

Finance Committee

The Finance Committee met Wednesday, February 24, 2021 at 6:00pm via the Zoom meeting application. The meeting was streamed live on the City of Lyndhurst, Ohio Facebook page for public viewing.

Present were Council members Lane Schlessel, Jeff Price, Steve Grushetsky, David Frey, Joe Marko, Joe Gambatese and Chuck LoPresti. Also present were Finance Director Mary Kovalchik, Mayor Patrick Ward, Law Director John Luskin, Assistant Law Director Ray Schmidlin and Assistant Clerk of Council Kelly Miller.

The purpose of this meeting is the annual review of budget appropriations for 2021. A copy of the Draft Budget Appropriations 2021 was distributed to all members of Council electronically along with detailed financial review information in advance of this meeting. Chairman Schlessel called the meeting to order and started by thanking his Council colleagues for facilitating their respective committee meetings to align the plans with the budget. He also thanked the administration, especially the Finance Director for her hard work leading the way through this process. Chairman Schlessel called upon Mayor Ward who had asked for the opportunity to provide opening remarks.

Mayor Ward welcomed everyone to the first ever broadcast Finance Committee Budget Appropriations meeting. He provided some background for those tuning in and attending virtually for the first time. Mayor Ward explained how each year the Administration is required, by City Charter, to prepare and present a budget to Council for their consideration. Council is required, by law, to approve a budget by the end of March; by the time City Council is presented the budget it has been reviewed numerous times including a departmental line-by-line review with the Mayor, Finance Director, Council's Finance Committee Chair and each Department Head.

Mayor Ward stated the activities of each department are expressed by discipline and are broken down in a way that allows Council to see and understand every aspect of the Department's functions. Our City Council is familiar with these lines of expense and have had time to study the budget in advance of this evening's meeting. Mayor Ward outlined how the Budget is broken down into three distinct sections. The General Fund covers the day-to-day activities in each department and that section is broken down by each department and sometimes further into distinct functions within a particular department. The Special Revenue Funds have specific sources of revenue and very specific purpose for expense. The Capital Expense funds are used for larger projects, improvements or equipment acquisitions which have a useful life over 5 years. He further explained how each committee of Council has reviewed the capital needs of the departments for this year as well as the 5-year forecast and has made recommendation to the Finance Committee for approval of certain items pending the availability of funds.

Mayor Ward shared how this process is one of the most critical functions of City Council as no dollar can be spent without Council placing the necessary funds into the specific bucket for that expense; not just in the department's bucket it must be in the specific bucket for that specific function. He said if it is not, the item must be brought back to Council for review and legislative approval. This is the system of check and balances that is critical to transparent operations and he believes it's done very well.

Mr. Schlessel provided Mrs. Kovalchik the opportunity to speak with regards to the budget process. She began by stating the process begins in September of the year prior with the largest expense which is the capital requests. Mrs. Kovalchik acknowledged the committee has been presented with the line item budget and capital summary as it rests for 2021 as well as the estimated resources for the year.

Mrs. Kovalchik then referred Council's attention to the Capital Requests which had been presented by the City Departments and the Lyndhurst Municipal Court to the various committees of Council for their consideration and recommendation. She stated the proposed capital appropriations budget for 2021 can be passed as it is presented, and the city will be able to fund all requests. She aired the city continues to maintain reserves in all capital funds. A thorough review is further stacked against the review of the 5-year capital forecasts. For 2021 a transfer from the general fund will be necessary in an amount to not exceed \$775,000.

Mrs. Kovalchik explained that the department heads and city engineer worked in unison with administration to further reduce capital requests by \$1.45 million in 2021; this is a 25% reduction from the original requests to maintain reserves. She said the estimated combined reserves for the sanitary and storm sewer funds are more than \$700,000, which exceeds the estimate that was pledged to Council 4 years. Mrs. Kovalchik commented the proposed Fire Improvement Project is not yet closed to date; however, the change orders on the project are well contained and currently at 9.8% of the original contract sum.

Mrs. Kovalchik highlighted the general fund which is the fund the city operates from. She stated the proposed appropriations for 2021 can be passed as presented and the city will be able to fund all requests. She reminded Council that 61% of the city's revenue and 63% of the city's operating expenses are budgeted in the general fund. For 2021, the proposed General Fund budget is \$18,805,998. Of that amount, transfers to support the community center, capital improvements, and Police and Fire pensions account for 14.8% or \$2,787,060. She indicated the budget includes any current settlements with the CBA's as well as 1 anticipated retirement. This budget also includes no salary increases other than those resulting from Ordinance or CBA's as well as the .31% increase in health care costs. It is estimated this increase will cost \$170,000 based on the current census, over the prior year.

Mrs. Kovalchik explained the 3 revenue sources continue to support more than 85% of the general fund being income tax, property tax and EMS collections. These 3 combined accounts for \$13.2 million of the estimated \$15.4 million in collections. She noted income tax collections through the month of February are down 9.9% over last year. Collections for 2021 are cautiously estimated at the same level as those received in 2020, which were down 4.5% from the prior year, as a result from the pandemic. Mrs. Kovalchik stated the city monitors these closely every 10-15 days and will adjust the estimates accordingly. Property values remain the same for 2021. The County estimates Lyndhurst collections at 97.54% at the current levy which is the same as it estimated in 2020; values increased in 2020 6.8% as a result of the sexennial county reappraisal with those values continuing to be estimated in the 2021 collections. As previously reported, we continue to link the revenue source associated with the Avenue.

Mrs. Kovalchik remarked should Council approve all general fund appropriations; it is anticipated that the City will end the year with a recommended reserve. The reserve is necessary to fund the 2022 temporary budget as well as mitigate any unknown risks.

Mr. Schlessel directed the discussion to the summary of the General Fund proposal on page 20 of the packet. He noted that 52% of general operations is Police and Fire; the health and safety of the community is always at the forefront. As the committee compared the previous year's budget, Mr. Schlessel commented how the pandemic has affected the income from last year, while leaving many unknowns for the upcoming year. He again thanked the administration and department heads for their due diligence.

The Committee considered and recommended funding the operations of the City as follows:

Police Department	\$ 4,960,100.05
Fire Department	\$ 3,410,800.53
Public Health	\$ 76,305.00
Planning Commission	\$ 12,462.40
Board of Zoning	\$ 12,735.88
Architectural Board	\$ 7,521.53
Building Department	\$ 535,624.22
Parks	\$ 244,039.41
Brainard Spray Park	\$ 97,115.88
Lyndhurst Pool	\$ 318,245.16
Recreation Events	\$ 17,000.00
CPOA	\$ 129,885.00
Refuse Collection	\$ 731,600.09
Recycling	\$ 347,891.19
Leaves	\$ 158,112.53
Trees	\$ 205,437.33
Mayor	\$ 255,225.36
Income Tax Administration	\$ 350,000.00
Finance Department	\$ 539,911.98
Law Department	\$ 214,467.87
Service Department	\$ 547,229.78
Civil Service Commission	\$ 40,433.75
Council	\$ 152,039.60
Municipal Court	\$ 1,257,090.55
General Administrative	\$ 410,710.00
Lands & Buildings	\$ 490,597.90
Statutory	\$ 436,250.00
Transfers	\$ 2,787,060.54
Engineering	\$ 37,781.85
Unclaimed	\$ 5,000.00
Total GENERAL FUND	\$18,805,997.84

which will leave an anticipated balance, if every appropriated dollar is expended, of \$2,348,011.96 (unencumbered carryover) at the end of the year.

The proposed budget is only 1.0% more than last year and 25.6% more than what was expended which indicates the continued positive impact the administration has had on returning funds to the general fund unspent each year. Mrs. Kovalchik noted the return is estimated between 7-10% annually; however, because of the Mayor's request of only essential spending in 2020, the return was 17.85% back to the general fund.

Other Funds are budgeted as follows:

Special Revenue Funds	\$ 2,076,295.72
Debt Service Funds	\$ 2,371,912.62
Capital Projects Funds	\$ 3,470,162.82
Special Assessment Funds	\$ 1,729,836.88
Trust & Agency Funds	\$ 1,383,226.28

For a grand total of ALL FUNDS \$29,837,432.16

The City administers several Court Funds which have been appropriated for and are included in the Special Revenue Funds balance shown above. Also included in the Special Revenue Funds is COVID 19 relief from the CARES Act funding.

Chairman Schlessel directed the Committee discussion to the Capital Requests that had been presented by the various departments and the Lyndhurst Municipal Court. The Committees of Council had reviewed these requests at meetings held over the past several months and have made recommendations to the Finance Committee for approval pending the availability of funds.

The following capital requests have been approved by department:

Service Department requests	\$ 460,000
Public Lands & Buildings requests	\$ 68,000
Engineering requests	\$3,133,838
Police Department requests	\$ 440,562
Fire Department requests	\$ 140,443
Finance Dept./Council requests	\$ 5,500
Building Department requests	\$ 1,600
Municipal Court	\$ 55,658
Community Center requests	\$ 7,375
Technology Upgrades	\$ 49,610
TOTAL ALL CAPTIAL REQUESTS	\$4,362,586

It was moved by Mr. Price, seconded by Mr. LoPresti that the budget of \$29,837,432.16 be approved for funding as presented.

The question was put to a voice vote and passed unanimously.

With no further business to discuss, it was moved by Mr. Grushetsky, seconded by Mr. Gambatese, that the meeting be adjourned.

The question passed and the meeting adjourned at 6:41 P.M.

Respectfully submitted,

Lane A. Schlessel
Chairman