

**Finance Committee Meeting Teleconference**  
**April 23, 2020 – 8:00 a.m.**

**Members Present: Fiscal Officer Romanowski, Fiscal Auditor Lechman, Chairman Carroll, Councilman Berger**

The Fiscal Officer advised that Berger wanted to know what the function of the Finance Committee was, and she stated that the Village did not really have any official descriptions for the committees. She stated in the past, the Mayor had favored putting the new Council members on Finance Committee because although she and the Fiscal Auditor do all the work, it is a good way for the new Council members to learn where the money goes. The Fiscal Officer did not know what the true function of the committee was and thought it would be helpful for Council to create official descriptions. Carroll advised that the committee was a mechanism for Council to review and have oversight on some of the financials. The Fiscal Officer advised that previous committee members helped develop the Village's official Purchase Order policy and a Credit Card policy. She advised that this policy required updating because of new State standards, and this would be a matter for the committee to address. The Fiscal Officer stated that the pertinent information would be provided to the committee members in the Council packets for the 4-27-2020 Council meeting. Carroll added that previously, the committee developed a requisition process for the Village as well. The Fiscal Officer explained that the purchase order policy has enabled more involvement by Department Heads with the budget. She further explained that the Village does its budgets by fund and not by line item. In the fall, Council develops the budget line item by line item, but as far as the county is concerned, it is by fund. She provided examples of how the process worked and concluded that it had taught the Department Heads how to manage the departments' money.

Berger asked if there was a process for reviewing budgetary lines throughout the year. The Fiscal Officer stated that up to this point she has watched them. At the end of the month, once the balances have been reviewed by the Fiscal Auditor and Fiscal Officer, the Fiscal Officer's balances are posted to the Village website in the elected officials section. She explained that her financials are more in depth, and include original budgeted amounts and amendments made by Council. Additionally, it reflects year to date totals and shows what is encumbered on a purchase order and what is not. Carroll added that during the budget review in fall, Council meets with the Department Heads to budget their capital expenditures and the budgets generally are approved from there. He stated that after these items have been approved, the Department heads should just follow the approved budget and make the purchases. Berger clarified that this would be dependent on the item being within the budget framework, and Carroll stated this was correct. Carroll stated that they need to follow the process and it must be within the budgeted amount. If something about the purchase exceeds the budgeted amount, it would be brought back to Council for consideration.

Berger stated that presently the Village is in a unique situation where the revenue stream is uncertain. He asked if the Finance Committee would investigate the potential revenue streams and changes to the budget. The Fiscal Auditor stated that a lot of the Village's revenue for the current year had already been determined. The real estate taxes are a year in arrears, which is

45% of the revenue. As far as Income Tax, the monies collected are based on last year's salaries. The Fiscal Officer stated she received a letter from the County Auditor that stated that with property taxes, the Village is permitted to budget 98% of projected real estate taxes. Now, they would like the Village to modify the budget and decrease it to 95% for the second half of the year and hope that the Village actually receives this. Regarding Income Taxes, the Fiscal Officer stated that the Village will not know the impact until late summer. She referred to a comment made by Councilman Porter at the April 13, 2020 Council meeting that the Village was down \$30,000. She explained that people were still working in February and paid the CCA taxes in March, which were then received by the Village in April. Things were shut down for half of March, and these taxes will be received by CCA in April. The Village will see the funds in May. She concluded that the Village will not really know the impact of the income taxes for a couple of months.

The Fiscal Auditor stated that a large part of the Village's income tax base is residential and added that the larger employers are still withholding taxes for their employees. He was not sure of the impact of the closure of the small businesses. The Fiscal Auditor addressed the potential local taxes that would be paid by residents working from home, and the Fiscal Officer addressed State legislation which waived the 20-day rule. She called CCA last week and was told there is much confusion about this rule. The Fiscal Officer explained that when someone works in the Village less than 20 days, they continue to pay taxes to their home base. If they are working in the Village more than 20 days, they must pay the taxes to South Russell. With the stay at home order, there have been many people working from home, which would suggest the Village would get this money. However, when the State passed the legislation changing the tax deadline, the 20-day rule was also waived. This has caused a lot of confusion and it appears the State will have to clarify the language, otherwise employees working from home will potentially be submitting for refunds of the local tax claiming whichever way would be most beneficial.

The Fiscal Auditor said he was uncertain of the impact the stay at home order but did not think the Village would see a large swing in income or real estate taxes this year. Berger added that real estate taxes would not be affected providing they are collectible. The Fiscal Auditor stated that looking at 2009 when there was a downturn, there was not a big problem with collections. He explained that there was more of an issue of residents rushing in to get their property values lowered. The Fiscal Auditor added that Cable Franchise Fees were also consistent. Carroll stated that the gas taxes would be going down, and the Fiscal Auditor added that interest was also decreasing. He said there would be certain revenue streams that would be hurt, but he thought overall the major income streams would probably be there. Carroll advised that other communities were doing cuts now in anticipation of what they may or may not experience after the first of the year. He explained that there had been discussion in Council of expanding the Road Program and stated he would not be in favor of doing this at this time. Carroll felt that if there are any big capital items or expenses coming up this year, perhaps it would be better to delay the purchase or at the very least be cautious.

Berger stated he was not suggesting the need to be cautious, but asking to justify the revenue stream, which the Fiscal Auditor did. If this was the case and there was an opportunity to take advantage of low oil prices or contractors desperate for business, the Village should not cut the Road Program, etc. when the Village thinks the revenue stream will be what was projected and

there is no reason to change the perspective. The Fiscal Auditor stated there are things like the gas tax that will come in lower, but the Village has a \$3.6 million budget and may receive \$100,000 less than expected. He did not think this would cripple the Village. He added that the Village has a lot of money in the bank and keeps telling the county that there is a use for the money.

Berger stated that at the April 27<sup>th</sup> Council meeting, he felt sure someone would suggest that the Village should not be spending money. Berger stated that from a Finance Committee perspective, this was not sound reasoning and the committee did not believe this to be the case. The Fiscal Officer stated that the Village really did not know. Berger stated this was why the committee needed to continually look but added that the Fiscal Auditor stated that the Village would get the money anticipated at the beginning of the year and should be following the budget. Carroll stated he was fine with spending the budget as approved for the year based on the Fiscal Auditor's recommendations, but suggested caution when taking advantage of opportunities because the Village did not really know at this point in time and there could be a delayed impact. Berger asked how this could be measured and stated that if Carroll could make a good case to him that the Village should back down 20%, he would support this. Carroll referenced the County Auditor's recommendation to decrease from 98% to 95%, and the Fiscal Officer added that during a meeting with the Municipal Finance Officers Association (MFOA), State Auditor Faber stated that the State was expecting a 20% to 25% hit in revenue. This meant that revenue received from things like the local government tax and gasoline tax would be decreased at the local level. She did not expect it to be really bad but thought reducing the budget by 20% might be beneficial to see how things look. The Fiscal Auditor reiterated that the Village's major income streams probably would not have a huge decrease. He thought there would be a delay and that next year would be a little bit worse because the income received was from the previous year. He added that if the gas tax were to decrease, this would hurt the Village the most. He thought it might be \$150,000 out of a \$3.6 million budget and stated that the Village was already budgeting a \$590,000 deficit. He added that there were some serious reserves in place, and if there were opportunities that came up, he would recommend considering them.

Berger stated he was not suggesting that the Village wanted to spend \$3,000,000 out of the reserve. He anticipated that at the Council meeting, someone would ask about suspending the Road Program, for example, and the Finance Committee was responsible for not playing to the fears of individuals but instead presenting the facts and recommending standing firm and going forward. If the Street Committee presented a great deal for the Road Program, the Finance Committee had the flexibility to say that the Village should consider it as a viable program. He viewed this as the responsibility of the Finance Committee. Carroll agreed and added that it was the committee's responsibility to examine, forecast, and to take into consideration the opinions of the Fiscal Officer, Fiscal Auditor, County Auditor, and State Auditor. He added that there were individuals in the community who work in the hospital system and UH Hospitals were furloughing and cutting pay. He added that all companies might be in this position. Carroll acknowledged that this might be a forecast for the end of the year or next year. He just emphasized the need to keep an eye on the ball. Carroll asked the Fiscal Auditor to weigh in at the April 27<sup>th</sup> Council meeting about where the cuts may come from or what problems might be initially experienced. The Fiscal Auditor referred to the situation in 2009, and Carroll advised that this was a bit different because this was not a housing and banking crises which impacted

the economy differently. He thought it would be worth looking at with the understanding that housing values dropped drastically in 2009. Carroll did not think this would be the flavor of the impact of the current situation. The Fiscal Auditor stated the 2009 downturn was hard for jobs too, and that Village employees received no raises, and there were people being laid off. Carroll agreed and suggested it be addressed.

Berger stated that the Mayor sent out a list of items he wanted to move on for this year. For the Finance Committee, he suggested that the Village end 2020 in the black with \$2.5 million in the bank. The Fiscal Auditor stated that the Village was planning on a deficit of \$600,000, according to the budget meetings. He thought ending in the black was not likely, especially now that there was discussion of possibly a reduction in revenue. Berger stated that the committee needed to be prepared to address this at the meeting and to explain it did not make sense with the information at hand. If it was expected the Village would end the year in the black, then there needed to be some serious conversations now as to how that would happen. The Fiscal Auditor thought it was about the timing and stated that the previous year it was anticipated the Village would end in the red and ended in the black. The Fiscal Officer explained that the Village had big projects that were budgeted in the past that had been put off. Currently, there was the project next to Village Hall and the Manor Brook project would be starting as well. Additionally, the Lake Louise project must be done this year, or the Village would lose the grant money. A lot of things that had been put off were starting to hit. Carroll asked the Fiscal Officer if his recollection was correct that the Village always projected revenues lower and expenses higher and then at the end of the day either would come in the black or close to it. The Fiscal Officer advised that the Village kept the revenues flat because they are set, other than the Income Tax. However, the Village had pursued all the grants and projects, which were supposed to be started but then were not. This year, the projects had begun, and she added that the project next to Village Hall and the Lake Louise Bridge must be done or there was a risk of losing the grants. The projects were previously budgeted but were only now beginning at a time when the revenues are uncertain. The Fiscal Officer concluded that she thought Council needed to be careful. She added that typically, the Village had a \$350,000 Road Program, and Council increased it to \$600,000 net. She explained that the Village received a grant for the Kensington Circle project, which would require an amendment to the appropriations to do the project since it was necessary to pay the costs up front and get a reimbursement of funds through the grant. She added that the income tax funds would be coming in later since the deadline was pushed back. The Fiscal Officer expressed her uneasiness with, for example, expanding the Road Program to \$1 million when it was unclear what the revenues this year would be.

Berger asked the Fiscal Officer if it were possible to do \$2 million worth of work for \$1 million, would it not make sense to do it. The Fiscal Officer stated it would if there was money to pay for it. Berger stated if there was \$3 million in the bank and the Village could do 150% of the Road Program for the same amount of money or a little more, would they not want to consider it. The Fiscal Officer agreed that it would be acceptable to get the bids and go through the process. Berger stated he did not think it would be wise to tell the Street Department not to even consider it. The Fiscal Officer agreed and stated she hoped they would be getting the bids and then Council could evaluate and make a decision. Carroll stated that bids would be obtained based on what Council established as the Road Program at the Budget Meeting. He advised that if the bids come in drastically lower, it may be possible to do more roads within the budget or for

marginally more money. Carroll stated there were other expenditures the Village must consider like stormwater issues. He understood Berger's point about taking advantage of opportunities but wanted to be sure the committee was looking at the situation holistically. Berger stated he concurred. He stressed the need to address the Mayor's request to end the year in the black.

Carroll asked the Fiscal Officer if it would be difficult to end the year in the black. The Fiscal Officer stated she thought so. Carroll stated this was unrealistic and was not concerned about ending in the black because of the reserves and grants. Carroll asked the Fiscal Officer if ending the year with \$2.5 million in the bank was realistic. The Fiscal Officer deferred to the Fiscal Auditor who stated it was possible. He explained that the balances go up and down throughout the year. In the beginning of the year, the Village had \$3 million. The budget was to end up \$600,000 in the red, which would leave \$2.4 million. While he did not think the current situation would be devastating, he agreed it would have an impact. He said the only way to end at \$2.5 million would be to cut expenses. Carroll added that another way would be if costs came in lower than anticipated, such as the Road Program. The Fiscal Auditor stated that if revenues and expenses came in as desired, the Village would end the year with \$2.4 million. Berger reiterated he was inquiring in preparation to answer the Mayor at the Council meeting. The Fiscal Auditor stated if this had been the goal, it should have been discussed in October in the Budget meeting.

Carroll agreed that the Village was currently in line with the budget, and Berger asked if something had changed where the Mayor would have asked for different numbers. He was trying to gain an understanding of the budget process through this conversation. Berger added that perhaps looking at specific expense accounts would be in order and provided the example of the Solicitor's account that was going through the roof. He stated that the Village would be nowhere close to what was budgeted for this. Carroll stated that the Mayor suggested that the Finance Committee examine the way that Council uses the Solicitor and how to reduce expenses. He stated that the Solicitor should not be used as a secretary or administrative assistant. In examining costs of the services, he believed more prudence was required in how the Solicitor is engaged. He admitted there had been some pressing issues that increased the line item. However, in looking how the Solicitor had been used in the last couple of years versus historically with David Ondrey, there was definitely a different approach. He acknowledged that the Fiscal Officer may have more information since she looked at the bills much more closely. The Fiscal Officer stated that in last month's report, she included a history of Solicitor bills, and stated that the Village used to pay between \$40,000 and \$50,000 per year. Last year, the Solicitor was paid \$100,000 out of the general budget, which did not include her work on the grants. She stated that the Village was currently at \$40,000 paid to the Solicitor which was 40% of the budget within three months. Carroll asked if she had any suggestions on how this process could be changed. In the past, the Fiscal Officer stated she had been consulted first, and the Solicitor was consulted in more legal matters. She added that there were ways to do independent research first. Carroll admitted that there were things that come up which require the Solicitor, but stated writing a proclamation for Joan Demirjian would not be included when the Fiscal Officer had always done them. The Fiscal Officer stated that the Solicitor should not be engaged for administrative work. Carroll added that she was engaged to explore SAFEbuilt, when he had asked the Building Committee to do this. Berger had no idea this had happened and added the Building Committee was addressing this issue. Carroll concluded that in delving into the matter, it was apparent where cuts could be made. He had asked that the invoices be broken down,

which had helped him see where the costs were. Carroll added that when he had a question, his first call was to the Fiscal Officer, who was the backbone of the organization in many ways. He added that the Street Commission and Police Chief were also good resources, and that before contacting the Solicitor, calls should be made to the Department Head and/or Committee Chair. Berger and Carroll agreed that the topic should be addressed at the Council Meeting. Berger recommended bringing the budget to the Solicitor's attention as well. The Fiscal Auditor explained that he must let his clients know when he is nearing the estimate. Carroll stated that many of the charges were the result of the Mayor calling the Solicitor on everything and asking her to attend meetings she did not need to attend, etc. He suggested that the conversation with the Solicitor should be about pushing back to the Mayor on matters for which her expertise is not required. Berger stated that since the Mayor put it on his list, it provided the opportunity to address this in Council. The Fiscal Auditor suggested that during the budget meetings in the fall for Council to allocate portions of the Solicitor's budget for use by the Mayor, by Council, special projects, etc. Berger added that the Solicitor could bill accordingly. The Fiscal Officer explained that the Solicitor currently is billing separately for the grant projects. The Fiscal Officer added that the Solicitor's contract is up at the end of the year, and this might be something Council would want to include in the contract for the following year.

Carroll noted that Berger had asked about property valuation, and Berger stated it was just a general knowledge question regarding the Building Department rather than Finance. Carroll addressed the Bell Road project loan, which is a 0% 20-year loan. The Fiscal Officer stated that although it was initially the goal of the Village to pay the expense, other expenses arose, and it was decided to take advantage of the loan. She stated the payments are approximately \$10,000 per year.

The Fiscal Officer reviewed the current grants. The Northeast Ohio Public Energy Council (NOPEC) grant still had \$7,061 remaining, and she needed to discuss this with the Property Committee about LED lighting for the Service Garage. She also submitted for the PEP Safety grant. PEP is also offering a \$1,000 COVID-19 grant for products purchased for the pandemic. The Headwater 319 grant project had started, and the Village's cost was about \$75,000. The Kensington Circle Grant is \$94,300 but is a reimbursement grant. She explained that some grants are reimbursement, and some have the Village pay up to a certain amount, and then the grant pays the rest. The Village is still waiting on the Natureworks Playground Grant, and Chagrin River Watershed Partners (CRWP) is doing the paperwork for it now. The Village should receive the \$23,000 grant some time this year. The Lake Louise Bridge project will cost the Village \$123,000 and is a reimbursement grant. The Village must do this within a specific timeframe. The Village will pay about \$184,000 for the Manor Brook project. The Village received \$1,500 from NOPEC for the Fall Festival, but with the COVID-19 issue, it is unclear whether the event will be held. There are no grants for the \$121,000 Chillicothe Rd. culvert project but funds will be taken from the State Highway fund monies. The Mayor said something about getting another culvert by Village Hall replaced before Ohio Department of Transportation (ODOT) starts improvements on Chillicothe Rd. in 2021. Carroll asked for clarification, and the Fiscal Officer stated the Mayor is trying to talk to ODOT about the replacement of the culvert across from the dentist office next to Village Hall before Chillicothe Rd. is fixed. This was not planned, but the Fiscal Officer understood the sense in the timing of the repair. It had not been

budgeted. Carroll asked if the Engineer had weighed in on this matter, and the Fiscal Officer stated she had not heard.

The Fiscal Officer reviewed that the State Auditor said to anticipate a 20% hit across the board. She reiterated that the true impact would not be known until later.

She reminded the committee that she would put the Credit Card policy information in their Council packet for review as this was something the committee needed to address and update the policy.

Meeting adjourned at 9:05 a.m.

A handwritten signature in blue ink, appearing to read "Michael Carroll", written over a horizontal line.

Michael Carroll, Chair of Finance Committee

Prepared by: Leslie Galicki