



CITY OF OLMSTED FALLS
FINANCE COMMITTEE
MINUTES
JUNE 26, 2018
6:30 PM
COUNCIL CHAMBERS

Chairman Lori Jones called the meeting to order at 6:34 p.m. Roll call was conducted. Councilmen Paul Stibich, Ed Gorski, Terry Duncan and Kyle Miller were present. Denise Nicolay arrived at 7:15 p.m.

Also Present: Vic Nogalo, Finance Director.

NEW BUSINESS

Review of City's Financial Position - Mr. Gorski asked if Ms. Jones was going to comment on this agenda item before moving onto agenda item two. Ms. Jones indicated that the city is obviously spending more than we are taking in. She reviewed the budget and when Council was first given the budget, all of the clerk's income was placed under Council expenses and not divided when she works for other departments. In governmental accounting you have to charge each fund and Mr. Nogalo said he was doing that for budget purposes. There are other areas in the budget like when we pass a tax to give police and fire raises, that account has not had any payroll expenses removed this year, which is odd in five months. So, there are a lot of questions she has if we are doing the fund accounting correctly which she was going to go over when we have our finance committee meeting in July. She stated that Mr. Nogalo's proposed budget that will be submitted to the county has us ending the year with \$40,000.

Mr. Stibich indicated that in the past the funds allocated for the police or fire haven't been charged for payroll until the end of the year. He remembers in December it was a constant. Mr. Gorski agreed. Ms. Jones asked if that was how it works. Mr. Stibich stated that is how it has been done, not that it is a good way. Ms. Jones stated that she thought it would be each pay to supplement the raises they got for matching principal of accounting.

Ms. Jones indicated that she will discussed this at the meeting in July.

Tax Budget – Ms. Jones indicated that the purpose of this meeting is to review the tax budget for next year. The key part to this budget is that Council has to justify that we need all of the property taxes that we charge.

Mr. Nogalo stated that the city's tax budget is prepared and submitted to the County to ensure that the appropriate property tax levy is established and apportionment of local government funds is distributed. He stated that once the tax budget is submitted to the County, they will send us an ordinance to approve the property tax rates.

Mr. Nogalo stated that he is proposing is for the general fund to continue receiving its 2.7 mills and each subsequent fund. The cemetery and Southwest General Levy are pass through

collections, we send what is received. He stated that the police and fire .3 mills does not come close to covering their pension costs. Ms. Jones stated that when the pension accounting was changed and the city adopted the changes, still does not cover the pensions. Mr. Nogalo asked if she was asking about the accounting. Ms. Jones replied that the city had a big expenditure when the reporting changed. Mr. Nogalo stated that the audit is almost complete and will be finalized June 30th, you will see two large debt amounts in our financial notes showing both all three pensions, and they are in the millions, but it's not like a direct debt, it is just actuarially, if the pension system stopped what would each community be responsible for if everyone retired. Ms. Jones stated that the police fund is in really bad shape and the police were doing the drop program. This program told them if they waited to retire we would give you 3% more for every year you didn't retire and then the police retire and get this huge amount of money and it is killing the fund. They are not earning much on investments because those have been relatively low for 15 years. Mr. Nogalo stated that the pension funds have not ridden of the drop yet; but have been cutting the coverage for health care costs. Ms. Jones stated that if the pension fund doesn't address the issues we are still liable for what they do even if they don't address the issues. Mr. Nogalo stated that history wise, back before 1967 each city had its own pension there was not a central OPERS and a lot of cities when it came time didn't have the funds which is why they centralized. When they centralized there was police and fire liability at that time. Basically, they took all the police and fire liability and calculated what each city owed and each city had to make payments, like a mortgage, through the year 2035. In the 1990's he remembers Cuyahoga Falls had debt of \$4 million and if we paid 75% we would be done with the debt, a lot of cities took advantage of that. Ms. Jones indicated that a lot of the multi-employer pension's funds also did that. Mr. Nogalo stated the city uses outside accountants to do our statements and he has seen these large amounts as liabilities for our city. He is basically educated guessing that should everything stop as of December 31, 2017 these are what the city would be on the "hook" for if all of the people that could potentially retire from all these different communities retired at once. Mr. Stibich replied that the cities would have to make up the differential between what is in the fund and what is due to the people. Mr. Nogalo indicated that this is an actuarial amount that they come up with every year. If you review the OPERS or police and fire statements it will tell you actuarially where they are at; police and fire are probably at the lowest because they have so many disabilities. They also contribute 12.5% unlike OPERS employees who contribute 10%. We also have the cities match of OPERS which is 14%; fire is 24% and police is 19.5% and who knows they may escalate that even more. The .3 mills does not cover the police and fire pension. We receive around \$57,000 which is put into the police and fire pension fund which is then subsidized from the general fund.

Ms. Jones asked which levies were up for renewal. Mr. Nogalo stated that the road repair levy passed in 2015 and would need to be put on ballot in 2020; the fire levy fund has two pieces, a 1.9 which was renewed in 2016 and would need to be put on the ballot in 2021; the 1.87 passed in 2014 and would need to be on the ballot in 2019; the fire equipment .65 mills was also passed in 2015 and would need to be on the ballot in 2020; police levy 1.3 mills passed in 2015 and would need to be on the ballot in 2020; the parks passed in 2014 and would need to be on the ballot in 2019; the cemetery is ongoing; Southwest General passed in 2015 and would need to be on the ballot in 2020. Ms. Jones asked if the tax budget had to be submitted in the format presented. Mr. Nogalo replied yes the county sends a template.

Mr. Nogalo stated that schedule one indicates all the levies and what he assumes the revenue will be for next year. For example, for the .3 mills he estimated \$66,000; he wants to estimate higher than he thinks we will get because this year we should generate \$57,000 but, if he estimates \$57,000 to the county then the county will only give the city \$57,000. Now, let's say the values skyrocket the county may reduce that millage in order to fulfill the city's city \$57,000 estimate so he always tries to estimate larger.

Mr. Nogalo stated that schedule two indicates the beginning balance for next year for each fund; the general fund would be \$120,000, which is what we project we will end this year with; the next is to estimate not only the property tax but also the local government distribution. We show available money for next year at a little less than \$4.7 million. We have to budget within those constraints and he is putting expenditures of \$4,950,000,00. This year we budgeted \$5.1 million so we will have to make some cuts or become more efficient. This is just a projected amount and the estimated revenues; right now, based on this, our budget in the general fund cannot exceed \$4.9 million. The beginning balance could change we won't know until after the year closes. Once the year closes he will submit the final balances to the county and they will send another template indicating what our beginning balance is, what we estimated our revenues and indicate what we cannot exceed in the general fund. This applies to all the other funds as well.

Ms. Jones asked what debt the city could get without a vote. Mr. Nogalo stated that there is a state law that states of your total valuation you cannot issue more than 5.5% of your total valuation. He stated that you would take the city's total valuation and multiply by 5.5%, for example if the figure was \$10 million you could not issue more debt than \$10 million without the vote of the people. Ms. Jones stated that the City of Berea has a lot of debt issued. Mr. Nogalo stated that governments get a favorable interest rate and if used probably there is a lot of economic development that could happen.

Mr. Gorski would like to know if there was any benefit in suspending the readings or adopt the tax budget this evening. Ms. Jones stated that this will be the last council regular council meeting before summer recess and this has to be submitted to the county by July 16th. Mr. Nogalo stated that as long as this is adopted by July 16th.

Mr. Nogalo stated that the new note of \$1.5 million is for the Phase V sewer project. He meet with the city engineer to determine what contracts would be needed for this year and this was the figure he believes would be established. He only wants to borrow what the city will contract this year. Ms. Jones asked how long Phase V would last because every year the city will need to issue notes to cover the costs in case residents pay for their assessments over time. Mr. Gorski indicated that he believes the estimated completion date is Fall 2020 into winter of 2021, he could be wrong but that is what he remembers. Ms. Jones asked if there was an estimate on the total notes that would need to be issued. Mr. Nogalo stated that the residents are being assessed and for those who do not pay the assessment in full the city will need to issue notes so, he cannot give an exact figure. Ms. Jones stated that when the city issues these bonds will we be responsible for the interest or will that be charged to the homeowner. Mr. Nogalo indicated that the homeowner's will pay principal and interest. Once the city knows the final costs bonds will be issued to cover the costs.

Mr. Nogalo stated that the remaining notes are rollovers. The \$495,000 note is for the cost of remodeling, renovating and otherwise improving a city building which will house administrative houses and other municipal functions and improving the site thereof. We will pay down approximately \$40,000 and rolling over \$440,000. He stated that the \$500,000 bond is for the roof and we are basically paying ourselves, a general obligation bond. He stated that the \$135,000 was issued in 2015 for the purpose of paying costs of acquiring real estate to add to the city hall building complex currently housing administrative offices and other. The original amount was \$165,000. Mr. Stibich believes this was for the library property. Ms. Duncan stated that she believes the library was an exchange of property. She stated that there are zeros for the 2016 city building and 2016 real estate but these did not occur in that year so she does not understand. Mr. Nogalo stated that this is just an issuance of debt. Ms. Duncan stated that she believes the actual exchanges occurred well before her tenure on this Council. Every May Council has to adopt budgetary bonds. Mr. Nogalo stated that bonds are expensive to establish.

MISCELLANEOUS

ADJOURNMENT

Mr. Gorski moved to **adjourn**; Ms. Duncan **seconded**. Voice Vote: 6 ayes; 0 nays. **Motion carried**.

The meeting adjourned at 7:25 p.m.

Lori Jones, Chairman Finance Committee

Angela Mancini, Clerk of Council