

MINUTES OF THE FINANCE COMMITTEE
June 24, 2019
East Conference Room

Present: Councilmembers George and O'Malley

Also Present: Councilmembers Rader, Finance Director Pae, Keith Schuster of the Finance Department, Assistant Law Director Swallow, Clerk Bach, and Deputy Clerk Lascu taking minutes

Call to Order: 6:55 p.m.

Chairman O'Malley moved to approve the minutes of the June 17th Finance Committee meeting. All members voted in favor.

RESOLUTION 9076-19 - A RESOLUTION to take effect immediately provided it receives the affirmative vote of at least two thirds of the members of Council, or otherwise to take effect and be in force after the earliest period allowed by law, approving the Tax Budget of the City of Lakewood, State of Ohio for the year 2020, and authorizing the filing of same with the Cuyahoga County Fiscal Officer. (Referred to Finance Committee 6/3/19)

Director Pae stated that the City is obligated per the Ohio Revised Code to have a tax budget that is passed by a legislative body (city council), which is then submitted to the county. Resolution 9076-19 and Resolution 9078-19 give authorization to the county to continue to collect the millage amount that has been established in the City's charter. She added that it is the responsibility of the Finance Department to estimate the City's levies and compile a document that will be submitted to the state regarding Lakewood's property tax levels. The county gives a separate estimate of this as well.

Keith Schuster of the Finance Department added that the amount that Finance is requesting is based on the prior year that had been authorized, adding in 1% inflation. The county typically provides an analysis of a community's tax collection percentage and Lakewood's was found to be at 98%. It is important that Lakewood request the correct amount of tax revenue that it needs because the county could technically take some of the tax revenue that Lakewood has collected and give it to another community if there is an excess of revenue. This has happened once in Mr. Schuster's lifetime. The revenues returned to Lakewood cover the debt service fund.

Director Pae noted that the Police and Fire pension millage amounts are set by charter. These amounts can be adjusted without a vote to match supporting needs of funds. They are currently adequate with the millage sitting at 1.68% for Fire and 1.6% for Police, allowing sufficient coverage. If the administration needed to increase those amounts, Director Pae stated that her department would come before Council and submit a formal request. However, Finance is not changing those rates at this time due to increases in property valuations.

Director Pae added that the Finance Department needs to show all of the City's funds as part of the budget process, going off the 2018 amounts. Finance staff provide high level estimates based on what the City spent in 2018 and what they know/can predict. For example, the Lakewood Hospital Fund will have a \$13 million fund balance post-demolition and will be receiving \$1 million in revenue from EMS transports. These figures, however, will not be in upcoming appropriation ordinances.

Chairman O'Malley asked if there were any significant changes from the previous year. Director Pae responded no and that the estimates were based on what the County told the City it would be getting in 2019 plus room for inflation.

Councilman Rader asked questions regarding how millage amounts work and how they are authorized, in particular how they relate to debt service. Mr. Schuster stated that millage amounts are allocated to different taxing entities within the City of Lakewood. These amounts go back to the 1930s, around the time a court case resolved the matter.

RESOLUTION 9077-19 - A RESOLUTION to take effect immediately provided it receives the affirmative vote of at least two thirds of the members of Council, or otherwise to take effect and be in force after the earliest period allowed by law, requesting the Cuyahoga County Fiscal Officer to draw and the Cuyahoga County Treasurer to pay to the City of Lakewood Director of Finance an advance of all real, personal property, estate taxes and special assessments collected in the year 2020 in such amounts as may be requested and available. (Referred to Finance Committee 6/3/19)

Director Pae noted that Resolution 9077-19 indicates disbursement periods throughout the year. It is basically a house-keeping resolution. Every taxing authority goes through this process annually and it is done to ensure the County remits monies in a more timely manner.

RESOLUTION 9078-19 - A RESOLUTION to take effect immediately provided it receives the affirmative vote of at least two thirds of the members of Council, or otherwise to take effect and be in force after the earliest period allowed by law, accepting the amounts and rates as determined by the Budget Commission and authorizing the necessary tax levies and certifying them to the County Fiscal Officer. (Referred to Finance Committee 6/3/19)

Director Pae indicated that Resolution 9078-19 tells the County the inside and outside millage. It is similar to Resolution 9076-19 in its purpose.

Motion by Charmain O'Malley, seconded by Councilwoman George to recommend adoption of Resolution 9076-19. All members voting yea. Motion passed.

Motion by Charmain O'Malley, seconded by Councilwoman George to recommend adoption of Resolution 9077-19. All members voting yea. Motion passed.

Motion by Charmain O'Malley, seconded by Councilwoman George to recommend adoption of Resolution 9078-19. All members voting yea. Motion passed.

2020 Council Budget Priority Process

Chairman O'Malley set a deadline of September 3rd for Council Budget Priority forms, which will give the body a month to consider the items presented and compose a formal resolution adopting them. The goal is to have that resolution passed by Council's first meeting in October, which gives the administration 6 weeks to bake the resolution into the budget which will be introduced in mid-November.

Chairman O'Malley inquired as to how the budget process might work once a new administration comes in during November. Director Pae noted that the legal deadline for when the city must provide its balanced budget is March 30th. In the past budget hearings used to take place from January through March, which took place as recently as 2008 with the change of administration in conjunction with Council. There was a \$4 million deficit going into 2008 due to changes in the economy. The deficit arose due to increases in pay agreed upon in negotiated contracts combined with decreased revenues resulting from the Great Recession. The Fire union's contract was knocked out by the end of that year and AFSCME's and Police union's contracts were completed in July.

Councilwoman George asked if Finance anticipated any early contracts being completed and Director Pae replied that the upcoming mayoral election makes the negotiations tenuous.

Director Pae stated that there were many budgets in 2008 and that it is up to Council on how the process works. Finance will be providing a full year's appropriation ordinance and will be continuing under the same process that has been used over the past decade. Chairman O'Malley indicated that approach makes sense moving forward. Pae noted that Finance cannot predict the contract outcomes and that cost of living increase and health care factor greatly into negotiations.

Chairman O'Malley made a point to mention that budget priorities should not be heard for the first time on September 3rd and stated that councilmembers have all year to work together with colleagues to put initiatives together. The submission of the form is the formal aspect of Council's budget process. Director Pae added that the Finance Department's process will continue to be the same internally. All administration budget priority forms are due by the end of July and department directors will have their budget worksheets back by mid-September, which lines up well timing wise with what Council has planned.

Chairman O'Malley reviewed the budget schedule again, highlighting that forms are due on September 3rd and will then be put into a formal resolution. Council will deliberate on the resolution between September 3rd and October. He also asked to meet for a mid-year revenue report if there is time available in July. Clerk Bach indicated that there is time on the 22nd or 29th for a meeting. All parties will check their schedule for any conflicts, setting a tentative date for the 29th.

Motion by Chairman O'Malley, seconded by Councilwoman George to adjourn. All voting yea. Motion passed.

Meeting adjourned: 7:23 p.m.

ALTERNATIVE TAX BUDGET INFORMATION

Political Subdivision/Taxing Unit

City of Lakewood

For the Fiscal Year Commencing

January 1, 2020

Fiscal Officer Signature _____

Date _____

COUNTY OF CUYAHOGA

Background

Substitute House Bill No. 129 (HB129) effective June 3, 2002, was enacted by the 124th General Assembly in part to allow a county budget commission to waive the requirement that a taxing authority adopt a tax budget for a political subdivision or other taxing unit, pursuant to Ohio Revised Code (ORC) Section 5705.281.

Under the law in effect prior to June 3, 2002, the budget commission could only waive the tax budget for a subdivision or other taxing unit that was receiving a share of the county undivided local government fund or the county undivided local government revenue assistance fund under an alternative method or formula pursuant to ORC Sections 5747.53 and 5747.63. Thus, tax budgets could be waived only for counties, municipalities, townships, and park districts. This restriction is now removed.

Ohio Revised Code Section 5705.281

Under the amended version of this section pursuant to HB 129, a county budget commission, by an affirmative vote of a majority of the commission, including an affirmative vote by the county auditor, may waive the tax budget for any subdivision or other taxing unit. However, the commission may require the taxing authority to provide any information needed by the commission to perform its duties, including the division of the tax rates as provided under ORC Section 5705.04.

County Budget Commission Duties

The county budget commission must still certify tax rates to each subdivision or other taxing unit, by March 1 for school districts and by September 1 for all other taxing authorities under ORC Section 5705.35, even when a tax budget is waived. Also, the commission is still required to issue an official certificate of estimated resources under ORC Section 5705.35 and amended official certificates of estimated resources under ORC Section 5705.36.

Therefore, when a budget commission is setting tax rates based on a taxing unit's need, for purposes of ORC Sections 5705.32, 5705.34, and 5705.341, its determination must be based on that other information the commission asked the taxing authority to provide under ORC Section 5705.281, when the tax budget was waived. Also, an official certificate must be based on that other information the commission asked the taxing authority to provide.

County Budget Commission Action

Cuyahoga County Budget Commission meeting, the commission with an affirmative vote of all members waived the requirement for taxing authorities of subdivisions or other taxing units (Including Schools) to adopt a tax budget as provided under ORC Section 5705.281, but shall require the filing of this Alternative Tax Budget Information document on an annual basis.

Alternative Tax Budget Information Filing Deadline

For all political subdivisions excluding school districts, the fiscal officer must file one copy of this document with the County Fiscal Officer on or before July 20th. For school districts the fiscal officer must file one copy of this document with the County Fiscal Officer on or before January 20th.

GUIDELINES FOR COMPLETING THE ALTERNATIVE TAX BUDGET INFORMATION

SCHEDULE 1

The general purpose of schedule 1 is to meet the requirement of Ohio Revised Code (ORC) Section 5705.04 which requires the taxing authority of each subdivision to divide the taxes levied into separate levies. For help use the schedule B issued by the budget commission for the current year and add any new levies. This will help to ensure that no levies are missed.

In column 1 list only those individual funds which are requesting general property tax revenue. In column 2 purpose refers to the following terms, inside, current expenses, and special levy for example. In column 4 levy type refers to renewal, additional, and replacement for example. In column 9 identify the amount of general property tax you wish to request.

NOTE:

The general purpose of column 9 is to demonstrate the need to produce property tax revenues to cover the estimated expenditures for the budget year. ORC Section 5705.341 states in part:
"Nothing in this section or any section of the ORC shall permit or require the levying of any rate of taxation, whether within the 10 mill limitation or whether the levy has been approved by the electors, the political subdivision or the charter of a municipal corporation in excess of such 10 mill limitation, unless such rate of taxation for the ensuing fiscal year is clearly required by a budget properly and lawfully, adopted under this chapter or by other information required per ORC 5705.281."
Property tax revenue includes real estate taxes, personal property taxes, homestead and rollback, and the personal property 10,000 exempt monies.

SCHEDULE 2

The general purpose of schedule 2 is to produce an Official Certificate of Estimated Resources for all funds. In column 3, total estimated receipts should include all revenues plus transfers in. All taxing authorities, except school districts, must submit a list of all tax transfers.

SCHEDULE 3

The general purpose of schedule 3 is to provide inside/charter millage for debt service. The basic security for payment of general obligation debt is the requirement of the levy of ad valorem property taxes within the 10 mill limitation imposed by Ohio law. Ohio law requires a levy and collection of ad valorem property tax to pay debt service on general obligation debt as it becomes due, unless that debt service is paid from other sources.

SCHEDULE 4

The general purpose of schedule 4 is to provide for the proper amount of millage to cover debt service requirements on voted bond issues. Major capital improvement projects are sometimes financed through the use of voted bonds. The taxing authority seeks voter approval of general obligation bonds and of the levy of property taxes outside the indirect debt limitation in whatever amount is necessary to pay debt service on those bonds.

SCHEDULE 5

The general purpose of schedule 5 is to properly account for tax anticipation notes. See schedule 5 for more details.

STATEMENT OF FUND ACTIVITY

(List All Funds Individually)

SCHEDULE 2

I Fund BY Type	II Beginning Estimated Unencumbered Fund Balance	III Property Taxes and Local Government Revenue	IV Other Sources Receipts	V Total Resources Available for Expenditures	VI Total Estimated Expenditures & Encumbrances	VII Ending Estimated Unencumbered Balance
General Fund	6,437,697	11,292,913	30,000,000	47,730,610	41,000,000	6,730,610
State Highway Fund	17,916		150,000	167,916	150,000	17,916
Street Construction, Maintenance, Repair Fund	585,907		3,000,000	3,585,907	3,000,000	585,907
Litter Control Fund	5,708		-	5,708	-	5,708
Community Festival Fund	2,396		4,000	6,396	4,000	2,396
Police Pension Fund	55,592	1,737,417		1,793,009	1,700,000	93,009
Fire Pension Fund	487,353	1,824,288		2,311,641	1,800,000	511,641
Law Enforcement Trust Fund	153,237		93,000	246,237	93,000	153,237
Drug Enforcement Fund	1,423		405	1,828		1,828
Federal Forfeiture Fund	35,445		10,000	45,445	10,000	35,445
Indigent Drivers Alcohol Treatment Fund	161,497		13,000	174,497	13,000	161,497
Enforcement and Education Fund	27,586		4,000	31,586	4,000	27,586
Political Subdivision Fund	18,610		700	19,310	700	18,610
Computer Maintenance Fund	43,352		23,000	66,352	23,000	43,352
Court Special Projects Fund	410,345		94,000	504,345	94,000	410,345
Court Probation Services Fund	83,810		26,000	109,810	26,000	83,810
ID/AM Fund	117,130		13,000	130,130	13,000	117,130
Community Development Block Grant Fund	93,315		2,900,000	2,993,315	2,900,000	93,315
Emergency Shelter Grant Fund	9,644		223,000	232,644	223,000	9,644
HOME Investment Partnerships Program Fund	109,254		324,000	433,254	324,000	109,254
Neighborhood Stabilization Fund	307,410		-	307,410	-	307,410

STATEMENT OF FUND ACTIVITY

(List All Funds Individually)

SCHEDULE 2

I Fund By Type	II Beginning Estimated Unencumbered Fund Balance	III Property Taxes and Local Government Revenue	IV Other Sources Receipts	V Total Resources Available for Expenditures	VI Total Estimated Expenditures & Encumbrances	VII Ending Estimated Unencumbered Balance
Office of Aging Title IIIB Fund	74,735		920,000	994,735	920,000	74,735
Lakewood Hospital Fund	13,000,000		1,000,000	14,000,000	1,000,000	13,000,000
Help to Others Fund	11,569		38,000	49,569	38,000	11,569
Juvenile Diversion Program Fund	19,250		12,000	31,250	12,000	19,250
FEMA Fund	2,781		-	2,781	-	2,781
Family to Family Fund	24,663		465,000	489,663	465,000	24,663
Bond Retirement Fund	2,872,797	3,768,024	5,500,000	12,140,821	9,100,000	3,040,821
TIF Bond Retirement Fund	597,977		1,000,000	1,597,977	1,000,000	597,977
Permanent Capital Improvement Fund	1,411,163		3,500,000	4,911,163	3,500,000	1,411,163
Land Acquisition Fund	3,300,000		-	3,300,000	-	3,300,000
City Park Improvement Fund	24,221		7,000	31,221	7,000	24,221
Water Fund	7,340,350		18,500,000	25,840,350	18,500,000	7,340,350
Wastewater Collection Fund	7,320,642		15,000,000	22,320,642	15,000,000	7,320,642
Wastewater Treatment Fund	5,532,611		13,000,000	18,532,611	13,000,000	5,532,611
Wastewater Improvement Fund	1,682,714	2,171,772		3,854,486	2,000,000	1,854,486
Parking Facilities Fund	657,668		475,000	1,132,668	400,000	732,668
Winterfunst Ice Rink Fund	42,289		750,000	792,289	750,000	42,289
Hospitalization Fund	750,000		7,000,000	7,750,000	7,000,000	750,000
Worker's Compensation Fund	600,000		300,000	900,000	300,000	600,000

UNVOTED GENERAL OBLIGATION DEBT

(Include General Obligation Debt To Be Paid From Inside/Charter Millage Only)

(Do Not Include General Obligation Debt Being Paid By Other Sources)

(Do Not Include Special Obligation Bonds & Revenue Bonds)

SCHEDULE 3

I Purpose Of Bonds Or Notes	II Date Of Issue	III Final Maturity Date	IV Principal Amount Outstanding At The Beginning Of The Year	V Amount Required To Meet Budget Year Principal & Interest Payments	Amount Receivable From Other Sources To Meet Debt Payments
2011 Various Purposes Bonds	2011	2028	\$6,585,000	\$916,425	\$0
2012 General Obligation Refunding Bonds	2012	2023	\$1,427,939	\$375,588	\$0
Various Purposes Bonds	2005	2025	\$887,713	\$203,699	\$0
Various Purposes Bonds	2017	2026	\$3,320,000	\$952,599	\$0
2016 General Obligation Bonds	2016	2036	\$11,061,800	\$908,205	
2019 General Obligation Bonds	2018	2040	\$8,697,548	\$620,257	
Various Purposes Notes	2019	2020			\$4,080,000
Totals			\$31,980,000	\$3,976,773	\$4,080,000

VOTED DEBT OUTSIDE 10 MILL LIMIT

(Bonds Or Notes Must Actually Be Issued In Order To Commence Collection Of Property Taxes For Debt Service)

SCHEDULE 4

I Purpose Of Notes Or Bonds	II Authorized By Voters On M/M/DD/Y	III Date Of Issue	IV Final Maturity Date	V Principal Amount Outstanding At The Beginning Of The Year	VI Amount Required To Meet Budget Year Principal & Interest Payments	Amount Receivable From Other Sources To Meet Debt Payments
Supported by 2 Mill WWTF Levy						
2012 Refunding Bonds Sanitary Sewer (2003)	1959	2012	2023	\$1,082,061	\$284,612	\$0
2016 Refunding Bonds Sanitary Sewer (2005)	1959	2016	2025	\$671,181	\$154,012	\$0