

City of Willoughby Hills

Interoffice Memo

Date: February 16, 2016
To: Mayor/Safety Director Robert Weger
From: Frank J. Brichacek, Director of Finance *FJB*
Subject: Proposed Consolidation of Fire Department Capital Improvement Funds

Summary

- The City currently has two capital improvement funds dedicated to acquiring, constructing and/or maintaining the fire station and equipment used by the firefighters.
- In December 2016, the City will make its last payment on the bonds issued in 2001 to finance the construction/renovation of the fire station.
- On January 1, 2016 the City made its last payment on the bonds issued in March 2005 for the purpose of acquiring a fire truck.
- It is being recommended that the two Fire Department capital funds be consolidated into a single capital project fund and the funding sources currently dedicated to those two funds be dedicated to the new Fire Department Capital Fund and that the resulting surplus of revenue be used to finance the 2016 debt service requirement of the 2012 Fire Truck and 2015 ambulance acquisitions.
- It is requested that these changes be considered at the Council meeting scheduled for February 25, 2016 and that the three reading rule be waived and the ordinance enacted with an emergency clause so that it is effective immediately upon adoption and approval by the Mayor.
- If the changes proposed are approved, the General Fund's projected 2016 budget deficit of \$54,900 will become a budget surplus of \$27,100.

Discussion

The City currently has two capital funds dedicated to the Fire Department. Those funds are:

- Fund 441 The Fire Department Capital Construction Fund – Authorized by Section 135.17 of the Codified Ordinances, this fund was created in 2004 to finance the design and renovation/construction of the City's fire station as well as servicing any debt issued for this purpose. This fund is financed by charges for emergency services (per Section

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141.05 (g) (2) A) and the City's contract with Waite Hill for EMS services (per Section 135.17 (a)). The bond issued City will issue its final payment on this bond on December 19, 2016.

- **Fund 444 The Fire Department Capital Equipment Fund** – Authorized by Section 135.26 of the Codified Ordinances, this fund was also created in 2004 for the purchase of ambulances, trucks, safety vehicles and other major pieces of Fire Department equipment. This fund is financed by fees and charges for services designated by City Council, donations and grants. Currently the only revenue source dedicated to this fund is the proceeds of billings for motor vehicle accidents. Section 141.05 (g) (2) C dedicates this revenue to be used for the retirement of the bond issued in January 2005 for the purchase of an aerial truck. On January 1, 2016 the City issued the final payment on this bond.

For 2016, these two funds are summarized as follows:

	Fund 441 Fire <u>Construction</u>	Fund 444 Fire <u>Equipment</u>	Combined <u>Total</u>
<u>Estimated Revenues</u>			
Waite Hill Contract	\$51,100		\$51,100
EMS Fees	90,000		90,000
Accident Response Fees		\$5,000	5,000
Total Estimated Revenues	\$141,100	\$5,000	\$146,100
<u>Estimate Expenditures</u>			
Billing Service	\$6,300	\$400	\$6,700
Refunds	1,000		1,000
Transfer to Debt Service	110,600	4,600	115,200
Total Estimated Expenditures	\$117,900	\$5,000	\$122,900
Excess of Revenues Over/(Under) Expenditures	\$23,200	\$0	\$23,200
<u>Fund Balance</u>			
January 1, 2016	59,059	6,584	65,643
Projected December 31, 2016	\$82,259	\$6,584	\$88,843

As can be seen from the above summary, the Fire Construction Capital Fund No. 441 has more resources than it needs to finance the 2001 Fire Station Improvement Bond final debt service payment of \$110,550. The Fire Equipment Capital Fund No. 444 has insufficient resources to finance the 2005 Fire Truck Acquisition Bond final debt service payment of \$95,097.

To address this situation and to provide for more orderly planning for the acquisition/replacement of Fire Department equipment in the future, I am recommending that the City consolidate the two Fire capital funds into a single, all inclusive fund for to accumulate resources to finance the replacement of property, plant

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and equipment in the future. To do so, the following changes need to be considered for implementation:

1. Section 141.05 (g)(2)A should be modified to allow any revenue from EMS billing in excess of the amount needed to fully finance the 2001 Fire Station Improvement Bond Debt Service payment be credited to the Fire Department Property, Plant and Equipment Capital Project Fund No. 444.
2. Section 135.17 should be amended to add a subsection (c) which states that upon retirement of the 2001 Fire Station Improvement Bond that the Fire Department Capital Construction Fund No. 441 shall be closed and any equity remaining in said fund shall be transferred to the Fire Department Property, Plant and Equipment Fund No. 444.
3. The following revisions to Section 135.26 should be made:
 - a. The title of the section be amended from "Fire Department Capital Equipment Fund" to "Fire Department Property, Plant and Equipment Capital Fund"
 - b. Section 135.26 (a) be amended to read as follows: "(a) The Director of Finance is hereby authorized and directed to deposit fees and charges for services generated by the Fire Department, grants, donations, investment revenue and other revenue directed by Council including, but not limited to, fees from EMS and Fire Services to the Village of Waite Hill and fees from EMS services from non-residents of the City of Willoughby Hills into the Fire Department Property, Plant and Equipment Capital Equipment Fund."
 - c. Section 135.26 (b) be amended to read as follows: "Expenditures shall be made from the Fire Department Property, Plant and Equipment Capital Equipment Improvement Fund for the cost of engineering, design and construction or renovation of Fire Department facilities, and the specifically for the purchase of major pieces of capital equipment including but not limited to fire ambulances, fire trucks, safety vehicles, and other major pieces of capital equipment. or the cost of issuing debt to finance said purchases and the annual debt service on any debt issued for this purpose.
4. If the changes above are authorized, the Fire Department Property, Plant and Equipment Capital Fund No. 444 will be in a position to Finance the debt service on the note issued to finance the 2012 Fire Truck and 2015 Ambulance acquisitions. If approved, the following changes to the 2016 Operating Budget will be made:
 - a. The \$82,000 transfer currently proposed from the Safety Forces Special Revenue Fund No. 234 to the Debt Service Fund No. 310 to finance the 2012 Fire Truck and 2015 Ambulance acquisitions debt service requirements will be eliminated.

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- b. The Fire Department Property, Plant and Equipment Capital Fund will now transfer \$82,000 to the Debt Service Fund No. 310 to finance the 2016 debt service on the 2012 Fire Truck and 2015 Ambulance acquisitions.
- c. The 2016 General Fund subsidy transfer of \$3,995,500 will be reduced by \$82,000 to \$3,913,500.
- d. Currently the General Fund has a proposed \$54,900 estimated excess of expenditures over revenues. With this change, the General Fund's deficit will become a surplus, an excess of revenues over expenditure of \$27,100.

Attachment

C: Tom Lobe, Director of Law
Debbie Doles, Assistant Finance Director
Richard Harmon, Fire Chief

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135.17 FIRE DEPARTMENT CAPITAL CONSTRUCTION FUND.

(a) There is hereby created a fund known as the Fire Department Capital Construction Fund. All funds received by the City as a result of EMS and Fire Services to the Village of Waite Hill, by the provisions of EMS services to the nonresidents of the City of Willoughby Hills and through investment earnings shall be utilized for the renovation of the Fire Station.

(b) Expenditures shall be made from the Fire Department Capital Construction Fund for engineering, design, construction management, letting of construction contracts and debt service on any debt instrument issued to acquire the necessary funds to construct or renovate the Fire Department facilities.

(Ord. 2004-39. Passed 7-22-04.)

PROPOSED REVISION

135.17 FIRE DEPARTMENT CAPITAL FUND.

(a) There is hereby created a fund known as the Fire Department Capital Construction Fund. All funds received by the City as a result of EMS and Fire Services to the Village of Waite Hill, by the provisions of EMS services to the nonresidents of the City of Willoughby Hills and through investment earnings shall be utilized for the renovation of the Fire Station.

(b) Expenditures shall be made from the Fire Department Capital Construction Fund for engineering, design, construction management, letting of construction contracts and debt service on any debt instrument issued to acquire the necessary funds to construct or renovate the Fire Department facilities.

(c) Upon the retirement of the Fire Station Improvement Bond Issued December 1, 2001 to finance the construction/renovation of the fire station, the Fire Department Capital Construction Fund No. 441 shall be deemed to be closed and, after any remaining liabilities related to the renovation of the fire station, the issuance of debt financing the project or the cost of collecting ambulance fees from nonresidents have been paid, any remaining fund equity shall be and is hereby authorized for transfer to the Fire Department Property, Plant and Equipment Capital Fund No. 444.

(Ord. 2004-39. Passed 7-22-04. Amended Ord 2016- Passed)

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135.26 FIRE DEPARTMENT CAPITAL EQUIPMENT FUND.

(a) The Director of Finance is hereby authorized and directed to deposit fees and charges for services generated by the Fire Department, grants, donations, and other revenue directed by Council into the Fire Department Capital Equipment Fund.

(b) Expenditures shall be made from the Fire Department Capital Equipment Improvement Fund specifically for the purchase of fire ambulances, fire trucks, safety vehicles, and other major pieces of capital equipment.

(c) The Director of Finance is hereby authorized and directed to make application to the Ohio Bureau of Inspection for approval of the creation of the Fire Department Capital Equipment Fund.

(Ord. 2004-39. Passed 7-22-04)

PROPOSED REVISION

135.26 FIRE DEPARTMENT PROPERTY, PLANT AND EQUIPMENT CAPITAL EQUIPMENT FUND.

(a) The Director of Finance is hereby authorized and directed to deposit fees and charges for services generated by the Fire Department, grants, donations, investment revenue and other revenue directed by Council including, but not limited to, fees from EMS and Fire Services to the village of Waite Hill and fees from EMS services from non-residents of the City of Willoughby Hills into the Fire Department Property, Plant and Equipment Capital Equipment Fund.

(b) Expenditures shall be made from the Fire Department Property, Plant and Equipment Capital Equipment Improvement Fund for the cost of engineering, design and construction or renovation of Fire Department facilities, and specifically for the purchase of major pieces of capital equipment including but not limited to fire ambulances, fire trucks, safety vehicles, and other major pieces of capital equipment. or the cost of issuing debt to finance said purchases and the annual debt service on any debt issued for this purpose.

(c) The Director of Finance is hereby authorized and directed to make application to the Ohio Bureau of Inspection for approval of the creation of the Fire Department Capital Equipment Fund.

(Ord. 2004-39. Passed 7-22-04. Amended Ord 2016- Passed)

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141.05 EMERGENCY CALL FEES.

- (g) The funds collected pursuant to this Section shall be disbursed as follows:
- (1) Such part thereof necessary to defray all expenses of collection shall be paid.
 - (2) The balance remaining after such payment shall be deposited in the Fire Department Capital Improvement fund in the following manner:
 - A. Non-resident ambulance fees shall be deposited into the Department 001 of the Fire Department Capital Improvement Fund No. 441 and shall be pledged to retire the bonds issued in November of 2001 to renovate the Fire Station.
 - B. Resident ambulance fees for residents of the City of Willoughby Hills and the Village of Waite Hill shall be deposited into the Fire Levy Fund No. 240.
(Ord. 2006-29. Passed 6-13-06.)
 - C. Proceeds from the billing of motor vehicle accidents shall be deposited into Fund No. 444, and shall be used to assist in the retirement of the bond issued in January of 2005 for the purchase of a new Aerial Platform.
(Ord. 2007-7. Passed 3-8-07.)

PROPOSED REVISION

- (g) The funds collected pursuant to this Section shall be disbursed as follows:
- (1) Such part thereof necessary to defray all expenses of collection shall be paid.
 - (2) The balance remaining after such payment shall be deposited in the Fire Department Capital Improvement fund in the following manner:
 - A. Non-resident ambulance fees shall be deposited into the ~~Department 001~~ of the Fire Department Capital Improvement Fund No. 441 and shall be pledged to retire the bonds issued in November of 2001 to renovate the Fire Station. Any revenue from non-resident ambulance fees in excess of the amount needed to fully finance the 2001 Fire Station Improvement Bond debt service shall be credited to the Fire Department Property, Plant and Equipment Capital Fund No. 444.
 - B. Resident ambulance fees for residents of the City of Willoughby Hills and the Village of Waite Hill shall be deposited into the Fire Levy Fund No. 240.
(Ord. 2006-29. Passed 6-13-06.)
 - C. Proceeds from the billing of motor vehicle accidents shall be deposited into Fund No. 444, and shall be used to assist in the retirement of the bond issued in January of 2005 for the purchase of a new Aerial Platform.
(Ord. 2007-7. Passed 3-8-07.)