

**MINUTES OF A SPECIAL COUNCIL MEETING**  
**February 11, 2020 – 7:30p.m.**

Council of the City of Berea, Ohio, met in the Council Chamber on February 11, 2020 and was called to order by President of Council Jeff Dettmer at 7:30p.m. Present: Bill DeVito, Leon Dozier, Jim Maxwell, Chris McManis, Rick Skoczen, Kim Smith and Gene Zacharyasz. Also present: Mayor Cyril M. Kleem, Director of Finance Andrea Morris, Assistant Director of Finance Andy Palcheff and the City's Municipal Finance Advisor, Matt Stuczynski.

The Pledge of Allegiance followed.

This meeting was held in compliance with all legal requirements including Section 121.22 of the Ohio Revised Code and Chapter 109 of the Codified Ordinances of the City of Berea. The certificate of compliance is on file in the Clerk's office.

**OTHER BUSINESS**

**INFORMATIONAL TRAINING SESSION – Director Morris and the Finance Department**

Mrs. Morris informed Council that she, as well as Mr. Palcheff and Mr. Stuczynski, are present this evening to provide an overview of the financial operations of the City, including discussion on the City's budget and debt issuance. *(Mrs. Morris distributed copies of the presentation, which have been included at the conclusion of these minutes.)*

Mrs. Morris provided an overview of the role of the Finance Department, explaining that they assist in all budgeting matters, facilitate the yearly audit and manage internal controls to assure that all appropriate documentation and authorizations are made in compliance with City, State and Federal law. The department continuously attends training so that they are aware of new tax laws, payroll changes, and other amendments that will be applicable to the City of Berea.

Mrs. Morris continued by explaining that the Department administers five cycles. The first is the Disbursement cycle, which entails purchase orders, requisitions, encumbrances and bill pay. She confirmed that purchase orders are signed off on daily.

Mrs. Morris continued by explaining that the second cycle is the Revenue cycle, which includes cash collections like Recreation Membership fees, water and sewer bills and building permits. The third is the Payroll cycle, the fourth is the Budget, and the fifth is the Auditing cycle, which is dictated by Generally Accepted Accounting Principles (GAAP).

With regard to internal controls, Mrs. Morris explained that there are policies and procedures in place that limit the actions of employees by requiring them to acquire authorizations, verifications and approvals, so that every dollar can be properly accounted for by the Department. The City also separates duties, so that more than one person has a role in every cycle and every cycle is headed by a different person. The City is audited every year, and the State conducts their own audit every 5-10 years. Mrs. Morris estimated that 75% of the audit pertains to assuring that internal controls are in place.

Mrs. Morris informed Council that the legislative calendar mandates that the budget be in place by April 1<sup>st</sup>, the Tax Budget be adopted by July 15<sup>th</sup> and the certification of Tax Levies be adopted by September 30<sup>th</sup>.

Mrs. Morris turned Council's attention to fund accounting, explaining that funds segregate the monies of the City according to legal or purpose restrictions. There are three types of funds: Governmental (Funds 100-490), Business-Type (Funds 510-620) and Fiduciary (Funds in the 700s).

The Governmental Funds include the General Fund (100s), the Special Revenue Fund (200s), the Debt Service Fund (300s) and the Capital Projects Fund (400s). She provided examples of what would be included in each fund.

Business-Type Funds include enterprise funds, which may pertain to the Water Plant, and internal services funds, such as those dedicated to health insurance, property liability and workers' compensation.

Mrs. Morris concluded her portion of the presentation by stating that Fiduciary Funds are used to report assets held in a trustee capacity for others and can not be used to support the government's own programs. An example of money the City would collect for another agency is sewer funds.

General discussion commenced concerning the Berea Municipal Court, the cost of providing accounting services to them, the small amount of money we charge them for our services and whether we could be charging more since the amount we request does not cover labor costs. Mrs. Morris noted that, if Berea was not a host City for the Municipal Court, Funds 282-296 would not exist, but added that our Court has, in recent years, been operating in the black and thus the City has not had to charge member communities. This is, however, an option should the Court ever not be profitable.

Mr. Palcheff reminded Council about the Tax Budget, and that it allows the City to receive local government funds and begins the process of establishing revenues. He then turned the Members' attention to the Appropriations Budget, reviewed the budgeting process and reminded Council that they do not approve each individual budget line item, but rather the summary of line items that are separated in to two main categories: Personal Services and Other. He noted that monthly reports are available, and these reports include a statement of expenditures and detailed expense reports.

Mr. Palcheff continued by explaining that the budget is reviewed quarterly to ensure that expectations are being met and compliance is achieved. Adjustments can be made, if necessary, and amendments can be requested, if needed. Mayor Kleem interjected that the departments work and communicate well together, and Mr. Palcheff monitors department funds to ensure that money is being utilized properly, adjustments are made when necessary and problems are resolved without issue. The goal is to maintain balances, continue operating and not borrow money unless it becomes absolutely necessary.

In response to an inquiry from Mr. Dettmer, Mr. Palcheff responded that he routinely references spreadsheets that detail fund history and trends. Mr. Dettmer requested that this year's budget proposal include line and bar graphs that provide a historical perspective.

Mrs. Morris noted that most money is attributed to payroll, which can be easily estimated, and added that budget amendments are not always a negative thing. Sometimes, an amendment is required because the City receives grant funding.

Mr. Palcheff turned the presentation over to Mr. Stuczynski, the City's Municipal Advisory. He explained the regulatory changes that have impacted the Municipal Market, stating that the City used to operate with the assistance of an Underwriter who had no fiduciary responsibility to Berea, but to the broker and investor. After Dodd Frank, the SEC and the Municipal Services Commission crafted laws that changed this structure, and mandated two separate roles: the Municipal Advisor that has responsibility solely to the City he or she represents, and the Underwriter, who maintains responsibility to the broker and investor. Mr. Stuczynski stated that while he had been an Underwriter for decades, after the law was changed, he began his own firm as a Municipal Advisor. The job of the Municipal Advisor is to evaluate all projects, research funding sources, and design a debt structure, if necessary. He or she must know the market and how to scrutinize trends, and provide good representation for the City. The SEC and the Municipal Securities Rulemaking Board recommend that City's operate with a Municipal Advisor, and the Government Finance Officers Association cited it as a best practice.

Mr. Stuczynski stated that there are debt restrictions for municipalities, and these restrictions are set by federal tax law, State statute, local laws and Charter provisions. For example, the State defines debt limits, and how they are structured, so that a current Council can not burden a future Council. He touched upon the flexibility of Notes, and the use of long-term Bonds.

In response to a question from Mr. Maxwell, Mrs. Morris stated that Mr. Stuczynski is paid a flat annual fee in addition to a percentage that is rolled in to the Note or Bond. She continued by stating that he is a tremendous asset to the City, and assists with more than just debt issuance, as he is in tune with State and Federal law, and can advise on the financing of Capital projects. Mayor Kleem noted he also helps with economic development, and Mr. Palcheff added that he has worked with the City for decades and understands our history.

Mr. Dettmer asked Mrs. Morris to send the PowerPoint presentation to Council, and thanked all involved for the great information.

There being no further business before Council, it was moved by Mrs. Smith, and seconded by Mr. McManis, that the Special Council Meeting be adjourned. Vote on the motion was all ayes and no nays. The motion passed and President Dettmer declared the meeting adjourned at 8:39p.m.

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Jeff Dettmer  
President of Council

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Alycia Esson  
Clerk of Council

CERTIFICATE OF COMPLIANCE

The special meeting of Council of the City of Berea, Ohio, held on the 11<sup>th</sup> day of February, 2020, was conducted in compliance with Codified Ordinances Section 109 and Ohio Revised Code Section 121.22.

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Alycia Esson  
Clerk of Council