



CITY OF OLMSTED FALLS
FINANCE COMMITTEE
MINUTES
DECEMBER 11, 2018
7:00 PM
COUNCIL CHAMBERS

Chairman Lori Jones called the meeting to order at 7:01 p.m. Roll call was conducted. Councilmen Paul Stibich, Jim Haviland, Ed Gorski, Denise Nicolay (arrived at 7:19 p.m.), Terry Duncan and Lee Fenrich.

Also Present: James Graven, Mayor, Vic Nogalo, Finance Director, Chad Gluss, Fire Chief, Joe Borczuch, Service Director and Odis Rogers, Police Chief.

NEW BUSINESS

Budget Discussion

Fire Department – Mr. Nogalo indicated that there are no additional employees. The largest expenditure for the city is personnel. He stated that the fire department has a general fund line as well as a fire equipment fund, which helps with capital projects; there is also a fire/police pension fund; and a fire levy which covers some of the salaries.

Chief Gluss stated that the salaries begin with the departments 2018 salaries. During union negotiations an agreement was reached for a 0%, 2% and 2% so 2019 budget represents the 2% salary increase. He stated that he has budgeted for OIC pay, which is Officer in Charge and historically the three senior firefighters will receive significantly more in OIC pay. Educations pay is also contractual. There is one individual that received an increased amount due to the fact that there is an article in the contract regarding college education; it is no longer within the contract and this individual is the only one who receives this type of pay. Each firefighter receives 50 hours of overtime for EMS/Fire continued education, we have to maintain a specific number of hours per year in a three-year period in order to main our fire and paramedic cards. He stated that contractually full-time firemen are permitted to sell back 120 hours or 5-24 hour shifts and historically all sell this time back to the city. Also, contractually his department receives longevity and clothing allowances.

He stated that he has requested that the part time employees receive an increase from \$19.33 to \$21.50. This is due to the fact that the part time employees have not received a raise in a few years. We did comparables to other fire departments in the area and have lost a couple of part time employees to departments that pay higher.

Ms. Jones asked if there would be any additional expenditures for the fire department that Council should plan for. Chief Gluss indicated that he has no capital purchases planned. Under Fund 106 he has budgeted \$2,000 for miscellaneous supplies; \$20,000 for miscellaneous professional services; and \$15,000 for apparatus maintenance. He tries to purchase three sets of turnout gear, obviously there is some maintenance for ladders and fire

trucks; pump testing and those types of maintenance that has to be performed each year. He stated that last year there were two large repairs to Engine 4 and Ladder 1 and this year there were no major repairs needed. Ms. Jones stated that there has been maintenance but it was not charged to fund 106 was that charged to the miscellaneous services. Chief Gluss indicated that he is unsure. He stated that when Mr. Nogalo became the finance director he discussed changing some of the funds. If you notice 56633 and 56634 are two capital equipment miscellaneous funds and he is not sure why there is two. Once these budgets are set he believes that Mr. Nogalo and each department head will work on making changes, as he should have a fund for vehicle maintenance and a fund for equipment maintenance.

Mr. Nogalo indicated that RITA has reduced their monthly fees from \$1,700 to \$600 a month and because our current staff does not want to rush into a new accounting system we will stay with the current system. Because we are staying with the old accounting system, he will begin making some changes to line items. You will see more line items in order to make the budget more understandable so there will be less and less miscellaneous line items.

Ms. Jones indicated that there will no longer be a miscellaneous for capital equipment. Mr. Nogalo indicated that there should be no miscellaneous in capital equipment. Chief Gluss indicated that he believes originally this line item was for the lease of the ladder truck but he is not sure why there are two funds.

Chief Gluss indicated that most of the education and training budget is contractual. He stated that \$7,000 is per the union contract and the \$5,000 will be used for part time employees.

Chief Gluss indicated that Fund 105 is utilized for payroll. Fund 106 is used for equipment purchases.

Service Department – Mr. Nogalo stated that the service department's payroll is difficult to budget. Every full-time employee allocates their wages to six (6) different funds. The service department has several outside funds that help with general fund balance. He also breaks down the benefits according to where the wages are allocated. When the service department employees take vacation, their time off is charged to the general fund. After the last payroll in December he will review the actual work hours and obtain the percentages in order to allocate the time they were not working to the service department funds.

Mr. Borczuch stated his department will remain status quo regarding personnel, the only adjustments will be the increases related to the union negotiations. As Mr. Nogalo indicated that whatever type of work is completed for the day is charged to particular department funds. He utilizes the general fund for administration and buildings, for example, leaf and brush pickup. The 102 fund will be utilized for road salt purchases in 2019 as these funds the city receives from the state; 103 is utilized for road repairs; any street repairs or supplies needed utilizes this fund. Fund 104 is the road levy fund which covers larger repairs or street replacements, this fund receives approximately \$250,000 per year and the city really needs approximately \$1.3 million to keep up with the streets within the city. The 108 is utilized for any park repairs or maintenance. He also allocated funds for the restrooms in East River Park these will need to be replaced whether the city receives the grant or not. The city did receive \$58,000 from the Clover development for the park fund as part of their development fees. Mayor Graven stated that so far, the city's termination of the contract with Safebuilt and hiring

a part time inspector seem to be working. Mr. Borczuch indicated that it does seem to be working well. He is attempting to keep a tally and should be able to bring additional information to Council after the first of the year to show where we are with the inspectors. Having Braden as the main building official and a couple of inspectors/building officials that work different hours to accommodate the residents seems to be working well. Mayor Graven indicated that these individuals will have been on board for six months by the end of the year.

Mr. Borczuch indicated that Fund 113 is for miscellaneous supplies and he has determined over the course of the years that it is easier to purchase larger amounts of supplies like trash bags for the parks because the city receives better pricing. Fund 114, storm sewer maintenance, is utilized for work on storm sewers, repairs or replacements and any laterals that may need replacements. There is a couple larger dollars amounts under professional services and equipment as he is anticipating some work being done in the Flair Development on Redwood. He will also utilize this fund and the sanitary fund for a truck replacement. Fund 117 is for tree removals, trimmings, stumps, and replacements. Fund 128 is the sanitary fund just like the storm fund anything that deals with sanitary, for example, jetting, camera work replacement, or repairs. He allocated \$50,000 from this fund for the truck purchase. Fund 131 is for the covered bridge and the bridge will need to be pressure washed and resealed this coming year. This is not an easy task due to the river and does cost quite a bit of money because there are not a lot of companies that will take this job due to the distance down to the river bed. He has spoken with Ms. Accordino who will apply for a grant through the Harding Fund handled by PNC Bank. Fund 301 is the city's capital improvement and \$50,000 has been allocated for the administrative building. He purchases a new roof top unit each year at a cost of approximately \$10,000. There is also money allocated for security measures that were discussed this year but not implemented. Fund 313 is the service capital equipment which will be utilized for the truck that will be received this coming year. He stated that Mr. Nogalo has divided the cost of the vehicle between three separate funds. He has two payments left on the loader that was purchased for a total of \$13,997.24. Mr. Nogalo stated that when Council approved the purchase of the truck for \$164,000, we split the purchase price; \$82,000 from Fund 313 and \$27,000 from the 102 and 103 funds and the remaining \$82,000 will be financed over the next three or four years out of fund 313. Mr. Borczuch stated that he tends to lease these trucks due to their cost. Mr. Nogalo stated that the fire and service departments have two separate funds outside of the general fund for equipment purchases and he wishes the police had that type of fund. Mr. Borczuch stated that fund 317 is for the overpass and pays for the hillside maintenance and trees and shrubs that will need to be replaced; the area will also have to be mulched this coming year and the bridge pressure washed.

Mr. Fenrich stated that 114 has \$80,000 allocated. Mr. Borczuch indicated that would be used for work needed on Redwood which will have to be contracted out because there are depths that are close to 15-foot-deep which is more than his department can deal with. Ms. Duncan indicated it is for a fallen in drainage area. Mr. Borczuch replied storm sewer pipe, everything is open but needs to be repaired collapsing occurs. Mr. Fenrich asked if most of this work in the past was done in house. Mr. Borczuch replied that he does most work that is 10 or 12 feet but his shoring boards are only 10 feet so anything over that he contracts out for safety.

Mr. Nogalo indicated that he believes that a few of the levies will expire next year. Ms. Jones asked if that would be for 2020. Mr. Nogalo indicated that they would need to be placed on the ballot next year. Ms. Jones asked for a list of levies for the next council meeting.

Police Department – Mr. Nogalo indicated that this department primarily utilizes the general fund but there is approximately \$240,000 that comes in from Fund 107 for salaries from the police levy fund. There is also a police pension fund that the city pays 19.5% on every wage for full time police persons except for one as he is in OPERS which is only a 14% match. Those are the only two funds outside of the general fund. As he mentioned earlier the chief does not have a special fund for equipment purchases.

Chief Rogers indicated that there are no changes in personnel of the \$1,060,240 roughly a quarter of that comes from a levy everything else is general fund.

Ms. Jones asked what constituted miscellaneous professional services. Chief Rogers indicated that the biggest part is fleet maintenance. This year he will spend approximately \$25,000 in maintenance. Another vehicle was ordered earlier and will be received in early 2019; his hope is that will help cut costs. Only \$800 of the \$25,000 was spent on the two new vehicles he received in the last year and a half. Ms. Jones asked Mr. Nogalo if he could change miscellaneous professional into maintenance, like the fire department. Mr. Nogalo replied he would as he feels professional services are more of legal or consulting. Chief Rogers indicated that there are things that are included in miscellaneous professional services that should be in intergovernmental, for example, LEADS, the law enforcement data system. Mr. Nogalo stated that when you see intergovernmental revenues or expenses that means the city is either receiving money from another governmental entity or paying another governmental entity. Again, that is how the accounting system should work because when you press the button at the end of the year it creates financial statements that should show monies received from other governments or money paid to other governments. Chief Rogers stated that other items that come out of this fund include car washes, copier fees, air cards for our MTD's, but the vast majority is vehicles.

Ms. Jones asked what was included in miscellaneous supplies. Ms. Duncan stated that if we budgeted \$35,000 and only spent \$14,000 this year she is impressed. Chief Rogers stated that over time, even with wages, we were able to tighten the belt on quite a few things. We seek a lot of grants and were able to get the \$15,500 grant for body cameras so the amounts coming out of the fund are basically matches to the grants. Ms. Jones asked what was the reasoning for the increase anticipated in 2019 for miscellaneous supplies. Chief Rogers replied body cameras, computer supplies, tires, which are not part of the maintenance, computer hardware, USB drives, our detective bureau needs USB drives to put documents on for prosecutors. Another fairly good part is body armor, every five years we have to replace body armor for our officers. He has a schedule that rotates for each officer and in 2018 we had four replacements. Mayor Graven asked if the body armor includes what the city will be receiving. Chief Rogers replied those are plates, which he is happy about because they will provide a lot of protection for the officers and every vehicle will have a carrier, rifle plates. The soft body armor we wear will not stop a rifle; every officer will be issued on insert for his or her soft body armor. Also included is lock out tools, business cards, drug testing kits, if an officer stops a vehicle in the middle of the night and there are drugs in the vehicle, we have to do field test on those and get presumptive test kits, that also comes out of that fund.

Chief Rogers indicated that prisoner housing he has been able to cut back on that. A big part of that was when we went to Strongsville and, quite frankly, we are not putting people in jail for

petty theft and things like that. If its petty we are writing citations and getting all the information from them and by doing these kinds of things we are cutting costs. We are also not sending officers out of the city to pick up a warrant that is for \$100 owed. We use to get money owing warrants; the case was adjudicated the defendants were finished with court but they still owed the court \$200. Those cases are only heard on Thursdays so we became bill collectors for the court. We told the court that we are not going to arrest someone on a Friday night, hold them for six nights at \$80.00, so the city would essentially spend \$480 so the court could collect \$200 and the court understood that reasoning. These are only on petty issues no violent crimes.

Mr. Nogalo stated the general fund is the one that everyone talks about and basically had a free fall from 2015. At the beginning of that year the fund had a \$2 million-dollar balance and lost ground every year. The best we can do is stop the free fall which he believes we did with some personnel cuts earlier this year. We are not going to go back up to \$2 million we are just trying to survive. There was zero percent increase in wages this year but everyone will receive 2% increases beginning 2019.

Our two major revenue sources are income and property taxes but property tax is limited due to house bill 920 which limits the increase of taxes city's receive as values go up. We have a 1 ½% income tax which cities are now reaching heights of 3% but we do not give 100% credit to our residents. If we want to be proactive, we do have to find new funding sources or if we are not going to raise taxes, we will need to put money into economic development to attract companies into our town to generate more taxes. When we did the budget last year, we estimated that the general fund would finish at \$125,000; at the end of November it has \$571,000. There is \$309,000 outstanding in purchase order commitments so we will have a cash balance of \$262,000. In December he will transfer funds from police and fire levies into the general fund for salaries. He believes those amounts will be \$112,000 for fire and about \$60,000 out of police. He will also go back into the service department to allocate funds to the other funds for medical costs based on how they worked throughout the year which we will know at the end of the last payroll in two weeks. Ms. Jones stated that Mr. Nogalo will take some of the allocation out of the general fund and put into other funds so our unencumbered balance in the general fund will increase. Mr. Nogalo replied yes. We feel that the general fund will increase in December because we will take expenditures out of there legitimately. The problem with the last few months of the year is that the biggest months for income tax are April and May and property taxes all come in through September. He is projecting a beginning balance for 2019 of \$525,000 which is not bad since we were projecting a beginning balance of about \$120,000. For revenue in 2019 he is budgeting that we will receive \$3.2 million in income tax but only 88% of that will go into the general fund. He has seen the first distribution that was received in December was over \$100,000 so we could easily exceed \$2.8 million this year again. He is being conservative in budgeting the \$2.8 million but we want to be conservative on our revenues.

Mr. Nogalo stated that there are about 10 property tax distributions throughout all of our funds. The general fund this year we budgeted that we would receive \$450,000 and we actually received \$461,000. Now, every three years there is a county re-evaluation and the portion of property taxes that goes into the general fund is not exempt from house bill 920. The county estimated that our values are going to go up approximately 10% and he is estimating that will

increase the city's revenue by \$45,000 so instead of budgeting \$450,000 he will budget \$495,000 because again we want to be conservative.

The \$95,000 in the intergovernmental fund is the state distribution. The state distributes monies that they collect back to the cities and has been cut in half from 10 years ago. The \$78,000 is the property tax the state pays us for anyone who gets a break on their property taxes either homestead, the 10% roll back, or the 2% owner occupied.

He has not budgeted anything in grants but is aware that Ms. Accordino is aggressively seeking grants for 2019 and he still has to meet with her to determine what grants the city will receive. Ms. Jones asked about the grant the city receives to fund the senior center. Mr. Nogalo indicate that grant is allocated to another fund.

Mr. Nogalo stated that buildings and permits is an estimate and varies every year depending on how many permits are taken out.

The city receives rental income from a couple of properties; the cable tv has been decreasing as people are getting rid of cable; telephone commissions is the city's cell towers. He believes that every five years those monies increase but there will be no increase in 2019. We have been approached regarding selling our towers and he does know that other cities have sold their towers to make ends meet; he does not recommend doing this. EMS has been budgeted for \$210,000 which does not vary year to year; our refuse charges will remain the same as the Mayor did not change those costs. Ms. Jones inquired if the city's costs increased. Mr. Nogalo indicated that they increased slightly and will increase in the future as the recycling market is basically shut down abroad. Ms. Jones replied yes, because China wasn't going to buy our recyclable materials because they are battling with the white house. Mr. Nogalo indicated that he and the Mayor received a phone call a couple weeks ago from Dave Kidder regarding yard waste because yard waste is also now being refused but they will not increase the rates but is warning us for the future that down the road refuse maybe escalating, and those increased will be passed on to our residents via the assessments. Interest earnings \$15,000 for the municipal court; miscellaneous other revenue, we have \$61,000 for an OPWC grant out of the general fund which he questioned because we are being reimbursed for that loan from the City of Berea which is why its in the general fund.

Individual departments - Council's salary will be increased based on the OPERS credit per month; the clerk's full-time wages are included. She does break down and is the only one outside of the service department who breaks down her pay showing how much time is spent working on council, law, planning, other general governmental duties and Mayor's Court. He budgets 100% of her wages under Council's but as the expenses come in through the year there is an adjustment for each department; but primarily her expenses are through Council. The mayor's court pays for the magistrate. The mayor's office is straight forward but a budget adjustment will be needed for the city's newsletter. He does not believe that expense should be listed in the Mayor's budget but rather under general governmental.

The finance department has one less full-time person so the personnel services will decrease and we will be decreasing RITA's monthly charges. There will be an increase with RITA collections because RITA takes 3% for collections so if they collect more, we will be charged more. In other words, if RITA collects double the income tax his budget will double for RITA

collections. As he indicated RITA has dropped their monthly charge for their accounting service from \$1,700 to \$600. In legal, we budgeted \$165,000 for 2018 and as you can see through November, we have only spent \$37,000; the law director requested only half of the 2018 budget for 2019. Civil service includes the Clerk's costs as well as any testing that may be needed. Under general governmental, we budgeted \$70,000 for unemployment and to date we have paid less than \$20,000.

Law enforcement detention, which is prisoner care, we are budgeting \$22,500. As the Chief indicated we budgeted \$20,000 but only spent \$14,000.

We received a call from Mr. Sheehy reducing his salary from \$40,000 to \$30,000, which is basically his retainer to be the city engineer. He does bill the city for any capital projects and the majority of his billings will be for the Phase V project. We have certain costs entered into the general fund when we ask him to do work on CRA items, for example, and those are allocated into the general fund. We did not budget for that in 2018 and he will need Council to amend the 2018 budget because he will need to update budget lines but the bottom line of the budget will not increase and we will have reasons why we overspent on certain line items.

We budgeted solid waste at \$495,000 and through 11 or 12 payments we have already paid \$497,000. Next year that will increase up to \$600,000 for 12 refuse payments which is a significant increase. The city's contract ends this year and we will mirror Olmsted Township's refuse contract in order to prevent creating our own RFP and going through that large process.

We budgeted \$317,000 in 2018 for the service department and we are at \$417,000. All the medical health care expenses are in the general fund but will be extracted and allocated to other funds as well as some personnel expenses regarding vacation and sick leave and charged on a percentage basis based on work they do throughout the year.

There are two economic development departments one was for the former economic development director and Ms. Accordino is being paid out of the one called business and community services. We will continue to use the economic development one for other expenses. We budgeted \$27,200 for aging. The city pays Olmsted Community Center rather than hiring a full-time employee as those costs are only \$8,953 and they are non-personnel expenses. Planning Commission is for the Clerk of the Commission as well as ABR.

There will be an increase to the building department as Mr. Kopchak was previously budgeted in the service department as a service employee but he is a building department employee which is why you will see an increase.

When the city receives property taxes the county assesses us for the health department and this was charged as a county expense and was not detailed and they are buried in the general governmental fund. Mayor Graven indicated that these costs will increase per the notice received from the county health department. Mr. Nogalo indicated that these costs will be placed in a health department fund.

Then we will have the transfers out of the general fund. The general fund is used as the main checkbook and if any other funds go into the negative it is the general fund's responsibility to make sure they are flush, basically overdraft protection. This is especially important at year's

end because we cannot have any funds in the negative. The state addressed the city for that last year as we had a couple funds in the negative. There are three things that we have to do before we close 2018; one is none of these funds can end in a negative balance; number two none of the appropriations that Council grants us are exceeded; and number three the appropriations have to be backed up by actual money in our funds. For instance, if we have a beginning balance of \$1 million dollars and we take in \$5 million we cannot appropriate more than what our beginning balance is; just like your checkbook you cannot write out checks more than what your beginning balance was at the end of the year.

He also requested a meeting before the next Council meeting in order to review all the amendments that will be needed for the final 2018 budget. We can always revisit the budget when we see the actual fund balances.

He would also like to speak with Council regarding a new fund structure. There are seven that are just debt service funds and they receive special assessments from old assessments. Ms. Jones requested that Mr. Nogalo prepare information showing which funds he would like Council to consider consolidate. Mr. Nogalo indicated that his reasoning for the consolidation is due to the fact that there are a couple of funds that will not receive any special assessments and will have negative balances and that one particular fund will go deeper in the hole. He believes we need to aggregate all of them so there will be no negative balances. Ms. Jones asked if a subsidiary ledger could be kept. Mr. Nogalo replied yes, he will create all the special assessments coming from whatever project and the debt service from each.

ADJOURNMENT

Mr. Gorski moved to **adjourn**; Mr. Fenrich **seconded**. Poll: 7 ayes; 0 nays. **Motion carried.**

The meeting adjourned at 8:43 p.m.

Lori Jones, Chairman Finance Committee

Angela Mancini, Clerk of Council