

Chairperson Carter called the meeting to order at 5:31pm

Present – Carter*, Springowski*, Bearer*, Gonzalez*, Kempton, Torres, Arredondo.

Absent- Fallis*, Dimacchia, Drwal, Arroyo, Thornsberry.

*Denotes committee member

a) First Quarter Budget Update.

CHAIRPERSON CARTER: Turned the meeting over to Auditor Harper.

AUDITOR HARPER: Gave council an overview of how things are set up and why they do the things the way they do them. Described the difference between business and governmental accounting. The primary purpose of business is to make a profit. With government, they are in the business of providing service, there is no dollar-for-dollar comparison like when you purchase a product. Our basic accounting system serves two main purposes; present fairly and full disclosure of the funds and activities of the governmental unit and conformity with generally accepted accounting principles, which is GAAP. Also to determine and demonstrate compliance with finance related legal and contractual provisions; the city has numerous contractual obligations, whether it be contracts or services, or contracts with other governmental units for grants for specific performance of programs and also, we have compliance we have to maintain with the ORC, with GAAP, Governmental Accounting Standings Board, Security and Exchange Commission... numerous governing authorities we have to make sure we are following all the rules for. The accounting system is organized and operated on a fund basis. That is where you see all of the funds, and each one has to be a self-balancing set of accounts, meaning we cannot expend more resources than we have available. We operate on minimum funds set up, which is a matter of only using as many funds as necessary. The more funds you have, the more budgets you have, the more tracking you have to do. It becomes difficult administratively. Funds are set up in specific categories; governmental funds: special revenue funds, grant funds, debt service funds and capital project funds, all of which are primarily supported by taxes, grants and similar revenue sources. Proprietary funds are used to account for activities that receive significant support from fees and charges: Water Fund and Water Pollution Control Funds, those are supported 99% by fees and charges. Internal Service Funds are used to account for allocated shared goods and services of the city that are provided to other funds or departments. The governmental unit must be the primary participant and the funds must function on a break-even basis over time, these include the garage fund (garage charge backs are the petroleum and parts and labor, and materials and supplies line items) and the hospitalization fund. The last one is Fiduciary/Custodial Funds; these are funds that are not required to be budgeted, but we are acting as an agent, we collect the funds and we give them to a third party (ex. Workers' comp). The city currently has 71 active funds, out of those, 62 are legally required to be budgeted. The day-to-day operations of the city are on a cash basis; we record in the general ledger actual money received and paid out. Financial statements are done on a modified accrual or full accrual basis; in our financial statements we record revenue when we substantially earn it and it is payable to the city. We also record our expenditures as soon as the service has been provided, and it is due payable. Next is the city's active fund department function reference, which will help you recognize the numbers in the departments and see what it relates to. The general ledger structure are the base accounts. The revenue categories, all are in the 4000 to 5000 range, these will be repeated over different funds. Interest is going to be the same no matter what fund (ex. Property taxes, same number in General Fund, Police Pension, Fire Pension and Bond Retirement fund). The expense categories run from the 6100 accounts to the 9600 accounts. When looking at the reports, you can tell whether it is a revenue or expense account and what category they relate to. The

Revenue and Expense Summary by Fund was printed this way to give a quick snapshot of each fund. The Street Fund, which is supported by Income Tax; the Fire Levy Fund, which is supported by property tax; the Police Levy Fund and the Water and WPCF are supported by Income Tax. On the revenue side, it is not listed on these reports because we just got it, the distribution for the property taxes, we received \$1,825,379, it is about \$54,000 less than we received last year. Municipal Income Taxes, we are at 27%. Other local taxes, we are at 24%. Intergovernmental Revenue, funds received from the county and state, and the \$96,000 is a grant for the Police Department, also includes state grants and federal grants. Local Government Revenue, that is over \$3M, includes homestead and rollback taxes. Charges for services, that is all of the fees and charges throughout the departments, some are seasonal. Fees/License and Permits are building permits, an increase will happen in construction months, March through September. Interest earnings, we may not make the \$900,000, it may have to be decreased. Fines and Forfeitures, that is about the same as last year. Transfers In and Other Financing Sources, there is a \$400,000 in to cover the retirements and the rest is coming from forfeited/unclaimed funds. The Street Department is at 24%, that is close to where we expect. Income Tax is at 27%. Other Financing Sources, we only have 5%, that is internal projects in the Street Dept. Fire Levy, we received \$780,627 for the first half of property taxes, about \$20,000 less than last year. Police Levy, 27%, same percentage as the Street Department. Water Works is at 24%, that is good. Other Financing Sources, both water and WPCF, those are OWDA loans on the revenue side. Those are posted when we get the reimbursement check for the projects. WPCF, the charges for services, is at 23%, which isn't bad, that is without rate increases.

PRESIDENT ARREDONDO: Retirements, do we know how many and which departments?

AUDITOR HARPER: No, it's estimated almost \$1M in payouts this year, we pulled in \$400,000 to cover part of it, the rest is out of pocket.

PRESIDENT ARREDONDO: Mr. Marrero retired from the Fire Department, at budget hearings the Chief said there were retirements, but he did not give a number. There are safer programs where they don't have to tell you, I just wanted to see if we had more communication from that. We can plan accordingly replacing the retirees, especially safety forces.

AUDITOR HARPER: Going through the expenses, the General Fund is at 27%, the main one to look at is personal services, that is payroll, we are currently at 25% of the budget, which is exactly where we should be. Contractual Services, that is going to be high because maintenance agreements are due in the first quarter of the year so at this time it is 59% of budget, \$1M is already encumbered for that. When looking at the budget performance reports, you will take amended budget, minus encumbrances, minus anything has been paid out, which is year-to-date transactions, that will reflect what is left. The General Fund is at 27%, we had a real estate settlement, and we added \$260,000 in expenses for election expenses. The Health Department, which is paid through the County, they withhold it from the real estate distribution and the settlement fees. Auditor Snodgrass stated he would be refunding \$2M of the settlement fees, in doing the math, Lorain will get roughly \$25,000 of that; \$9,000 will be going to the General Fund, the rest will be distributed any place that gets the real estate tax distributions and has the settlement fees withheld, it will go back there. TIF Funds amounted to about \$5,000 across. The Street Fund is at 19% in total, personal services is at 25%, contractual... everything is on target. The Fire Levy is high on their payroll, that will be looked into, they do have available fund balance that can be used to supplement if necessary. Police Levy is well under budget, only at 18% of the expenditure budget. Water Works is at 18%, they are under budget in total. Payroll is at 23%, which is under what was anticipated. Water and Water Pollution, the OWDA loans is the revenue side, the expense side of that is Capital Outlay, that is why the Capital Outlay item is higher, especially on the Water Pollution side. There is \$36M in the Capital Outlay budget and that is related to the OWDA projects. WPC, their expenditure Personal Services, they are at 25%. Contractual, they have

a lot of that up front with the chemical contracts, maintenance agreements, that sort of thing. Materials, that is where the chemicals are. Principal and Interest Payments, that is the debt service on the OWDA loans, those are due July 1st. In looking at the revenue and expense summary report, is something Council would like to have for the monthly meetings?

COUNCILMEMBER SPRINGOWSKI: It is very helpful when it is broken down. Members have asked for as much information as possible to make properly informed decisions going forward, and this is broken down very comprehensively.

AUDITOR HARPER: We can do a deep dive with anyone who needs it for any particular department.

SAFETY/SERVICE DIRECTOR CARRION: Regarding the comment from President Arredondo, in terms of retirements, every year we go through a process with the managers to determine who could be retiring to have a better idea. There is an idea, a general ballpark, and they plan accordingly. Last year, they thought four people possibly within LFD and they budgeted accordingly, over \$200,000. This year, over \$400,000 was budgeted based on the number of people potentially retiring. We have an idea, but occasionally it changes. Those are usually factored in under the retirement line item on Police/Fire and subsequent departments.

PRESIDENT ARREDONDO: Regarding Police/Fire, how many police officers are covered under the General Fund, and how many on the levy, same with the fire?

AUDITOR HARPER: For Police, 91 in the General Fund, and unsure about the levy, but anything over 91 is in the levy. For Fire, 9 in the levy, and 63 in the General Fund.

PRESIDENT ARREDONDO: 72 firefighters, 9 in the levy, so 63 come out of the General Fund, and with the Police, 91 for sure is in the General Fund, and whatever the figure is would be the levy? Do we know how many police are employed now?

AUDITOR HARPER: 98.

COUNCILMEMBER GONZALEZ: It was laid out so well, I feel as though I know accounting. I have been looking over everything, and it is all falling in line and makes sense.

AUDITOR HARPER: The cash balance for the General Fund as of March 31st is \$7.2M.

Chairperson Carter adjourned the meeting at 6:03pm.