



CITY OF OLMSTED FALLS
FINANCE COMMITTEE
MINUTES
AUGUST 25, 2020
7:00 PM
VIRTUAL MEETING

Council President Paul Stibich called the meeting to order at 7:00 p.m. Roll call was conducted. Councilmen Lori Jones, Jennifer Jansen, Jay McFadden, Cornel Munteanu, Yvonne Buchholz, and Brian Chitester were present.

Also Present: Nick Vitalone, Finance Director. Audience: 1.

NEW BUSINESS

Review of July Financials – Mr. Vitalone stated that we are reviewing the July financials and he also has some August numbers for income tax. He stated that income tax was not good this month and hopefully this is our worst month. The city is down \$240,000 through July compared to last year so that's 11.43% with the biggest hit coming from individuals. We talked about this several times before, the deadline of April 15 was pushed to July 15 and we always hoped that when that July 15 deadline came we would make a comeback and luckily that did happen so in August we made a complete recovery and we are now up \$77,000 or a little over 3% on income tax. Ms. Jones asked if we were up 3% from our budget or from last year. Mr. Vitalone replied from last year, which is good because the RITA projections had us losing over \$100,000. This is going to carry in to 2021 so he is hoping that we can maintain some kind of even through the end of the year. We have to remember that the money that just came through was based on wages and income that was earned in 2019, so the full effect of 2020 and the things that happened with employers and layoffs we will feel next year. How much he is unsure of and RITA will continue to reassess where they think we are. Fortunately, at this point, we are way ahead of our estimates, and he would have been happy with just breaking even, and hopefully we can maintain that through the end of the year. Mr. Stibich stated that when the August financials are completed we will see the 3% increase in the individual column which puts us even with individuals but if you look at the withholding and the business taxes they are behind last year so we have to assume that will continue into August, September, October, November and December. Mr. Vitalone stated that would be a good guess, net profits are down fortunately they don't make up the larger portion of the revenue we collect so that's the good point, and probably will continue. He stated that withholding is down \$22,000 and net profits are down \$12,000 through August and that is expected because businesses were shut down for a while and they continue to struggle. Mr. Stibich stated that the city "dodged a bullet" this summer but it remains to be seen how the rest of the year will go as far as the success of our businesses and the number of employees they have for the rest of the year. Ms. Jones asked if Mr. Vitalone would have a better idea by September because the summer quarter will be in. Mr. Vitalone stated that the city gets two disbursements a month from RITA, the bigger one is always towards the beginning of the month. Ms. Jones asked if the businesses go through RITA too when they pay. Mr. Vitalone replied yes, it's all combined. Ms. Jones replied so we can't tell which is which. Mr. Stibich stated that the withholdings are probably monthly, the businesses pay that into RITA monthly and then the city receives it a

month after. Mr. Vitalone replied yes that's right. Mr. Stibich stated that August and September will be something to watch for the withholdings in the business columns. Mr. Vitalone stated that he hopes they can maintain but believes that is going to be the weakness that we will see going forward. Will this affect individuals, he is unsure but he guesses that next year is probably going to be tough too so we will conservatively estimate the revenues because that's all we can do. Thankfully at this point we are at least in an even position going forward. He stated that property taxes have also been lagging. If not some of the funds that receive property tax are down and that is based on last year. We should have had both advances but we haven't received those yet. We are kind of running even right now on the property tax but we will not know until our settlement comes on September 30th which is late. At this we will see where that falls and hopefully it is close because he can't even guess where that's going to be and that affects a lot of our levy funds.

Mr. Munteanu stated that both his neighbor's have been working from home and will be permanently employed from their home and asked how that will work with income taxes. Mr. Vitalone indicated that was another mess and he is waiting to see what will happen. There is a lawsuit in Columbus from Buckeye Institute pertaining to that same issue which he believes came from the Hudson area. Basically, they are contesting whether you can withhold tax from someone who isn't coming into your municipality like his neighbors and since they are now in Olmsted Falls shouldn't we collect that tax. He does not know if something will be done at the state level but at this point, they have made the judgment that they are going to go on as if you are still working at your place of employment. He does not know the result of that lawsuit and how that will affect us is the big question. He believes it may affect us positively because we don't have a ton of business in town and if people are staying at home that means we are going to get the money that would have gone elsewhere. Mr. Munteanu stated that it would be to their benefit to file Olmsted Falls versus another community that has a higher RITA tax. Ms. Jones stated that you would have to pay an extra .75 back to Olmsted Falls so you would get the benefit of living and working. Mr. Vitalone replied yes. For example, if you are working in a 2% city your paying 2% there but your still paying Olmsted $\frac{3}{4}$ of a percent and now all of sudden that all goes away and you're just paying 1 $\frac{1}{2}$ to Olmsted because you live and work in the city. It's going to depend on the individual and whether it benefits the person but it is anybody's guess on how much or what kind of money we are talking about. That lawsuit originated in Hudson and is guessing that they have a lot of executives and Hudson wants to capture that income rather than the tax going to Cleveland or where ever they work. We have to wait and see what happens with that but he would lean towards its probably going to be if you are working in the city and living there that's where you pay your tax. He believes that this will decimate big cities. Ms. Jones indicated that it will probably hurt Cleveland a lot.

Mr. Vitalone stated that we have some negatives pertaining to income tax but we also have positives. Council passed the Coronavirus Relief Fund and we set that up which is Fund 145 with an amount of \$132,000. We plan on using that mostly for first responder salaries and a portion for some other things. If all goes well that will reduce expenditures in the General Fund by that amount. In addition, we all know the various properties the city has for sale and if those go through that will help us in the short term and going into next year to build up a little cushion. The original Coronavirus Relief called for \$350 billion to go to state and local governments and he received an email today indicating that the state released another \$175 million to state and local governments which is half the original amount so he is guessing that

we may get half of the \$132,000 before the year ends so we may have more funds available before year end pertaining to the pandemic.

Mr. Chitester asked if they come out with a revised list of what we can use the CARES Act money for or is this more of a play it safe and spend it where you plan on spending it. Mr. Vitalone stated that he has not received anything recently on the CARES Act but he does have guidance. The biggest question was the first responders and we think we can use it for salaries and a lot of cities think they can to based on what they are saying. Mr. Chitester stated that he read an article about a city using funds for first responder vehicles and new vehicle purchases and wonders if that was something that crossed our minds because he knows we have some aging vehicles. Mr. Vitalone replied that you can use it for those types of items too. He has various guidance that he can forward to Mr. Chitester but there is a lot. Mr. Chitester stated that he was curious because he knows our police department has some aging vehicles and fire has some aging vehicles as well. He was just curious if that was something that we were able to do. Mr. Vitalone stated that he saw an article about North Olmsted using the funds for rehab to the bathrooms to make them COVID compliant, so no touch sinks and dryers for your hands. He stated that it depends on the amount of money you get in. Mr. Chitester stated that we are not getting a huge payment and its best to use it for what he thinks is best, he was just curious what guidance he had. Mr. Stibich stated that he does not think we will have a problem using it for General Fund operating expenses that qualify for this fund and another \$60,000 would be no problem justifying but, that remains to be seen.

Mr. Vitalone stated that for July our revenue was down \$220,000 and our expenses were down \$219,000 so we broke even, which is nice. He stated that the municipal court fines are less than half of where we were a year ago. Luckily, our one-time revenue items have helped, which are based on property sales and various refunds from worker's compensation and RITA. Ms. Jones asked if the city sold our property yet. Mr. Stibich indicated that he talked to the Mayor this morning and there is nothing new to report as the buyer is still getting his financing together and hopefully by the end of September we will have something. Mr. Bemer indicated that the buyer did sign a contract but it is conditional on Planning & Zoning Commission approval because they will need a conditional use permit for the type of business. They will go through this process in September and October and if everything goes as planned it would transfer early November.

Mr. Vitalone stated that the General Fund expenditures are still holding good and this has been a collaborative effort. So, all of your bigger departments, law enforcement, fire and service are down from year to date last year so some by design, some because they are down in personnel which will catch up as they get back to full employment. Ms. Jones stated that she believes that a police man retired and asked if he has been replaced. Mr. Vitalone replied that he does not believe that there have been any new hires in the police department. Mr. Bemer indicated that Officer Brewer has retired. Ms. Jones asked if this retired is causing any overtime issues. Mr. Bemer indicated that he believes Chief Rogers was able to find manpower through part timers. Mr. Vitalone indicated that Chief Rogers also revised his schedule to eliminate over time as well. Ms. Jones stated that she heard through the grapevine that one of our police officers is on light duty and asked if it was costing more to cover his shifts. Mr. Vitalone replied that he does not have those costs. All he knows that overall this department looks good. Ms. Jones asked if we were covered. Mr. Vitalone replied that we are covered but this is something that Chief Rogers can answer.

Mr. Vitalone stated that the departments look good and are controlling their expenditures this year. Ms. Jones asked what the storm sewer M&R fund listed on the fund summary sheet. Mr. Vitalone replied maintenance and repair. Ms. Jones asked if this was money from the county. Mr. Vitalone replied no, this is based off of the sewer bills. Ms. Jones replied that the sewer bills go to the county and then Olmsted has the contract to take care of the repairs. Mr. Vitalone replied yes. Ms. Jones asked why the fund balance was negative; did we not receive a payment from the county or are we having problems. Mr. Vitalone stated that this was talked about in the past. This fund carries over virtually nothing at the beginning of the year and in 2019 there was a PO entered which made this fund balance negative. Basically, projects were incurred at the end of the year but we do receive revenues each month through the year so we are waiting for this fund to turn positive. Ms. Jones asked if Mr. Vitalone believes there is a program that will reimburse the fund. Mr. Vitalone replied it will be the normal revenues that the city receives through the county. Ms. Jones asked if this was the money that was used for a sewer problem and the Olmsted Falls team does the work. Is this the fund that covers the ditches. Mr. Vitalone stated that as for the specifics of these projects it would be better to discuss with Mr. Borczuch as he would be able to explain exactly what happens with this fund. He assumes that some of the projects are contracted out as there were PO's entered where there was no funding at the beginning of the year. Ms. Jones stated that she is wondering why they were entered at the beginning of the year without funding. Mr. Vitalone stated that it should not have been done at that point. They committed to a project and whether they started it or not he is unsure. Ms. Jones stated that the reason she is asking is there was an issue on River Road where they said the sewer company takes care of this part and the city takes care of the ditches and she thought they said that was not part of Phase V that's something the city takes care of. Mr. Vitalone replied he does not know because Ms. Jones is getting into specifics of a different department. Mr. Stibich stated that if there is something that comes from other sewer funds Mr. Borczuch would need to be asked. He believes the work being done on River Road is Phase V. Ms. Jones asked what the OWDA Lindbergh fund was. Mr. Stibich indicated that this is another Mr. Borczuch question. Mr. Vitalone replied that there was a problem with this fund last year as the assessment's collected were too low and the city had to transfer monies. Ms. Jones asked how the fund became negative again. Mr. Vitalone stated the city is incurring expenditures and it is negative because one of the special assessments received through the county has not been received yet. It is worse than last year because everything got pushed back into the Fall. Ms. Jones stated that she is fine as long as this is a timing issue. Mr. Stibich stated that when the funds are received in September Council should see those numbers when the September financials are produced. Mr. Vitalone stated that the city has a lot of property taxes for various funds and the delay in receipts will affect a lot of projects.

Mr. Vitalone stated that all the department heads have helped keep their expenditures under control and you can see that with our numbers. Mr. Stibich stated that the General Fund looks good. Mr. Vitalone replied that he believes the city is doing okay. He stated that he is happy where the city currently stands and he wants to get through 2020. Ms. Jones stated that when he begins working on the 2021 budget Council will hold meetings with each department to review each fund and what the plans are. Mr. Stibich stated that the department heads submit their numbers and then explains to Council what their staffing needs will be and what their wish list would be. Ms. Jones stated that this budget hearings usually start at the end of September or beginning of October because we schedule a meeting for each department.

Mr. Stibich stated that he has spoken with the Mayor who informed him that he will reverse the 10% furlough that were given to the employees. Now, Council needs to decide if they should do the same thing. We also need to consider if Council wants to implement a retro pay for what Council lost as our salaries are based on the minimum required to qualify for the state pension. If we just reinstate our full salaries we will be under the minimum and will not qualify for the pension. We are not talking about tens of thousands of dollars and is something that Council needs to consider. Ms. Jones asked if Council made an official motion to reduce their salaries. Mr. Stibich replied no, Council took a voluntary reduction and each member signed a piece of paper and he believes that Council can do the same thing to reinstate their salaries. He is unsure if the retro pay would require legislation. Ms. Buchholz asked when the furloughs would end. Mr. Stibich replied he believes it will be September 1st. Mr. Bemer stated that his first reaction is that since this was a voluntary reduction, he can present language stating that in view of our income revenues stable that Council agrees to reinstate their normal salary including a back pay. Mr. Stibich asked if he was talking about legislation or signing a piece of paper. Mr. Bemer indicated that it would just be something in writing for audit purposes.

Mr. Vitalone stated that he has no further information to present regarding the financials. He will have some legislation to bring before Council in September. We established the Coronavirus Fund and he will ask to appropriate funds in order to be able to utilize those funds. Mr. Stibich asked if he would be working on the consolidation of funds that was previously discussed and the elimination of the zero balance funds and those with small balances. Mr. Vitalone stated that after the audit the city received a lot of recommendations pertaining to advances and after looking into those, he determined that it goes back several years so he is trying to get a handle on what those were and reverse them. He stated that an advance is taking monies out of one fund and giving it to another but the other fund is required to pay it back within a year and those payments never came back. The recommendation was to make those advances a transfer because when you do a transfer there is no pay back so Council would say these are now deemed transfers and we would then make those entries in the system. Ms. Jones stated that he would need legislation approval and not all funds can have transfers. Mr. Stibich stated that he believes Council needs to approve an advance but a transfer is a legitimate reimbursement of expenses that a special fund is set up and you don't need legislation. Ms. Jones stated that to take money out of one fund and give it to another you do. Mr. Vitalone replied that you need legislation for both transfers and advances and we will do that. We just have to change the nature because the advances were never paid back and now some of these funds are zero and are not going to pay back so in order to get rid of this baggage, we have that is something we have to do. That is only a piece of it, some of these funds have been dormant for years and those should be no problem as they haven't been used and have fulfilled their purpose. Some of the debt service and special assessment funds, which we have several of, with small balances and nothing happening and what he wants to do is consolidate those into one bond retirement fund because they are dead and nothing is ever going to happen there. The only purpose you can use them for is to pay for debt service. He is still working on adjusting the funds and getting that into a little better of a workable fund. We have some funds that look like the same thing over and over and he wants to try to consolidate and make it better. Ms. Jones stated that there is a subsidiary of what each fund is for and what the balance is. Mr. Vitalone stated that the funds we eliminate will be gone and not used like they are not now. Mr. Stibich stated that the one we talked about that was tricky was the debt service fund and it is Mr. Vitalone's recommendation that we not have a separate fund for every piece of debt but rather have one fund for debt and yes, we will

have a subsidiary of each to keep track of each piece of debt. Ms. Jones stated that one fund was borrowed from over a decade ago and then the city was short \$100,000 last year and the general fund had to cover that shortage. She asked if Mr. Vitalone would still have a subsidiary so we would know if the funds that came will cover the fund. Mr. Vitalone yes. Mr. Stibich stated that Mr. Nogalo uncovered that the assessment to the property owners to pay back the debt weren't quite keeping up with what the debt was. Ms. Jones replied no, the funds were borrowed and weren't paid back that's why the fund was short, it happened 15 years ago. Mr. Vitalone stated that he has not been able to untangle what happened yet. Mr. Bemer asked if Ms. Jones was alluding to the real estate purchases. Ms. Jones replied no, she is talking about when they borrowed money and during Phase II or I and then the fund came up short \$110,000 last year and had to be covered by the General Fund. Mr. Stibich stated that the thought was that the real estate tax assessments over the years were insufficient to cover the debt. Ms. Jones replied that the funds were borrowed from that fund 15 or 20 years ago and she kept telling Mr. Nogalo that he was going to come up short because funds were borrowed to buy that infamous property behind the fire station. Mr. Bemer stated that was the 2001 transactions. Ms. Jones replied right, but it impacted us today because we lost \$110,000 last year or the year before because it was short. That impacted us all these years later because of a decision that was made and they didn't keep good track of it and we weren't aware of it until we had some hearsay, that is why she is saying good subsidiaries are going to be important in case something like this comes up again so we are prepared. Mr. Stibich asked Mr. Vitalone to do his best to unravel this and maybe we can clean up most, if not all of it by the end of the year but he does know it's a big job.

Mr. Bemer stated that he spoke with Mr. Vitalone regarding the availability of borrowing from funds when things looked really bleak at the beginning of the year. Back in history we saw that in 2016 there was manuscript debt that was issued and it was done in order to bolster the capital improvement fund so \$500,000 was taken from the General Fund for the purchase of the debt which the City bought its own debt and the money was then placed into the capital improvement fund in order to fund the repairs to the roof of City Hall and part of that is a pay back of 20 years with interest to the General Fund. This was clever and creative but now looking back it seems to be very foolish and imprudent move. There were three funds that were used nearly 20 years ago to purchase the real estate, one was the recreation fund and he cannot remember the other two funds. Ms. Jones replied one was a sewer fund because she kept telling Mr. Nogalo that the city would be short.

Ms. Jones asked if the bonds cover a one year, three years, or four years. Mr. Vitalone asked which notes. Ms. Jones replied our fidelity bond. Mr. Stibich stated that Ms. Jones is talking about insurance. Ms. Jones replied the bond that covers the city employees. Mr. Stibich replied that the city's commercial insurance he believes is two years. Ms. Buchholz stated that she is still looking for endorsements for property the city has sold, which will affect the premium for the coming year. Ms. Jones asked about the one that would be comparable to directors and officers because that increased last year. Ms. Buchholz replied that is all included in one policy. Mr. Bemer stated that there was a significant review last fall or winter and we had our agent through Gallagher contact a couple of different companies that insure municipalities on both the D&O's and casualty and frankly what we had was the best we could do. Ms. Jones asked if the city had to go through that this year. Mr. Vitalone replied that it was a two-year policy.

Ms. Jones stated that the IT company the city uses never got an audit and the gentleman that everyone liked is no longer with the company and she is wondering if we are still satisfied with that company and have done our due diligence. We would have to notify them in advance if we are going to stay or go. Mr. Vitalone stated that Mr. Oswald left but the city is still using Bailey Communications. He is not sure if the city wants to look elsewhere as of yet. He is aware that Bailey does still come out every Tuesday afternoon. Ms. Jones stated that she believes this contract requires a 90-day advanced notice. She also indicated that we do not have a list of when all the contracts expire and last year this came up and we had to renew by the end of the week. Mr. Vitalone stated that he does not have a list but would speak with Mr. Bemer to see what we have. Mr. Bemer stated that we deferred this to Chief Rogers as his department uses the IT people more significantly than anyone else so we defer to his preference. This will be identified as something to review before the contract is up at the end of the year. Ms. Jansen stated that in her calendar a reminder popped up that September 1st is when we have to review the Bailey contract so we can start looking at that. Mr. Stibich stated that he will remind the Mayor so we can take a look at that.

Mr. Vitalone stated that this is a very difficult place to be in there and there are not a lot of companies that would take this IT on. Sometimes they are a one-man shops that you have to deal with and if something happens your out of luck. Bailey was fairly large and had a team of people but its not going to be easy to find someone that is good. He will look around in the municipal area and probably get some names together. Mr. Stibich stated that the loyalty was the police department because they really need tight security on their system. He knows that Ms. Veloski and Ms. Mancini were both happy with what Bailey was doing so it really came down to Chief Rogers and we stuck with them even though they lost the key guy. Ms. Jones stated that it would still be nice to see even though we might now have a choice. Mr. Stibich stated that we can look and see what else is out there and he will speak with the Mayor and pull the contract and see what the deal is. Ms. Jones replied that it may only be 60 days. Mr. Bemer stated that he believes the city paid for the entire year along with some other legal things going on with the owner and Mr. Oswald but we should look at that.

Ms. Jones asked if the City received its reimbursement from the cyber security breach. Mr. Vitalone replied he is unsure and will have to look into that issue. Ms. Jones stated that she believes the City has cyber insurance and are just awaiting reimbursement. Mr. Stibich replied that we were covered.

Mr. Stibich indicated that Council will hold a work session, with an executive session, to review the personnel matter involving the police incident from Friday evening, on Thursday at 7:30 p.m. We will have to go to City Hall in order to set up a projection screen so everyone can see the body camera video at the same time. Mr. Bemer stated that informational gathering events is not classified as a meeting. Council is gathering information and observing a situation and Council is not in a position to make any decisions. Mr. Stibich stated that no deliberations will take place. Mr. Bemer indicated that Council can make inquiries to Chief Rogers as to the why's or wherefores' and that does not preclude normal interaction. This is a fact-finding venture and is not classified as a public meeting. He stated that Council can meet for this particular fact-finding purpose. Mr. Stibich stated that we can close the door and permit Council members to view the video. Mr. Bemer replied that is correct. Ms. Jones stated that she believes the kid is a minor and does not believe you can permit everyone else to view it. Mr. Bemer replied that there is case law to that effect. Mr. Stibich replied that this will not be

an executive session but will be a private meeting to view the video. Ms. Jones replied fact-finding. Mr. Bemer replied that this is beyond a legislative agenda issue, but is something that as Council should have a knowledge of what happened.

Ms. Jansen stated that she would like to hold a work session to discuss all of the sewer issues and get an update on the finances as well as hear from the residents on the road. She has spoken with Donna Winter and we can rent out the gymnasium on a Monday night which would provide plenty of room for social distancing. She asked if there was a Monday evening that would work for Council. Mr. Stibich stated that he is unsure if Ms. Jansen necessarily needs a work session as any Council person can meet with a group of residents but if there will be four or more of us present, we will need to have an agenda. Ms. Jansen stated that she believes that since the residents have asked for all of us to meet. Councilman Munteanu and the at-large members should be present so that is four of us. Mr. Stibich asked if Ms. Jansen had any sort of timeline for the meeting. Ms. Buchholz suggested September 14th. Ms. Jansen agreed.

Ms. Jones stated that before the sewer project started on the street they set up a size meter detector and then they did the drilling and people said that their walls shook and pictures fell and they have video of the people houses and the basements to see if there was any damage that was caused by these huge machines and it turns out that there was at least one. She spoke with Mr. Bemer about it briefly and then called service and they said Fabrizi has insurance and they sent it to them and they will turn it over to Fabrizi for a claim. She just thought Council would like to know that. Mr. Stibich replied yes they put monitors in most of the basements on River Road and after the project is done they can check the monitors and see if there was any motion or any damage that was done especially to the basements because a lot of those basements are stacked stone they are not cement basements.

Ms. Buchholz asked what time on the 14th. Mr. Stibich suggested 7:00 p.m.

ADJOURNMENT

Ms. Jones moved to **adjourn**; Mr. Munteanu **seconded**.

Ms. Jones asked that Mr. Stibich invite Mr. Borczuch, Mr. Sheehy and a representative from Fabrizi to the meeting on the 14th as they may have better answers that Council. Mr. Stibich indicated that this can be discussed when the meeting gets set up.

Poll: 7 ayes; 0 nays. **Motion carried.**

The meeting adjourned at 8:04 p.m.

Paul Stibich, Council President

Angela Mancini, Clerk of Council