, but it came to realization that the City needs a hands-on help desk support. This is to help people who are serving the police department, the fire department, and the water department is heavily dependent as well. The city is also moving to a GIS (Global Information System) where much of the whole city will be dependent on this. He said they were fortunate this year when the budget fell out in the first quarter of 2018, as Chief Hartung was able to volunteer Patrolman Dave Reising who plugged the gap at no real cost to the

administration. Officer Reising not only helped cover the help desk functions but helped save the city some real money. However, as they start 2019, he would like a permanent solution to the city's help desk situation, plus Officer Reising is no longer available. He approached MCPc of Cleveland, Ohio who seemed to offer the most comprehensive and most affordable help desk support. That in addition to the fact they have a relationship with Joe Pinter who manages the City's system. The help desk support would not replace Joe Pinter and system support; it's two separate things. The system that runs and the future development of the system is a separate and different practice than the help desk support and daily operations of making the system run.

Joe Pinter and John Shockey of MCPc were present to review their services with council. J. Pinter said over the last six years he built a large network for the city. The entire city went from being ad hoc; everybody did their own thing to a city-wide fiber network; managed city-wide phone system, and internet. He and Dale Reising for the last six years managed the system and help desk, but it's getting to the point where Chief Hartung needs Dale to be a police officer more than IT support. Therefore, he presented the MCPc quote to the mayor to do the anti-virus, the anti-malware, internet content, filtering, and help desk support. He noted he is employed with MCPc as well. It's a remote support solution with a 24/7 network operation center that can be called at any given moment, and if it's a system error then it gets sent directly to him. He said they are keeping the city under the cost of having a full-time engineer as it would cost more than getting these services, plus the city is getting the security stack on the machines as well.

Mayor Forthofer said they have about 83 computers and at least 83 entries for security violations. It's become clear that security becomes a daily every day job and they really need somebody vigilant to keep them all from being stupid and doing the wrong thing. He said one wrong mistake and the cost of recovery is five times the cost of this yearly contract.

S. Holovacs said upon reading the MCPc contract it would be \$2,800 per month and they would be looking roughly at \$33,000 a year and Joe Pinter's cost is \$1,500 per month, so the city is looking at \$51,000 for two components. He thought it was pricey because he sees other companies who charge less; for example, his company pays around \$25,000 a year. J. Pinter said they have a secured connection to the LEADS Network, so they are maintaining connections to Lorain and Erie counties, and the Ohio LEADS Network. There is a lot more to the City's network than in a private organization. He said there is a lot of raw storage capacity they have had to put in for the body cameras for the police. They have close to 30 terabytes of storage they maintain at any given moment in police interaction and this data continues to grow, so there are regulatory things and other aspects to this contract that a normal private company wouldn't have to deal with. J. Shockey said in terms of chain of custody and asset reporting, this system will track all the tickets and information. They will know which users are having issues that could require some extra help in getting their computer working, but he would argue that with the partnership with the City they would be hard-pressed to find an all-encompassing group for \$50,000.

M. Stark asked if MCPc has an additional hourly rate for people that are called out and she noticed in the Ordinance the contract amount is not to exceed \$48,000 for MCPc, so are they expecting something different. J. Pinter said in the original quote there were two-line items and one was optional, and he believed the City added those costs together. John Shockey said the total is \$2,490 per month. M. Stark said the report they received indicates it is \$2,809. J. Shockey said there was a previous copy, but they provided council with the updated contract tonight. M. Stark asked if there would be callouts and an additional charge. J. Pinter said he would handle the callouts which is included in his \$1,500 per month. M. Stark asked if they

could modify the ordinance to address this change. It was noted that Joe Pinter's monthly fee is separate from the amount specified in the ordinance as he is a subcontractor. B. Brady asked about software costs and J. Pinter explained the city has a recurring yearly Microsoft licensing fee and hardware support costs that don't fall under the help desk support costs as this is separate.

M. Stark asked if the city has two ordinances for Joe Pinter's costs as well as MCPc. G. Fisher clarified that J. Pinter is a subcontractor and the ordinance is only to enter into an agreement with MCPc. She questioned if the not to exceed amount of \$48,000 in the ordinance as written needs to be revised to \$29,880 and J. Shockey concurred.

S. Herron asked if the city's insurance covers the actual computers and Mayor Forthofer concurred. S. Herron asked if MCPc is insured and J. Shockey said they do have an insurance policy they can provide to the City. Mayor Forthofer noted there is no further insurance coverage on the city's part.

F. Loucka said the contract would now be for \$29,880, plus \$18,000 for Joe Pinter bringing the 'IT' costs at \$47,880. He asked that if anyone had a problem with their printer or scanner would they contact MCPc, because he understands there has been lag around the city for these problems. J. Shockey said this will improve the service level as they have a fully staffed network operation center with 12 people at any given time and they will have access to troubleshoot the systems remotely. Anything they can't handle physically, there will be ticket in Joe's queue for this work. J. Pinter said the engineers from MCPc can remote in and help the users with their issues and if they can't and its hardware related then he would address it. J. Gabriel asked if this would change the city's firewalls. J. Shockey said they will be monitoring all the computers and infrastructure so that they see what's happening with it; there actually won't be a change to the firewall. J. Pinter clarified the firewall doesn't change; the end-point protection tool does the internet filtering, and it also reports. J. Gabriel asked about the backup procedure. J. Pinter explained that everyone's desktop folder, documents folder, and their favorites get backed up to the server every evening. They built a second ad hoc at the Service Center. The one gap they have is that if the Police Department has a problem, then this is the backup. The court uses a tape backup. J. Gabriel said according to the law the city is responsible for backups and public records. J. Pinter said he would work with the city on a retention policy.

B. Brady asked J. Pinter if he has a backup when he is on vacation and J. Pinter said yes. B. Brady said in her office they pay a minimum amount per month and a very low per hour cost for any work that must be done, so would they offer this as opposed to a monthly fee. J. Pinter said you can buy buckets of time from MCPc and buckets of support agreements, but when you consider how much the city is going to use over a year, then the city is better off with the all-inclusive service. B. Brady asked if there would be a dedicated person the employees will be calling, and J. Shockey said there will be a dedicated phone number and a technical manager will oversee the city's account, which can be escalated to J. Pinter. He said there is anywhere between 10-15 people that will support the city as supporting Microsoft is similar when supporting a court or hospital.

M. Stark said the school system has their own IT person, so say somebody in the finance department is working on a program that is giving them trouble, does the MCPc remote in to walk the employee through the issue because in their exclusions it says they don't work with other software companies, so whatever software the finance department is working with do they assist. J. Pinter said he does remote in along with the software company to work on issues. M. Stark asked for confirmation that MCPc doesn't cover the city's backup data and J. Shockey

said correct they are not backing up the city's data. B. Brady asked if it was conflict for J. Pinter to work for MCPc and G. Fisher said because he is not an employee of the City and only a subcontractor there should be no conflict. Mayor Forthofer thought it would be a benefit to the City that Joe Pinter works with MCPc as he has managed the system.

M. Stark asked the mayor how many companies he received quotes from for IT Services. Mayor Forthofer said last year they received about four others. M. Stark asked if they were local companies and Mayor Forthofer said yes and none of them had done work for the city before. M. Stark asked if the prices were similar and Mayor Forthofer said the prices were all over the place. M. Stark asked the mayor to forward the quotes to her.

After no further discussion came before the committee, Chairman Holmes adjourned the meeting.

Next Meeting: February 11, 2019 @ 7:00pm

Gwen Fisher Certified Municipal Clerk