

**Finance Committee Meeting
June 2, 2020 – 8:00 a.m.**

Members Present: Fiscal Officer Romanowski, Chairman Carroll, Councilman Berger

Guest: Collin Cunningham, CVT

Carroll called the meeting to order at 8:04 a.m. Carroll asked the Fiscal Officer to address the 20-21 Tax Budget. The Fiscal Officer stated the Village received notice from the county that the Geauga County Tax Budget Hearing will be Monday, August 17, 2020, and the timeslot for the Village is 2:40 p.m. She explained that she, the Mayor, and representative from the Finance Committee usually attend, but it is open to the public. Berger asked the purpose of the meeting. The Fiscal Officer explained that at this time of the year, the Village starts its tax budget, which gets the Village prepared for next year's annual appropriations which are done in the fall. Through the tax budget, the estimated revenues are determined. She provided copies of the worksheets she gives to the Department Heads for their input. The Fiscal Officer explained that she does not require detail, only large expenditures, or large changes. She then compiles a rough draft of the budget for the next year, which helps her decide what the transfers will be. The Village receives property taxes, which are dedicated to specific purposes. There is also the general fund and income tax monies which are taken into the general fund and transferred to the other funds to pay for expenses. The Fiscal Officer added that at this point in the year, she must figure out what the transfers will be for next year. To do this, she runs a rough estimate of what the budgets for each department will be next year to help her determine what she will need to transfer. Berger clarified that the meeting in August is not about expenses but about income. The Fiscal Officer agreed that it is about revenue. Once this is done, the Village must have a Tax Budget Hearing, which will occur just before the July 13th Council meeting. At that time, the tax budget is read. This is then submitted to the county, and the county Budget Commission, which consists of the County Prosecutor, County Auditor, and County Treasurer, review everything. Then a hearing is held in which they approve or disapprove it and specify what changes they may have. This is the revenue to operate within when the Village does the annual appropriations for the next year which is done in October. Carroll verified that they also review the carry-over and added that the Village had received comments about carry-over, what it had in reserves, and what the Village's plan was. The Fiscal Officer concurred and explained when she prepares the tax budget, she has to estimate where she thinks the year will end and what the carry-over balances will be into the following year because this is part of the determination of the amount the Village will need to transfer into each of the funds. In the past, the Budget Commission did not like the Village's carry-overs, but the Village was trying to put money aside for stormwater issues and other projects. The last year or two, there were really no problems.

Berger clarified that the county has the authority to not approve the Village's revenue proposal. The Fiscal Officer agreed and explained that it is not lawful to build up a nest egg of money. It must be spent. If too much money is accumulated in the bank, and the Village wanted to put a levy on the ballot, the Budget Commission would say the Village had the money in the bank, so it should not go to the residents for additional money. The Village had never really had a problem. She stated that if it is explained to the Budget Commission that the Village has a purpose for the money, they are agreeable. Carroll explained that several years ago when the

road levy was passed, the Village had actually tried to go out for a stormwater levy but could not because of the requirement for levies. Instead, the Village used one for the Road Program to offset the impact on the general fund to address stormwater issues. The levy generates approximately \$200,000. The thought was to take the levy funds and apply them towards stormwater mitigation so as not to take away from the roads. The Village has done some minor projects, which would allow the Village to do a little more robust Road Program this year. Carroll summarized that having a plan for the money is key, and the Budget Commission will not let the Village bring in more money than what the Village has a plan to spend. The Fiscal Officer added that levies can only be for certain reasons as set forth in the Ohio Revised Code, which was why the Village could not do a levy for stormwater.

The Fiscal Officer explained that she had requested the completion of the worksheets by the Department Heads by the middle of June. She would bring the Tax Budget to Council and then have the hearing at the beginning of the Council meeting on July 13th. Then she would file it with the county. The Fiscal Officer said that the levies are usually estimated at 98% collection for the following year. However, with the COVID, the estimate will be 95%. She would verify this with the County Auditor. Carroll and the Fiscal Officer agreed that it would be about a \$50,000 difference. The Fiscal Officer stated that the Village would not know about Income Taxes, and Carroll added that the Gas Tax would also probably be lower.

Berger stated at the last Council meeting, the Fiscal Auditor estimated a 4.5% hit to the budget. Berger thought 95% was being safe, and Carroll clarified that Property Tax was being discussed. Carroll stated Income Tax was 1.25%, and the Fiscal Officer added with 75% credit. She said it was difficult to know where the Village stands with the Income Tax collection because usually in April, CCA does an estimated distribution based on the average, which is adjusted in May. With COVID, CCA has not caught up, so May will be another estimate. She hoped to be able to receive the adjusted balance in June.

The Fiscal Officer addressed the property taxes that were formerly paid for the rental house, which had been torn down. With the house gone, the Fiscal Officer wanted to apply to get the property made tax exempt. She spoke to the county Auditor's Office and was working on the paperwork. She would like to get it on the agenda for the June 8, 2020 meeting to get a motion from Council for her to proceed with the tax-exempt application. Carroll asked if the status would be retroactive, and the Fiscal Officer stated it cannot be done mid-year, which was why she wanted it addressed before the end of the year. She added that the request would go through the county and then move forward to the state.

The Fiscal Officer addressed the credit card policy and said she had provided the committee with the Solicitor's proposed changes. The Fiscal Officer stated the Village had been doing most of the requirements and that it was really a housekeeping issue. She explained that it used to be that the Department Heads could hold the credit card, make purchases, and submit the receipts. Now, the card is signed in and out and the Fiscal Officer and Fiscal Auditor cross check all the invoices. This information is then provided to Council for review and approval. This is part of the new state requirement. Carroll asked what the total credit limit is for the Village, and the Fiscal Officer stated it is \$8,000; \$2,000 per department. There is no card for the Building Department currently. Carroll suggested putting the policy on the agenda for the next meeting.

The Fiscal Officer stated that the Village cannot pay sales tax, and if an employee makes a purchase with tax, the employee must pay the tax. She stated that she and the Police Chief purchase things online and set up tax exempt accounts with the various vendors, but if there is a one-time purchase, it is not practical. The Fiscal Officer and the Police Chief have just personally paid the sales tax in order to get the better pricing of shopping online. Carroll asked if the Village has an Amazon Business account, and the Fiscal Officer stated no. Carroll recommended the Village get this. The Fiscal Officer said she would look into it. She stressed that the reason the purchases had been made in this manner was to save the Village money, and Carroll advised that it would be best to avoid this as much as possible.

Regarding the Solicitor's fees, the Fiscal Officer asked the committee if the report she had been providing was helpful. Berger stated there was an addition mistake on the last one. The Fiscal Officer acknowledged this and stated she had fixed it. Berger said it was helpful to see where the money was being spent. The Fiscal Officer stated that she was also starting a similar report for the Engineer. Carroll thought it would be beneficial to track this information to determine the source of the extra costs.

The Fiscal Officer reminded the committee that the Mayor asked the Finance Committee to address the Solicitor fees. She stated that some municipalities have the Solicitor attend only one Council meeting per month and didn't know if that was something the Village would want to consider. Berger concurred, and said if there were an issue requiring the Solicitor's input, it could be tabled. Carroll said he liked to have the Solicitor at the meetings because there are things that come up which require her opinion. He added that historically, the Village had a Solicitor who may or may not have attended all the meetings, but often had to look something up after the meeting, which would result in the Village incurring a fee. He felt the current Solicitor had been good about addressing questions and handling issues during the meeting instead of having to look up information after the fact and charging the Village. Carroll stated that typically there are questions for the Solicitor at each meeting. He added, however, that perhaps there were other meetings she was attending that she might not need to. She is also being given tasks like writing a proclamation for someone, which the Fiscal Officer could do. Carroll felt the Solicitor offered something to Council at the meetings which he thought was beneficial. This would be the one area that he would be leery of changing. He would rather identify other areas to reduce her use.

Berger felt that there was a need to be thoughtful about the expense before calling the Solicitor. Carroll agreed and said often the question could be answered by the Fiscal Officer or Department Heads. Berger said from an informational standpoint, the Solicitor should be the last resort. He felt that even with cutting it down to bare minimum, the Village would run over budget. The Fiscal Officer said the Village budgeted \$100,000, and Berger stated for \$100,000, a full-time Solicitor could be hired. He questioned why the Village would not want to hire an attorney instead of contracting it out at this rate. Carroll thought it would be possible to determine the source of the overages. Berger stated that the Mayor was a good source of information because he talks to the other communities and speculated what other communities pay for their Solicitors. Berger said the comment came back that there were some communities in the area that did not spend \$25,000 per year. They clamp it down and do not let people talk to the Solicitor. Berger

said whether this was good policy or not, he did not know. Carroll stated that if the Solicitor were present at Council meetings, there would be an opportunity to engage in some of the questions during the meetings versus calling her or emailing her when the question could wait for a meeting. With the grants with which the Village had been involved and the different issues like the Building Department, Carroll felt the Solicitor had been much more engaged. He agreed there were opportunities to shave some of the expenses. The Fiscal Officer agreed and said that the Village did not deal with grants previously. She added that under the previous Mayor, she was told that if she had a question for the Solicitor, she should wait until the Council meeting unless it was an emergency. On the other hand, the Fiscal Officer admitted there had been issues recently, like the grants, that needed more legal input.

Regarding Paw Paw Lake, Carroll explained to Berger that Paw Paw Lake was looking to have work done on their private road with the possibility of having the Village take it over. Berger stated it should not be called work but rebuild. Carroll stated that it must be brought up to the Village's standards, and the community is looking for concessions and trying to identify potential avenues for a public-private partnership. Carroll said that in looking at possible funding sources, he was not aware of any public-private partnership where the Village would take out a loan on behalf of Paw Paw Lake or be the co-signer on the loan. Usually, the public-private partnerships are private, like Opportunity Corridor or other big projects where the private entity is driving the project with private funds. Carroll described this project as the reverse. With regard to the community's claim that it does not benefit from the Road Program because Paw Paw Lake Drive is private, Carroll explained that in his mind, it was no different than a school levy where some people use the schools and some people do not. Sometimes taxes are paid for the greater good. The Fiscal Officer stated that a comment was made by the residents of Paw Paw Lake that millions had been paid by the community without any benefit. She explained that their calculations were based on property taxes as a whole, but of that whole, the Village only receives approximately 10.48% of the property taxes. Until two years ago when the Road Levy was placed on the ballot, none of that money was earmarked for roads. Everything for roads came out of the General Fund, which consists of Income Taxes and the General Levy money. A small portion of the 10.48% was used towards roads. The Fiscal Officer wanted the committee to understand that when the Paw Paw Lake residents said they paid \$240,000 to the Village in property taxes last year, only 10% is actually received by the Village, which is \$27,000. The remainder goes to the County. Carroll stated an additional comment was made that an improved road would improve the property values and ultimately bring in more taxes. The Fiscal Officer stated that when a levy is placed on the ballot, only the amount of money is collected from the day it is effective. The Village's Operating Levy has been on the books a very long time and have never been renewed. The amount of money brought into the Village is the amount of money designated when it was passed. The more houses that go in and as values increase, effectively everybody's taxes go down because the Village brings in the same amount as it did when the levy passed. Even if the values of the homes are improved, this does not mean the Village will get more money unless a new levy is put on the ballot, or the Village renews the levy. Carroll stated he could not see the Village co-signing on a loan and exposing it to such an obligation and position. It is a private road that the HOA must bring up to Village standards. If they did this, Carroll would support taking the road over. He had spoken to the Street Commissioner about the increase in work for the department if this were to occur, and the Street Commissioner described it as negligible. At the end of the day, however, Paw Paw Lake would

have to bring the road up to the Village's standards for the Village to even consider taking it over. Carroll stated that there was a conference call with State Representative Diane Grendell, who was not aware of any funding but said she would look into some things. She commented in the meeting that nothing like this had ever been done in this manner of public-private partnership. Carroll felt it was necessary to be cautious from a financial standpoint on how it is approached in light of the fact that there are other private streets which might want the same. He said Paw Paw Lake had some serious work that would need to be accomplished. If there were a funding source that would not affect the Village financially, he was open to discussion. To date, this had not been identified, so the community would have to determine how to obtain funding themselves. If Paw Paw Lake could rebuild the road, Carroll knew that they were interested in having the Village take over the public part of it, and he supported it since it would only be adding a mile or mile and a half of road.

Berger stated if the Village were to take over the road, it would assume the responsibility of maintaining it, which would be an additional cost. The Fiscal Officer added that it would mean future Road Programs would cost more. Berger stated it would be necessary to consider the impact of this cost structure and how it impacts the Village. Carroll agreed and said it would be the same for any new development that was built. In conversation with the Engineer, Carroll stressed that the road must be done right, with approved drawings approved by the Village, just like the Village would do with any new development. Because the community is 100 years old, Carroll stated that the Engineer compromised to say 20' instead of 24' wide roads would be accepted. The largest issue would be their turnarounds. Carroll concluded that Council needed to weigh in on the matter. From a financial standpoint, he did not see how the Village could put any funds towards the Paw Paw Lake rebuild project.

In response for a request for fiscal training, the Fiscal Officer proposed providing training for all of Council. She suggested doing it in August before budget time in September and October. Carroll thought this would be beneficial to have the Fiscal Officer and Fiscal Auditor review the budget and examine how the financial process works. The Fiscal Officer added that government accounting is different. Carroll agreed, and added that ethics issues with spending and gifts, etc. could be included. The Fiscal Officer stated she would plan the training, and Carroll suggested emailing Council to see if there were any specific questions.

Meeting adjourned at 8:42 a.m.



Michael Carroll, Chair of Finance Committee

Prepared by: Leslie Galicki

