



CITY OF OLMSTED FALLS  
FINANCE COMMITTEE  
MINUTES  
DECEMBER 18, 2018  
6:30 PM  
COUNCIL CHAMBERS

Chairman Lori Jones called the meeting to order at 6:41 p.m. Roll call was conducted. Councilmen Paul Stibich, Jim Haviland were present. Ed Gorski (arrived at 7:35 p.m.), Terry Duncan (arrived at 6:46 p.m.) and Lee Fenrich (arrived at 7:00 p.m.). Denise Nicolay was excused.

Also Present: James Graven, Mayor, Andrew Bemer, Law Director, and Vic Nogalo, Finance Director.

### **OLD BUSINESS**

Budget Discussion – Mr. Nogalo indicated that previously Council met with the Police, Fire and Service Departments. The other departments have normal expenditures. The only major expense will be Phase V. The city will spend approximately \$9 million but half of those expenditures the city will receive grants. He is working on a financial document that will list every fund for each department.

The 2019 budget does not include any personnel additions. The unions have negotiated a 2% salary increase. He would like to revisit the 2019 budget sometime in January as he will have an accurate beginning balance. As of right now he is estimating \$525,000 but he is not sure that is exact. He would ask that Council adopt the 2019 budget this evening. He would also ask that Council review the budget in depth in January as he will have the final figures for 2018 by then. Ms. Jones indicated that the city will issue bonds in 2019 for Phase V. Mr. Nogalo replied yes. He spoke with bond counsel today and the city issues \$1.5 million last August for Phase V which will be due this August. He stated that the city will need to issue out an additional \$5 million, which will become due August of 2020. Ms. Jones stated that when these bonds are issued, they will be specifically for the Phase V project. Mr. Nogalo replied that was correct they cannot be used for other projects. He stated that the funds will be deposited into Fund 213 which is the Phase V fund. He wants to issue \$5 million in notes as he is unsure of when the city will receive the grants for the project. Mr. Stibich stated that the city has already funded \$1.5 million and in January Council will need to issue an additional \$5 million which will give the city a total of \$6.5 million of debt. In August the \$1.5 million will become due but Mr. Nogalo is suggesting that this be rolled over. Mr. Nogalo replied that was correct. Mr. Stibich asked when the city would draw off of the \$5 million dollars. Mr. Nogalo indicated that the city will receive the funds for deposit in order to pay construction costs. Ms. Jones asked what the interest rates would be. Mr. Nogalo stated that he knows they are rising but he is unsure at this point. Mr. Stibich indicated that the city cannot assess the residents until the Phase V project is completed. Mr. Nogalo replied that was correct. Mr. Stibich asked when the assessments would take place. Mr. Nogalo indicated that the project has to be completed and the city engineer has not gone out for bid for the next phase as of yet. Ms.

Duncan asked when the city would begin receiving grants. Mr. Nogalo stated that the OPWC grant is a reimbursement so the city would need to pay the contractor and then submit for reimbursement through OPWC. He stated that the grants will be half the total costs. Ms. Duncan stated that the city needs to then refinance the additional costs for the project. Mr. Nogalo replied that was correct; the city will fund the project through grants and borrowing. Ms. Duncan stated that when the city begins paying for the debt but the assessments are not being received what money it utilized to pay the interest. Mr. Nogalo replied the bond. If the city borrows \$6 million and there is \$100,000 in interest, we will roll that back into a bond and assess the residents. Ms. Duncan stated that she understands it will come back but in the meantime the city has to make payments. Ms. Jones indicated that the city will borrow more than needed in order to pay the interest. Mr. Nogalo stated that the amortization is a one year note, we currently have the first \$1.5 million debt issuance which will come due in August if there is not enough money in the fund we will transfer from capital projects as an advance. Mr. Stibich indicated that Mr. Nogalo is anticipating the funds to pay the the interest will be taken out of bond fund proceeds until the proceeds are used to pay for the project at which time the assessments will go out and the interest and bond payments can be paid from the assessments. If there is a shortfall in between we can borrow from the general capital fund but we don't anticipate any funds coming from the general fund to pay the interest. Mr. Nogalo replied that was correct. Anything related to Phase V will be assessed to the residents. Ms. Jones stated than when this project is completed and the assessment takes place, we will still have to pay the interest on the bond. Mr. Nogalo replied yes; the assessments will incorporate the interest rate. Ms. Jones stated that if we limit the resident's costs to \$12,600 will the city have additional bills. Mayor Graven stated that was the figure he has heard since he has taken office but with the additional grants that amount could be reduced. Ms. Jones indicated that she heard that some residents pay more. Ms. Duncan stated that when this project was originally bid out, the assessments were figured differently and residents were told anywhere from \$7,000 to \$25,000. When residents received a \$12,000 estimated versus \$5,000 or \$6,000 issues arose. Mr. Nogalo stated that earlier this year the contract awarded to Fabrizi was below the engineer's estimate but there was a change order due to some underground issues.

Mr. Nogalo stated that there were no adjustments made during 2018 which is why there will be a number of them before the close of the year. Ms. Jones stated that in July the committee's main concern was would there be enough funds at the end of the year or would drastic measures need to be taken. He stated that at the end of last year there were seven funds with negative numbers. Ms. Jones stated that she did request that she be present during the audit presentation but never received a phone call. Mr. Nogalo indicated that he received the audit report and the report is also online. Mr. Stibich stated that he would like to make sure no funds have negative numbers. Mr. Nogalo stated that he will make certain that does not happen at the end of this year.

Mr. Nogalo stated that he distributed a memo to Council summarizing the 2018 budget adjustments. Rule #1 is that a fund cannot end the year with a negative unencumbered cash balance. Rule #2 all appropriation levels cannot be exceeded by current year expenditures and current outstanding purchase orders. The third is you cannot budget more than what you have money available. The recreation fund 121 has a shortfall that he is asking Council to transfer money of about \$9,460; the Jenkins Fund 132 also has a shortfall. Ms. Jones asked if the Jenkins Fun would be covered by the grant the city receives. Mr. Nogalo stated that there

is a \$20,000 grant but the city pays \$1,900 a month to Olmsted Community Center. Ms. Jones suggested that Mr. Nogalo contact Olmsted Township to see if they would contribute to the costs as well. Mr. Nogalo replied that he would. Ms. Jones indicated that a lot of the Township seniors also utilize the Jenkins Senior Center.

Mr. Nogalo stated that Funds 208 and 209 are debt service funds for special assessments but the special assessments collected are not enough to meet the debt service. Both of these funds were running for 20 years and expires this year so the city will not receive any additional assessment funds unless the accounts are delinquent but the debt services continues and these funds are in a negative balance. There is a mismatch between the funds being received and the debt service that was established for both funds. He stated that he is suggesting advancing \$23,000 from Fund 306, which is a capital improvement special assessment fund. Mr. Stibich stated that part of the 2018 appropriations is to advance money into these funds to make solvent. Mr. Nogalo indicated that these would be advances into the funds. Ms. Jones replied that Mr. Nogalo had indicated that he would keep subsidiary fund rather than comingling the funds to make them look positive. She wants to know what is going on with each fund even though the general financial statement shows one number. Mr. Nogalo stated that he is use to one bond retirement fund. For example, once the Phase V project is completed the debt will be moved to the bond retirement fund and the assessments will be deposited into that account, this way all the city's debt will be placed into one fund. Mr. Stibich indicated that one fund would be used for every bond the city has. Mr. Nogalo indicated that is the purpose of the bond retirement fund. When he asked Mr. Presley earlier this year where the bond retirement fund was located, he indicated that the city did not have one. There are funds with positive balances but the assessments have come to an end. He is unsure as to why there are positive balances and in order to determine that he would need to research the last 20 years. Ms. Jones asked if Fund 209 was a mismatch but will eventually cover itself. Mr. Nogalo replied no; when he called the county they informed him that the assessments go from the year 1998 to 2017, which means tax year collection years 1999 – 2018, theoretically this fund will not receive any monies in 2019, but we still have an OWDA loan. He has the amortization schedule which includes one or two more years of debt service. His assumption, but he is not sure what happened, is that perhaps half the property owners paid the full lump sum back in 1998 but it was deposited into another fund. Mr. Stibich stated that it could be that the city was supposed to pick up a couple hundred thousand dollars of expense and instead of amortizing it over 20 years they let it balloon until the end and now the residents have paid their share and it's time for the city to pay their share. Ms. Jones indicated that when Phase V is completed, we will have enough documentation so no one will have to research in the figure it will be clear. Mr. Nogalo stated that if we will set up Phase V so over the next 20 years the assessments will match the city's debt service.

Mr. Stibich stated that regarding the consolidation of these funds, this is something that cannot be accomplished in 2018 and Council will look into in 2019. Mr. Nogalo replied yes, there are approximately seven funds he would like to consolidate and they are all debt service funds. He also needs to speak with the state in order to obtain approval as he cannot create funds without state approval. He will speak with the city's auditors to see if he is on the right path. Ms. Jones asked if we will have a subsidiary. Mr. Nogalo indicated that he understands the detail Ms. Jones is requesting and will make sure that it is completed.

Mr. Nogalo indicated that he is unsure if the general fund will grow back to \$2 million dollars. Mr. Stibich asked if it was necessary to have that amount in the general fund. Mayor Graven asked what would be an appropriate number. Mr. Bemer replied it should be at least 20% of your operations. Mayor Graven indicated that would be equate to \$1 million dollars.

Mr. Bemer stated that the CPA who performed the city's audit stated that there were negative cash balances of funds of about \$235,000 and another \$75,000, not considering the capital improvement, that total expenditures exceed total appropriations; but the comment is that all of the above funds have positive cash fund balances at the year end, so how can you have a cash positive fund. Mr. Nogalo indicated that it is only those three funds, the general fund had a positive cash balance but they exceeded the spending authority of Council on line items, the basic utility services Council gave \$25,574 for that level of spending and we spend \$57,119. Mr. Bemer replied that these are the accounting principles in play. When you add the two together there is about \$300,000 negative cash flow over appropriations, are they all now in the positive, and where did the additional \$300,00 come from to cover these costs. Mr. Nogalo replied either through transfers or subsidies. If there is are any funds, outside of the general fund, that are in the negative then you have to shore them up; for example, if you have five different checkbooks and one is in the negative. Mr. Bemer asked if all the funds came from the general fund. Mr. Nogalo replied that it could be out of capital as certain capital related funds can advance or subsidize, like Bakers Creek Bridge, we are adding expenditures to show what the costs are figuring maybe eventually they will be assessed as all of them are soft costs either legal or engineering fees. It has mounted to about \$33,000 and there is no money in the fund so we are looking to advance \$30,000 from capital projects fund in order to make the fund. The state auditor's office says if you have a fund it cannot go into the negative.

Mr. Nogalo stated that the city was cited last year because the administration did not go before Council to request advances or transfers at the end of the year. He is requesting that Council permit the general fund to advance \$85,000 for the police and fire pensions, which were discussed during their budget, this is a normal subsidy and we knew in March. The next three funds that need money are: the 121 for an amount of \$12,000, which is the parks and recreation fund; the Jenkins Fund (132) for an amount of \$26,000; the Community Paramedicine Fund (139) and this will close that fund.

Mr. Bemer indicated that when the administration was reviewing the 2018 budget, which was a difficult proposition, on paper we had a \$686,000 fund balance in the general fund; how did this \$300,000 negative exist does it mean that the general fund balance was \$386,000. Mr. Nogalo replied no, not all the advances came from the general fund the former finance director took some funds from Fund 128, the sewer operating fund. Mayor Graven asked if he was correct in assuming since some money was taken from the general fund realistically, we did not start the year with \$686,000. Mr. Nogalo replied yes, we really were behind. The refuse in December 2017 was about \$44,000; there was not even a purchase order and it was paid in January and why he is asking for \$95,000 more in the appropriation. Mr. Bemer asked if there was health insurance. Mr. Nogalo stated that he budgeted 13 payments for health insurance but only paid 12 as the insurance goes from January through December. We pay health insurance a month in advance, therefore we will pay December's premium in November.

Mr. Nogalo stated that the only other transfer, which he thanks Mr. Borczuch for, is in the old railroad improvement fund (315) with a negative balance of \$296.00. Mr. Borczuch was kind

enough to permit the railroad fund, that has a \$400,000 balance, to subsidize the 315 fund which will close this fund. There is an advance out for the amount of \$5,317 that is actually going from the recreation fund back into the general fund because that is the amount that was transferred from the general fund to the recreation fund in 2017.

Ms. Duncan stated that we budgeted \$12,000 which is not funded by anything but the general fund and recreation only spent approximately \$6,000 so now \$5,000 will go back into the general fund. Mr. Nogalo stated that late last year the general fund sent \$5,317 to fund 121 and immediately in January in the first week they reversed it and sent it back to the general fund. If a fund advances money to another fund when it pays it back it should pay as an expense not reverse revenue.

Mr. Bemer stated that Fund 317 the railroad grade separation that Mr. Borczuch maintains has a balance of \$401,000 and the annual expenditure is approximately \$20,000; what can the city do to borrow from that fund or simply complete a transfer out of this money to other dedicated funds. Mr. Nogalo indicated that he believes this fund will be utilized and is for the maintenance of the overpass for the next 20 to 30 years. This money is restricted which is why it has been placed in a special fund, if these funds could be used for anything else it would have been deposited into the general fund. Mr. Borczuch indicated that these funds can only be used for maintenance or repairs of the overpass bridge.

Mr. Nogalo stated that Council's salary and wages were reduced from \$144,000 to \$123,000 and is because the Clerk was fully budget under Council but when she completes her payroll sheet, she allocates money to other departments as she divides her time. In the Mayor's Court there was an increase of \$3,000 for the clerk's salary. The Mayor's office was increased slightly as we were unaware of some Mayor association dues that would be needed. In finance the full-time employee salaries and wages by \$15,000; we increased other expenses in finance, mostly because our income taxes were up and RITA charges 3% for fees and the city moved to Ahola for payroll service. In the law department we had to increase personnel services by \$10,000 which again accounts for the clerk's time allocated to law; the biggest decrease was in other expenses in law by \$110,000; civil service was increased \$1,000 for the clerk's expenses; general government administration was reduced by \$40,000 most of those savings was in unemployment; law enforcement salary and wages was increased \$57,000 due to the part time wages; the police department's other expenses was increased by \$25,000 because he has camera's and body armor for almost \$30,000 but will receive a grant of 80% of these costs; prisoner detention was increased by \$3,000, the chief has decreased these expenses; there are no increases in the fire department as the chief is within his budget; there was an increase in other expenses in engineering of \$25,000 for the city engineer's work; trash was increased from \$495,000 to \$590,000 as we had to budget for December of 2017; the service department employees allocate their costs to six other areas outside of the general fund. For example, the department's medical costs are approximately \$135,000 and 100% of those costs come from the general fund and he believes that 50% of those costs will be allocated to other funds. He will review all the costs and allocate salaries, medical, etc. to the appropriate departments. The economic development is a fund that the previous Mayor created but there was a \$600.00 expenditure for the remaining part time wages. The true economic development is listed under business and community services and this title will be changed back to economic development. There was a reduction in personnel of \$7,500 and non-personnel was reduced by \$5,000; aging was decreased by \$10,000; the building was

increased substantially in personnel services due to the fact that the city is no longer utilizing Safebuilt as well as removing Mr. Kopchak from the service department budget into the building department budget; parks and recreation was decreased by \$25,000. In total the appropriation he has asking Council to amend to is \$5,424,000.00 still within our cash balance and revenues.

The 213 fund, which is the Phase V project, we had to budget \$1,752,000 and was increased by \$150,000 in order to incorporate the change order from Fabrizi; the Baker's Creek Bridge fund the city spent \$4,306 and we had to send back the advance that was sent to this fund by the sewer operating fund, which he does not know why the monies were advanced; the capital improvement, fund 301, will advance money to the negative funds. In total he is asking for Council to adopt an amended total appropriation for 2018 of \$11.9 million dollars, not that we will spend all of this but it will give the city a cushion for the next couple of weeks of the year. He will not spend more than the legal spending authority given by Council or within the cash available in each fund.

### **NEW BUSINESS**

Fund Consolidations – will be discussed at a later date.

### **ADJOURNMENT**

Ms. Duncan moved to **adjourn**; Mr. Haviland **seconded**. Poll: 6 ayes; 0 nays. **Motion carried**.

The meeting adjourned at 7:50 p.m.

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***Lori Jones, Chairman Finance Committee***

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***Angela Mancini, Clerk of Council***