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CITY OF OLMSTED FALLS  
FINANCE COMMITTEE  
MINUTES  
MARCH 13, 2018  
6:30 PM  
COUNCIL CHAMBERS

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Chairman Lori Jones called the meeting to order at 6:38 p.m. Roll call was conducted. Councilmen Jim Haviland, Paul Stibich, Ed Gorski, Terry Duncan (arrived at 6:45 p.m.) and Kyle Miller.

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

**Budget Discussion**

Ms. Jones stated that one of her main questions is that she received a document that states the 2018 budget does not include part time employees as there is no way to estimate total hours worked, but now Mr. Nogalo is stating that it does. Mr. Nogalo stated that he did not distribute that document and Council should disregard. He stated that there is a more detailed and comprehensive for each department, which includes the individual, what department, when they started, not only their salary but estimated overtime. We did not give this information to Council until he has this information in more detailed. Ms. Jones suggested another finance meeting on March 20<sup>th</sup> for each department to come in and present their budget.

Mr. Nogalo stated that last week he sent an introductory letter, organizational chart, boards and commission organizational chart, 26 pages front and back of each fund with its beginning balance all the revenues and all the expenditure of each fund. Each fund has to be self-balancing with no negative balances. He stated that last year a negative balance was discovered which you cannot have, if there is a negative balance the general fund and should advance money to that fund. He stated that the city had a revenue of \$9,918,000.00 which includes debt issuances. There was also a detailed expenditures report.

He stated that in speaking with the engineer the Phase V fund, over the course of 4 or 5 years, will spend approximately \$12 million, which is fund 213. In talking with the engineer the city will spend approximately \$1.5 million on the project. The two pump stations are approximately \$750,000 and probably another phase of the sewer is \$700,000. We will budget \$1.5 million in Fund 213 for Phase V. The city does not have that revenue and will need to issue out that amount in notes.

Mr. Nogalo stated that in income tax in 2014 the city collected \$3,043,000; in 2015 we collected \$3,000,000.00; in 2016 almost \$3.3 million; in 2017 the city collected \$3,071,000.00. He is estimating \$3.1 million for 2017. The next large revenue is property tax in 2016 the city collected \$2,064,000; in 2017 \$1.9 million and for 2018 we are estimating \$1,912,000.00. He stated that 2016 was the last year of a certain mil that was paying off a long term debt which was created to pay off the debt. The county will be completing a reassessment next year.

The next large revenue item is special assessment. In 2016 the city collected \$1 million; \$600,000 is for refuge; shade tree; and street lighting. There are four to five funds where the city did road improvements and are assessing the residents for the improvements. All these revenues are conservatively estimated and he does believe that we will exceed these amounts. He did increase the expenditures in order to prevent overages.

Mr. Nogalo stated that he budgeted \$144,000 in grants. He stated that the Mayor and Ms. Accordino are aggressively seeking grants but until he knows for sure the city will receive the grant he will not budget for them.

The last highlighted item is the debt proceeds and the city's net debt proceeds will be the \$1.5 million for Phase V. We will issue additional debt because of a note rollover; he does not count as new debt proceeds.

Mr. Haviland stated that the rent income was \$37,000 and asked if that was anticipated for any one property. Mr. Nogalo stated that he will be creating a separate line item and believes that is at \$89,000 and is currently listed under miscellaneous.

He stated that in 2017 asset sells were \$237,000 and \$225,000 was the sale of the old library along with equipment Mr. Borczuch sold. He cannot anticipate any further equipment sales in the budget but if there are more that would be additional revenue. Today the finance department received \$4,000 from another governmental entity that we were paying into in the 1990's. The only items included in the budget are revenues that he was sure the city would collect. As we move through the year the budget will be updated with actual numbers.

Mr. Stibich stated that the debt proceeds do not include the \$575,000 that will be labeled as "in and out" is that included in the disbursements end. Mr. Nogalo replied yes. He will distribute a reconciliation so Council can tie that into the budget. He stated that there is a lot of additional information that he will distribute to Council but ran out of time before this meeting.

Mr. Nogalo stated that the bottom line of the budget on the expense side is \$10,077,000.00; of that amount approximately \$4.3 million is personnel costs which not only includes gross payroll but Medicare, pension and health care. The payroll for 2018 is \$3,121,000.00; last year's payroll was \$3,267,000 and in 2016 it was \$3,035,000. We have already had payroll cuts. Mayor Graven stated that the cut is \$150,000. Mr. Nogalo stated that there will be a larger impact in 2019 because there were two or three months of on running wages for individuals who are no longer employed with the city. He did budget "worst case scenario" for unemployment and Mr. DeSan contacted the State of Ohio and that amount is \$74,438 and has been placed into the budget. Mr. Stibich asked if the gross payroll included taxes and benefits. Mr. Nogalo replied that it does not include taxes or benefits. He stated that the city has to pay 1.45% for Medicare wages for any individual who started with the city after 1986; \$504,000 for pensions; and the health insurance is the largest increase which is at \$565,000. Last year the health insurance was approximately \$425,000. Since the city changed carrier's there was only 11 payments made for healthcare and the total cost each month is \$45,000; this year he is budgeting for 13 payments which is an additional \$90,000. He stated that he wants to get the city back on track so that we are making the payment prior to the month. The city also established an HSA and believed that this was supposed to save the city money but

instead the city is paying the same premiums and also giving an employee with family coverage an additional \$4,000. He stated that out of the 27 employees there were approximately 9 or 10 that chose the HSA so the city paid an additional \$25,000 for anyone with family coverage. Also, if the employee choose the HSA there is no employee contribution. He stated that in 2017 the city paid \$417,000 and currently with medical, dental and life insurance the city pays \$565,000 which is a large increase. The main increase is the fact that the city will make 13 payments rather than 11 but the city will need to review the HSA program. Mayor Graven stated that this fall the city will look into more affordable health care.

Mr. Miller stated that he understands this is an estimate for 2018 and would like to know how Mr. Nogalo estimated legal expenses. Mr. Nogalo stated that he spoke with the law director and asked what he would estimate is needed for legal expenses and because of the situation we are unsure of the carry over legal issues he requested that the same amount as last year be budgeted which is \$167,000. Again, conservative budgeting. Mr. Bemer stated that this includes the salaries for the law department along with outside vendor legal fees. We used what the expenditures were for 2017 knowing that we are still getting legal bills from 2017. Little by little if we can limit the number of pieces of litigation that we have some are winding down, unfortunately some are not.

Ms. Jones asked why the boards and commissions numbers so low. The amounts went from \$12,000 to \$2,000. Mr. Nogalo stated that he would first like to finish law numbers. Hopefully we will get down to formality and get back to 2014 numbers. He stated with regard to Ms. Jones question; Council's budget went from \$129,000 to \$151,000, Council members are easy to budget but Ms. Mancini is tough to budget as she does not only work for Council but performs other tasks which allocates her to other places including boards and commissions. To make the budget simple, he included Ms. Mancini's entire budget into Council but as the year moves forward when her timesheet is completed her time will be allocated to different departments. She gives a pretty detailed cost accounting and allocates to which ever department she is serving, law department, the boards and commissions. Ms. Jones stated that boards and commissions should also be for training for the members. Mr. Nogalo stated that the boards and commission as he has is the Planning & Zoning Commission, ABR, and BZA. Mr. Stibich stated that each board has a secretary. Mr. Nogalo stated that he believes she is at 500 hours at \$16.65 and all is included in the building department and will transfer to the boards and commissions as needed.

Ms. Jones stated that the \$2,550 in the boards and commission can be used for outside education. Mr. Nogalo stated non-payroll items.

Mr. Haviland stated that the mayor's court includes the two part time magistrate and is lower than last year. Mayor Graven indicated that their pay was reduced.

Ms. Jones stated that the civil service commission's budget is \$5,000. While in attendance at their last meeting the members indicated to her that they would like funds for education to make sure they are doing everything right. She sees that there will be a sergeant's test and would like to know if monies have been allocated in civil service's budget or will that be included in the police budget. Mr. Nogalo stated that currently it has been included in civil service's budget. Ms. Jones stated that the civil service members also had questions if they could get an outside independent opinion if something was presented to them. Because on

some there are two different opinions. Mr. Bemer stated that he and Mr. Dolan spent time with the commission members and then had another conversation with the chairman today to explain the different processes. At this juncture he would be reluctant to explain that they need outside training or legal advice as their advice comes from the law department. If they want another legal advice they would have to pay for it out of their own pockets. The civil service has rules that are pretty clear. There is no dispute on the civil service rules they are promulgated by the commission based on Chapter 124 of the Ohio Revised Code, all the men in blue and firefighters are all classified civil service employees and every one of those individuals took a test to judge their merit and fitness to be where they are. So, when they were given the different pieces of information, and again we spent quite a bit of time going over with Nick Stanislav earlier today to explain to him that some of the things were frankly deceitful, they can either trust us and believe us or go on their way with their own choice and method. We have been very open with everything that we have seen, that we have found in old emails, but the main jest of civil service is they take their lead from the chief of police and fire chief in concert with city administration to determine funding. The police and fire chief's determine what their level of personnel needs are and if they have retirements or resignations and they need to fill capacities, that is what civil service does, they are informed of that fact, they should then immediately look to their rules and regulations. It is real clear you have a test in 60 days and then you move along after the test for the eligibility list and at that juncture the determination of eligibility is determined and submitted to commission to certify. Ms. Jones stated that the commission said they have one opinion from Sponseller a different opinion from Dolan, they had labor law firm give one opinion and then Marc Block gave another opinion, so they got two different lawyers and two different respectable law firms giving different opinions and they are not sure who to believe. Mr. Bemer stated that it is not their call, it is the law department's call. Ms. Jones stated that when an appeal is filed with civil service then it is their call. Mr. Bemer stated that the civil service determines whether there was a test, they determine the eligibility, they make the list, but the interpretation of civil service rules is the law department.

Mr. Gorski stated that this conversation is about \$5,000 which is an infinitesimal portion of the budget that has been presented to us. Ms. Jones stated that the civil service commission is asking if they have money to get an independent opinion because there were two contrary opinions. Mr. Bemer reiterated it is not their call, they can pay and get five other opinions, it is outside their distinction. Ms. Jones stated that she is asking if they can have more money.

Mr. Gorski stated that he appreciates where both opinions are coming from but he would like to bring our focus back to the larger part of this discussion. Mr. Nogalo stated that he is new and may miss something when we talk about civil service, when we have the department head meetings we can discuss it.

Mr. Nogalo stated that there was \$1.6 million in 2014 for police and increasing. There was on staff cut in police and replaced with a lessor amount. Mayor Graven indicated that the police department part time shifts were also reduced. Mr. Nogalo stated that when we discuss each department the Mayor will expound on staff reductions and change in the shifts that will be more efficient and economical. He stated that there are zero percent cost of living increases in the budget.

Mr. Nogalo stated that he attempted to get the budget all on one page in order for Council to have easier access reviewing.

Mr. Gorski thanked Mr. Nogalo for all the work he has put into the budget.

The next budget meeting was scheduled for March 20<sup>th</sup> at 6:45 p.m.

**ADJOURNMENT**

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

The meeting adjourned at 7:15 p.m.

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*Lori Jones, Chairman Finance Committee*

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*Angela Mancini, Clerk of Council*