



CITY OF OLMSTED FALLS
FINANCE COMMITTEE
MINUTES
FEBRUARY 11, 2020
7:00 PM
COUNCIL CHAMBERS

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

Also Present: Nick Vitalone, Finance Director and James Graven, Mayor. Audience: 3.

NEW BUSINESS

2019 Financial Report – Mr. Stibich indicated that he asked the new Finance Director, Mr. Vitalone to give Council his opinions. He has only been in his position for a little under two weeks now. Mr. Vitalone indicated that he has reviewed the information that Council receives regarding the city's finances and to him it seems like a lot of monthly information. Ms. Jones asked about the unencumbered general fund balance for January. Mr. Stibich indicated that Mr. Vitalone is discussing the 2019 financial reports. Ms. Jones replied that Council did not get a copy of December's report. Mr. Stibich replied that December's financials were distributed to Council at the last Council meeting. He indicated that we will discuss January's financials if Ms. Jones is not interested in hearing about December's financials. Ms. Jones replied that she did not realize December would be discussed.

Mr. Vitalone stated that after reviewing the December financials revenues received for 2019 and expenditures offset each other, which means the city was basically even. He stated that we had \$313,000 unencumbered cash balance heading in 2020, this represents 6.2% of the city's expenditures for the year, which he feels is low. He stated that Government Finance Offices recommend two months or 15% to 20% be held in reserves, in that case it would have been good to carry over \$800,000. Ms. Jones replied that the State Auditor gave the city a red for financial position. Mr. Vitalone stated that he has seen a lot of funds that have zero's and is unsure if these are old funds that can be eliminated or if they are funds that will be utilized and will make the reports cleaner. He stated that some of the negative balances are timing issues with revenue coming and expenditures going out. Other than that, he cannot speak about any of the funds. As far as detail goes, and he will provide Council with whatever reports they want, but this is a lot of numbers for monthly reports. Ms. Jones replied that she likes the current reports. Mr. Vitalone suggested a summary in addition to the current report to make sure everything is clearer and comparisons. Mr. Stibich indicated that the city's biggest source of revenue is income tax and he has found it useful in the past to know the analysis and comparisons. He stated that last year he noticed that the resident's income tax decreased but the payroll taxes from the businesses in the city increased, and wonders if this trend will continue. Mr. Vitalone indicated that overall the city's income tax collection is down 3% from 2018.

Mr. Stibich asked if the next step for 2019 is preparing for the audit and state filings. Mr. Vitalone indicated that the auditors will begin in the next few weeks and will be performed by Zupka & Associates. Ms. Jones asked if the auditors rotate like other companies. Mr. Vitalone stated that usually the state gives a five-year contract and the city then would need to request to go back out to a third party of the state to determine if they will perform the auditors. Mr. Stibich asked if the city just renewed their agreement with Zupka. Mr. Bemer replied yes. Mr. Vitalone indicated that there are some advantages to having the same auditors because you do get efficiencies because you know what they are looking for and know the reporting and systems. Ms. Jones stated that if they get to comfortable, they may overlook. Mr. Stibich replied yes and when the agreement is ready to renew Council can make that determination.

Any Other New Business - Ms. Jones stated that there are a lot of purchase orders encumbered. Mr. Stibich replied that there are \$945,000 in purchase orders for January. Mr. Vitalone stated that Council adopted a temporary budget in December for the first three months and purchase orders were entered that exceed this three-month period and will be removed. He stated that next month the report will be corrected so the February report will be more reflective of what is due. Mr. Stibich asked if the purchase orders should be accrued quarterly. Mr. Vitalone replied that there are a lot of expenditures that are low dollar amounts and high volume where you would enter as blankets but yes, for the most part we will do quarterly purchase orders unless there is one for a specific item. Ms. Jones stated that anything over \$2500 Council has to approve. Mr. Vitalone replied yes. Ms. Jones asked if that meant Council would not get the expenditures anymore. Mr. Vitalone replied that he is just referring to encumbrances and entering purchase orders. Mr. Stibich stated that these purchase orders show \$945,000 and we should only be showing maybe 1/4th of that number. Mr. Vitalone replied yes. Mr. Stibich replied that would be about \$700,000 less than what is in the current report. So, instead of the unencumbered fund balance being a negative \$666,000 it should be more of a positive \$34,000. Mr. Vitalone replied it will be a positive number. Mr. Stibich stated that the revision would cover the encumbrances through March. Mr. Vitalone replied yes.

Ms. Jones stated that she assumes the Jenkins Fund is projected out to the end of the year and asked if the city would still obtain the grant. Mr. Stibich replied that fund has a negative number of \$21,000. Ms. Jones replied yes and usually comes from a grant. Mr. Stibich asked if this was the same situation. Mr. Vitalone replied that this would be the same situation and does not know what this specific purchase order is for but the funds have not been posted yet. Ms. Jones asked if the city applied for the grant. Mayor Graven replied yes.

Mr. McFadden asked if the same situation would apply to all the negative numbers. Mr. Vitalone replied yes. Income is either coming in or we anticipate a grant, or income will come in over time each month and then you will be able to pay for things. Mr. Stibich indicated that the 213 fund which is the sanitary sewer Phase V Project and has purchase orders of \$5.5 million and that is pretty much the entire project and not going to be spent in the first quarter. Mr. Vitalone replied yes. In most cases it is a timing issue of revenues coming in or the purchase orders were entered too soon and needed to be held before the funds are encumbered; you can't set the funds aside unless you have the money. We will try to take care of these issues as we move forward.

Ms. Jones asked what the OWDA Lindbergh/West is, Fund 212. Mr. Stibich indicated that the Lindbergh/West was a sewer project and could be related, we should ask Mr. Borczuch. Ms. Jones asked if the city would get a grant or refund for the expenses. Mr. Stibich replied that this could be something that is recovered through real estate taxes. Mr. Vitalone replied that this could also be a loan. Mr. Stibich stated that the project could still be being paid down and this would be an expenditure that is recovered through assessments. Ms. Jones asked if he could find out. Mr. Vitalone replied yes.

Ms. Jones stated that a majority of Council approved paying Republic to tear down two houses for a cost of \$15,000 but we were only charged \$11,800. Mayor Graven replied that Mr. Borczuch demolished those homes down and the city will recoup the funds when the land is sold; we have to pay a portion of the proceeds to the county because the city received these properties through the land bank. Ms. Jones stated that since the number came in less should the city unencumber more for last year.

Mayor Graven would also like to discuss Senior Transportation. All of Council received a copy of the email which shows that the prices will increase approximately 40%. He and the law director have reviewed the usage and discovered that approximately seven people use this service at a cost to the city of \$16,000. Mr. Stibich stated that this item is 06-2020 and is on third reading this evening. Mayor Graven stated that ultimately this is Council's decision. We have a couple of options and one is to charge the people that use the service 50% or not fund at all. Mr. Stibich stated that he would like to schedule a work session next Monday to discuss this contract and would ask Council to table the legislation this evening. Mr. Chitester asked if the city has anything to fall back on if we lapse. Mayor Graven stated that the city is currently paying month to month at last year's fees. If we ultimately sign the contract it will increase 40% and he does not believe this is a good use of taxpayer dollars or fair to the other 8,900 residents. Mr. Stibich stated that the residents would be charged a user fee. Mayor Graven replied yes, currently they only pay a few dollars for the service. Mr. Stibich indicated that the fee would defray some of the city's costs. Ms. Jones asked if it could be a pay per use rather than a contract. Mr. Stibich replied that as an option to the contract Ms. Jones is suggesting finding a vendor or service that would charge per use. Mayor Graven replied that he did locate one but they charge \$60.00 per hour. His question is does Council want to spend over \$10,000 a year for seven people. He stated that when the budget is this tight do we want to spend this amount on seven residents with one going to the North Olmsted Recreation Center. Mr. Bemmer indicated that there is average of one trip to 20 round trips per month and most were medical based. He is unsure if North Olmsted Recreation Department has a contract for physical therapy because this was one trip each week for this individual. Mr. Chitester indicated that he would be in favor of an extended period of discussion.

Ms. Jones indicated that there is a work session to discuss Bailey's forensic work. Mr. Stibich indicated that is scheduled for the 25th of February. Ms. Jones asked if Ms. Veloski has inquired about the reports she would like to see from Bailey. Mayor Graven replied that he is unsure. Mr. Stibich asked her to restate the reports so that the Mayor could follow up. Ms. Jones replied that she wants the disaster recovery plan, attack and penetration testing, and their SSA-15. She indicated that she would email Ms. Veloski. Mr. Stibich replied that he wants to make sure this issue does not fall through the cracks.

Mr. Stibich stated that the city is open next Monday and asked if Council would prefer to meet at 6:00 or 7:00 p.m. After discussion regarding times the work session was scheduled for Monday, February 17th at 5:00 p.m., the topic of discussion will be the Senior Transportation Connection contract and any other matter Council wishes to discuss.

Ms. Jones indicated that she wants to make sure that she has enough time to ask Bailey Communications questions prior to the Council meeting.

ADJOURNMENT

Mr. Chitester moved to **adjourn**; Ms. Buchholz **seconded**. Poll: 5 ayes; 0 nays. **Motion carried.**

The meeting adjourned at 7:27 p.m.

Paul Stibich, Council President

Angela Mancini, Clerk of Council