



CITY OF OLMSTED FALLS
FINANCE COMMITTEE
MINUTES
JULY 24, 2018
6:30 PM
COUNCIL CHAMBERS

Chairman Lori Jones called the meeting to order at 6:45 p.m. Roll call was conducted. Councilmen Paul Stibich, Jim Haviland, Ed Gorski, Denise Nicolay, Terry Duncan.

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

NEW BUSINESS

Review of City's Financial Position for the First Six Months of 2018 – Ms. Jones asked if the city receives a payment after residents pay their taxes in April. Mr. Nogalo stated that was correct. Ms. Jones stated that this is not reoccurring it is a onetime deal, every year. Mr. Nogalo distributed a spreadsheet showing income tax distributions by month for 2016, 2017 and first six months of 2018. In Council's packet all you will receive now is the fund balances and all the payments made for the month being reported on. For the month of June, the city spent \$655,000 and the payment listing will show what each payment was for. The remainder of the financial reports have been placed on the city website.

Mr. Nogalo stated that the usually the big distribution is received in May which was \$477,000; last year the city collected \$452,000 so not much of an increase. The withholding for employer's increase was 1.73% but the individual is almost 16% which is the residents filing their annual returns or their estimated payments for the following year. He stated that the business income tax has decreased 35%, but is not one of our major components but rather net profit of the business. He stated that the penalties and interest paid by residents last year was \$172,000 and there year it is \$127,000 half way through and is a 41% increase over last year. He stated that overall the city's income tax collections have increased almost 11% over last year at this time.

Mayor Graven asked Mr. Nogalo to review the cash balance and unencumbered balances. Mr. Nogalo stated that the city started the year with \$686,000; we budgeted to end the year with \$120,000 left at the end of the year; based on the budget we would be at the half way point of \$300,000 or \$400,000 but rather our balance at the half way mark is \$819,000 of cash balance and the purchase orders are our commitment for the remainder of the year. Basically, the cash balance is a positive sign of \$819,000. If you look at the overall balance, we started the year off at \$4,030,000.00 and have \$3.8 million. The reason our Phase V sewer project, we have been paying Fabrizi \$500,000 or \$600,000 and will be issuing notes on August 2nd to cover those costs. As we go along with the project we will issue more notes and in the end the city will be remunerated through special assessments. The bonds or notes will be paid off by the special assessments. These notes will show in the August reports.

He stated our legal expenses in the general fund last year at this point were \$75,000; this year the costs are \$21,000. Mayor Graven asked Mr. Nogalo to briefly explain revenues versus expenditures and how the city has been doing. Mayor Graven replied from January 1st to today's date the city has spent \$133,000 less than we brought in. Mr. Nogalo stated that there is no deficient spending as of right now, its \$2,664,000.00 year to date revenue and expenditures are \$2,531,000.00 so it's approximately \$130,000 we took than we spent.

Ms. Jones stated that under property taxes for real estate and public utility it says \$248 as of June and then it says \$450 for the year. She is looking at areas that are out of what we expected in order to maybe make adjustments in the budget. Mr. Nogalo stated that he does not understand why she would want to make an adjustment since we are in the positive. He stated that a lot of residents pay their property taxes in the first half and then the city will receive a lesser amount during the second half distribution.

Mr. Nogalo stated that he estimates revenues low so they will be exceeded and the expenditures a little more generous so there are pleasant surprises at the end of the year. For example, we budget income tax at \$2.7 million but if he decides to make it \$4 million, knowing it is not going to happen but does so just to balance the budget, then at the end of the year we will be a \$1.3 million short because we spent based on assuming we would receive this money.

Ms. Jones stated that the legal expenditures show \$107,000 but we budgeted \$306,000 and she would like to know if there anyway to consider reducing that and putting the expense somewhere else. Mr. Nogalo stated that the departments are doing well with their budget and if the law department sees that there is \$165,000 left they will not just start spending. He would suggest leaving that figure for its purpose and see what may happen. If we take it away we may have to rush back to council because of a lawsuit.

Mr. Gorski asked if there were any departments that need reallocation. Mr. Nogalo stated that Mayor's Court was budgeted at \$250 but \$2,850 was spent which he will need to review. He knows there is a special revenue fund for mayor's court and can be used for computerization and see what this expense is related to. He stated that during the 3rd quarter when we begin speaking with the departments regarding the 2019 we will also review their 2018 budget to see if any allocations are necessary. He stated that he would like to adopt the 2019 budget at the end of this year rather than waiting until March, which has been done in the past. Ms. Jones stated that this is the reason she has asked that Council keep reviewing the budget. Mr. Stibich stated that at this time he does not feel it is prudent to change anything or reallocate any funds but rather wait another quarter to see where the city stands. Mr. Nogalo stated that the auditor's cited the city for exceeding its budget last year. He knows that Council was approached with a budget adjustment. Ms. Jones asked if a meeting was held with the auditors. Mr. Nogalo stated that the final meeting has not taken place but when they completed the auditor he was informed as to what was found. There will be a meeting scheduled with Council. Ms. Jones indicated that she would like to attend the meeting. Mr. Nogalo stated that he met with the auditors before the audit was made official for any comments.

Mr. Stibich indicated that in prior years Council received financial statements that did not allocate police and fire levy fund monies into the general fund. All the expenses for their

salaries were in the general fund and it looks like Mr. Nogalo is keeping up with those transfers. Mr. Nogalo stated that he has kept up with the transfers. He stated that last year \$206,000 was moved from the general fund to the fire levy for salaries; and last year \$129,500 was moved for police. We budgeted that \$240,000 would be taken from the general fund for police and at the half way point we moved \$120,000. The same with fire we budgeted \$450,000 and have taken \$225,000 out of the general fund. Mr. Stibich indicated that it seems this does not happen on a monthly basis. Mr. Nogalo stated that it could be done monthly but he is trying to be more efficient with entries. Mr. Stibich asked if these figures were still guesstimates. Mr. Nogalo stated that property taxes should be an absurdity for both of these funds. The fire levy is estimated for \$455,000 so we are estimating to move \$450,000 and the police levy was estimated at almost \$250,000 and we are moving \$240,000. He will make those transfers quarterly; the next portion will be at the end of September. It is consistent with last year's entries out of the general fund.

Mr. Nogalo stated that one caution for council is that all of our employees are still working at their 2017 rates. Mayor Graven indicated that negotiations will be starting in mid-August. Mr. Stibich stated they will be retroactive. Mayor Graven indicated that any raise would be retroactive.

Mr. Nogalo stated that he has completed an analysis on payroll from 2014, 2015, 2016, 2017 and last year's total payroll was \$3,267,000.00; this year it's not even 50% through six months and is at \$1,553,000.00. As you know there were certain personnel moves which are starting to save money especially in the second quarter of this year and will continue through the 3rd and 4th quarters.

Ms. Jones asked if there was anything that is way off that that Mr. Nogalo would like to call Council's attention to. Mr. Nogalo replied that there was nothing significant. He has been primarily concentrating on payroll. He has also received a couple of letters from the IRS regarding penalties and interest dating back to 2015 and he has to answer those by mid-July so his focus has been on that. He stated that the city's W-2's are not agreeing with our 941 reports so we are analyzing that. Again, we are at half way point and he thought what he distributed was a good picture. His focus has been on the new payroll system and all the accruals of the employees. As you know we had to rush through converting a whole new payroll system so as we approach the 3rd quarter he will dive in more with the analysis.

Mr. Nogalo indicated that the detailed reports will always be available online a few business days after the month closes. Ms. Jones stated that anyone can always email questions as well.

ADJOURNMENT

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

The meeting adjourned at 7:10 p.m.

Lori Jones, Chairman Finance Committee

Angela Mancini, Clerk of Council