

Finance Committee Meeting
November 17, 2023, 9:00 a.m.

Present: Chairman Berger, Council Member Galicki, Fiscal Officer Romanowski

Berger called the meeting to order.

Berger wanted to discuss the budget and asked that the Fiscal Officer explain sources of funds for the budget. The Fiscal Officer said that the Village gets its money from Income Taxes, levies, local government fund (trickle down from the State), and Motor Vehicle (trickle down). Berger asked her to identify the significant sources and she said it would be Property Taxes, Homestead and Rollback (the State's portion of property taxes for seniors), Local Government, Gasoline Tax (close to \$200,000 per year), and Motor Vehicle Tax (\$30,000). Berger asked if there were any major deviations from the budget. The Fiscal Officer needed to review the budget adjustments from the Council meeting and look at the budget for things that were budgeted but will not be happening this year. For example, the Central Retention Basin repair will not be happening and \$22,000 was left in funding that must be spent next year. She added this to the budget. This will help cash balances at the end of the year.

Berger asked for an explanation about the Revenue Report. The Fiscal Officer explained that the Village has its levies which revenues are dedicated to those funds. There is Income Tax, which goes into the General Fund. From there, money is transferred into the other funds as needed. All of these must be recorded and because it is a transaction of money, when she budgets to the county, she has to account for these. For the committee's point of view, when the money comes in, the Village has the money. In State accounting, it is counted twice; once when the Village receives it and once when it is transferred. Berger had concern about proposed legislation about Income Tax Collection relative to remote working and how this will impact the Village in 2024.

Berger noted that \$2,075,000 was budgeted in Income Tax and \$2,255,000 had been collected. The Fiscal Officer explained that the budget was amended part way through the year because collections were up. She amended the income tax revenue to \$2.5 million, and Berger asked if the Village would reach this. The Fiscal Officer said this would depend on November's numbers. Berger asked if \$2.5 million made sense to the Fiscal Officer, and she explained that this increase in Income Tax is an anomaly. She would need to look at historic numbers for December. Berger said that to date, the State has not enacted legislation changing how they collect Income Tax. The Fiscal Officer said it has, which is why the Village must make the amendments to its legislation because they are State mandated. Fiscal Officer explained that remote workers tax collection is based on where the worker is physically working. Berger clarified that at one point, the State was talking about collecting all the income tax and putting it in one big pot and then dividing it as it saw fit, and people fought back. As he understands the new legislation, they have specified that the tax is collected for where the person works. From that perspective, the Village is ok. For 2024, if they think that \$2.5 million is the real number for 2023, then 2024 should not change. Galicki said that the unknown is how many people will have to return to the physical office location and not be working from home. It is hard to predict. For planning purposes, he thought the Fiscal Officer was in the ballpark and they could probably expect this amount. The Fiscal Officer further explained that \$2.6 million was used for the Tax Budget in July for 2024.

Berger asked where they stood with the projected deficit, and the Fiscal Officer said it was a deficit of \$1.34 million. Following discussion at the 11/13/23 Council meeting, some expenses were removed, but there were others added for Bell Rd. engineering and the Bell Rd. east culvert replacement. The Fiscal Officer explained the process of creating the Tax Budget in July, which gets certified and is what the Village must budget

expenses within per fund. In July, she must estimate what all the revenues and expenses will be for the following year, calculate the revenue the levies will bring in and then estimate the transfers needed per fund so there will be enough in each fund to cover those expenses. On the first round of the budget, there will be limitations on some funds because the actual projected expenses are higher than what was estimated in July. Once the cash balances are certified in January, then the Village is allowed to amend the budget.

In January, the revenues will be revised for the \$70,000 culvert grant and also for the \$95,000 for the school for the reimbursement of the School Safety Officer (SSO). Berger asked if this was the largest projected deficit the Village has had. The Fiscal Officer concurred that during her time with the Village it is. Berger did not have a problem with a deficit budget as long as the cash carried-forward covered the expenses, and that the Village maintained the \$1 million minimum that Council said it wanted to have as a safety net. If the cash carry forward at the end of 2023 is going to be at least \$2.174 million, then he is ok. The Fiscal Officer said at the end of October, the cash balance was \$3.25 million, which includes STAR Ohio (\$640,000) and U.S. Bank (\$1 million). For the year, at the end of October, the Village is down \$26,000. Regarding pending bills, the Fiscal Officer needed to speak with the Engineer about the anticipated Road Program payment, but it would not be \$1 million. Berger said he was trying to ascertain whether the Fiscal Officer believed that in the next 45 days, the Village would not be spending \$2 million. He clarified that the Village could cover a deficit of \$1.174 million with what the Village has and what is projected in revenues, not including the windfall created by the property tax situation.

With this information, Berger felt the committee could say that the Village can mitigate the windfall, which will be recommended at the November 27th meeting. Berger said that the math had been done to say that the Village does not have a deficit problem with the budget. Now they can go back and look at the budget expenses and identify whether there are things that needed to be cut or added. The Streets Committee took a whack at it with the Road Program and deferring the purchase of a vehicle. From a finance standpoint, Berger wanted to do more work to figure out the salt dome project. Galicki agreed and wondered whether the salt dome with the addition of the garages and climate-controlled space was really needed at this time or could be deferred. It could end up being \$1 million with the additions and unknown engineering fees. Berger advised that the Street Department has been asked to look at whether there is a way to only replace the base and reuse the dome if it is not at the end of its useful life. Before adding things to it, they should wait to see if a partial rebuild is feasible.

Galicki asked if it was necessary to take the vehicle out of the budget because the Village has the Reserve Fund. It is as if it is being viewed as the vehicle funds coming from the General Fund. He questioned if deferring this purchase really saved the Village money. The Fiscal Officer explained it would reduce the overall deficit, but the funds are limited to large equipment purchases and cannot be used elsewhere.

Berger asked if the vehicle fund was restricted, and the Fiscal Officer said it was and was only for large equipment. He asked if there was a difference between restricted and reserve. The Fiscal Officer explained that the Reserve Fund was set up with a specific amount of money being put into it per year for five years. It can only be used for large equipment. Berger verified that if the money was needed for something else, as a reserve fund, Council could take action to move the money. The Fiscal Officer added it would also involve the county. Both the reserve fund and a restricted fund are restrictive. When the county looks at the Village's Tax Budget, it does not include the Reserve Fund balances in the overall cash available, but rather as a way to save for larger purchases. Berger said that the funds in a Reserve Fund could be clawed back with an action of Council. The restricted funds require further action by the State.

The Fiscal Officer said the Village created the large equipment and the Bell Rd. east Reserve Funds. When this was done, Bell Rd. east was going to be done in 2024 but now it is pushed to 2025 and the Reserve Fund

expires in 2024. The Village will have to pull it back for this reason. Berger said Council can pull it back and create a new fund for 2025. The Fiscal Officer further explained that this may not be necessary because it would be a one-year situation and would be budgeted for in the 2025 Tax Budget. Berger felt that the Village should try whenever possible to use reserve funds and not restricted funds for flexibility. Galicki asked for clarification about restricted funds. The Fiscal Officer provided an explanation and said that every fund is restricted except for the General Fund. Berger clarified that except for the two reserve funds, everything else by law must be a restricted fund, which involves going to the State to get out of. The Fiscal Officer provided the example of money put in a fund for the Parkland Dam issue, but now they are using the ESID. It will be necessary to get the blessing of the State to move the money back. Berger asked if it could have been put in a reserve fund, and the Fiscal Officer said reserve funds are selective and cannot be set up for everything and must be approved by the county. Berger's understanding of reserve funds was different than what the Fiscal Officer was saying, and he needed clarification. He liked the flexibility of the reserve funds, and the Fiscal Officer explained that it is not permissible to put money in a fund with the intention of eventually pulling it back. Berger recalled this. He said he liked targeting money for specifics but did not want to trap the Village into what happened with Parkland.

Berger asked if the committee was comfortable with recommending the budget as it stands to Council for approval for 2024. The Fiscal Officer said she needed to look at where she thought the cash balance carryover would be. There may be a huge deficit, but they would have cash balances that were remaining for projects that are being done. Berger calculated that if the Village ran to budget for 2024, it would end up with a cash balance of \$1.8 million at the end of 2024. There would be the \$1 million floor and \$800,000 in cash above that. Galicki asked how often the Village runs to budget. The Fiscal Officer said that traditionally the Village has been conservative on its estimates with expenses and have come in below what was anticipated. Galicki said that in 2023, the Village did not anticipate spending \$450,000 on property, and wondered how this expenditure affected the budget. The Fiscal Officer advised that the Village had the cash balances in addition to money that had been budgeted for engineering for Bell Rd. to be paid this year, which did not happen. The Village also thought the salt dome would be done this year and was not. Some things were pushed to next year and with the cash balances, it was possible to purchase the corner property. To this point, it is necessary to have some cash balance in the event something like this happens.

Galicki inquired about the projects that will be carried over to next year in terms of their impact on the budget. Are all of these anticipated costs reflected in the budget? The Fiscal Officer indicated that the ones she knew of were, but she does not know how much more the Manor Brook project will cost. Galicki asked about the corrective actions required to the Central Retention Basin, and the Fiscal Officer indicated she put the remaining ARPA funds in the budget because by law they need to be spent by the end of next year or the Village will lose them. The Engineer did not think the Central Retention Basin issues would be addressed until next year.

Berger summarized that they have anticipated what they can. If this is the worse case scenario and revenues hold, the Village should end up with \$1.8 million in cash at the end of 2024 which would meet their criteria. Galicki clarified that this would be with the salt dome included, Berger concurred. This would be \$680,000 and \$60,000 for Engineering, which would be \$740,000. Galicki clarified that this was the cost without the additional wings. The Fiscal Officer offered that when the Cemetery was built, it cost less than a half million dollars and the Village spent eight years planning it. She realized that the Village needed a salt dome but questioned whether it needed to be three quarters of a million dollars. She wondered if there were other options. Berger said that no one was saying they should go with this plan. What was offered is how much it would cost to replace it from the ground up. Berger had conversations about other options and considered regionalism with Bainbridge, Chagrin, Moreland Hills, and Russell. Galicki asked if other contractors had been

considered in terms of design and construction, and Berger said he had not been involved to this extent. Galicki did not know whether they had done due diligence with design options. Berger said he put the word out that he would not approve of going forward with this project until the questions were answered. He had spoken to the Engineer and the Streets Committee and said they needed to reexamine the project. He was not excited about spending \$750,000 on a salt dome or any additions. He felt it needed to be in the budget because the Village may be compelled to write this check. Galicki noted that the Village has doubled its Streets Budget for the last couple of years. However, even five years ago, the Village's worst street was better than the best street of neighboring communities. A robust road program brought all the streets up significantly, but in five to ten years, will they all require significant maintenance at the same time? In years past, there was a measured approach. This could have been \$700,000 that the Village might have today had it not doubled the program. Galicki wanted to ensure the Village went through the proper process with this project. The Fiscal Officer explained that the project will cost \$60,000 for Engineering for design. In order to accomplish this, the Village needs to know what it wants. Will it only be one idea, or did they explore other options? Galicki said that for all the discussion Council has had on the topic, no one has seen an architectural rendering of what it will look like. Berger noted that there is a safety issue with the salt dome that should be addressed sooner rather than later. They have one plan. Berger suggested a smaller salt dome and/or other options to store the salt. The salt company can do it at a price, but they do not do a good job. He hoped the questions were being asked, but until there were answers, Berger would not sign off on building it just because they had the money. If the salt dome does not get done this year, then the budget would only be \$400,000 over.

Berger asked if the committee was willing to recommend the budget as presented. Galicki had reservations about the costs of the salt dome. Even without the additions to it, he wondered if there were other options. Berger offered that the committee could approve the budget as is and say that the committee did not have confidence that \$740,000 is the real number for the salt dome. They would need to put \$1 million in the budget because that is what it would end up being. Or the committee could say they did not like the \$740,000 and will only put \$300,000 to \$500,000 in the budget and they needed to figure it out. Galicki admitted that neither one of them knew if this was even reasonable. He reiterated that the options do not appear to have been vetted or presented to Council which has resulted in his lack of comfort. Berger proposed taking the salt dome completely out of the budget until the committee is given something they can understand. Galicki liked this option. From a strategic perspective, they should be starting with the desired end state of a new salt dome and then plan backwards from there. The concept is based on the Orange salt dome, but the preliminary cost estimates were Orange's costs from a decade ago. Prices have changed. If the Village needed the salt dome, he would be behind it, but felt the way the project had been presented left him uneasy. Berger proposed taking the salt dome out but keeping \$25,000 in engineering costs to determine what the Village needs. The understanding would be that once the balances were certified, the budget would need to be amended when they knew what was wanted for the salt dome. From a financial perspective, Berger thought it was so nebulous that it could not be defined and therefore the committee could not put it in the budget. Galicki agreed and suggested that the engineering budget could be increased to get the Village on the path of the true expense. Berger suggested leaving the proposed \$60,000 in the budget for engineering and removing the salt dome pending a better definition. Berger advised that they should not put dollars to items that do not have a sense of reasonableness to them.

Berger concluded that this would be the budget recommended to Council on November 27th.

Regarding the property tax issue, Berger clarified that the estimate from county was that the windfall of the property tax was \$195,000. The recommendation reduces the burden on the residents by \$162,000. He clarified this was because millage is being used and this is the closest half percent. The Fiscal Officer concurred and

explained that the county provided the calculations, and the Village will be up around \$30,000. Berger verified they were suspending 1 mill for one year and this was a year-to-year arrangement. Galicki explained that this was to give the State legislature the opportunity to respond to the matter. The Fiscal Officer offered that the County Auditor provided videos on the website explaining the revaluation process. Berger concluded that with the budget as proposed, there was no reason for the Village to take the property tax revenue windfall, save the 10% property taxes would go up anyway.

Berger concluded that the committee would recommend to Council on November 27th that it suspend collection of 1.0 mill for one year from the Road and Bridges Fund, which approximates \$162,000 in deferred revenue pending legislation from the State to resolve this issue. Galicki verified this was the only levy that could be utilized. The Fiscal Officer concurred and explained that the others are qualified, and the Village receives Homestead and Rollback from the State, which it would not want to lose. Berger said it is the intention that when the Village collects the \$195,000 from property taxes, this money will go to the General Fund and \$162,000 will be transferred to the Road and Bridges Fund to replace the lost revenue. He felt it needed to be clarified that the Road and Bridges program will not suffer because of the suspension. Approval of this legislation would be the recommendation to Council.

Galicki offered once this is approved, the County Auditor's calculation tool will be adjusted so the residents can see the impact on their taxes.

Regarding the legislation for the State mandated municipal tax changes, Berger said it would be presented at the November 27th meeting with readings waived.

The Fiscal Officer explained the budget information that would be provided in Council packets. She will provide the budget with the "wants" and the budget that can be adopted according to the limitations by the Tax Budget.

The Fiscal Officer discussed the status of acquiring new desks for Administration, which had been budgeted.

The committee shared thoughts of a municipal structure. Berger offered that there had been discussions about building a cold storage facility with lighting but no heat to store equipment for the Service Department. A \$100,000 barn makes more sense than building a new Service Department.

Berger adjourned the meeting at 10:09 a.m.