

BUDGET COMMISSION

The Geauga County Budget Commission met in special session on Monday, August 12, 2019 at 1:01 p.m. in the Auditor's Conference Room at 215 Main Street, Chardon, Ohio.

Present: Geauga County Auditor - Charles E. Walder, Geauga County Prosecutor - James R. Flaiz, and Geauga County Treasurer - C. P. Hitchcock.

Also Present: Chief Deputy Treasurer Caroline Mansfield, Deputy Treasurer Donna Borsi, Deputy Auditor Beverly Sustar, Deputy Auditor Heather Penrod and Deputy Auditor Kristen Sinatra

Special Meeting was advertised for the following reasons:

- Certify 2020 distribution for Public Library Fund, Undivided Local Government and Undivided Local Government Revenue Assistance Funds;
- Preliminary review of the 2020 Geauga County Budget

2020 Public Library Fund Distribution

Tabled for future meeting.

2020 Undivided Local Government and Undivided Local Government Revenue Assistance Funds Distribution

Tabled for future meeting.

Geauga County Tax Budget – Preliminary Review

Representation for the Geauga County Board of Commissioners:

Commissioner Jim Dvorak; County Administrator Gerry Morgan; and Budget & Finance Manager for the Commissioners' Office Adrian Gorton

The Budget Commission Chairman opened the floor for discussion for the preliminary review of the 2020 tax budget submitted by Geauga County. The Budget Commission stated that there have been concerns with regard to the County's beginning cash balances (estimated at zero) and the inaccuracy of that presentation. The Budget Commission has consistently suggested to the Geauga County's political subdivisions that Zero Based Budgeting is an inappropriate way for a government entity to present a budget. It is important that the Budget Commission be consistent with disclosing the improper effects of Zero Based Budgeting. The Budget Commission asked if the County would be open to making revisions to reflect actual beginning balances.

The County representatives responded in favor of discussing. They continued by claiming that the budget (General Fund) -- even though it indicates a zero beginning balance--does include a figure which represents their estimated carry-over balance; identified as a transfer --in. They further stated that (1) their practice is to fully appropriate all of their revenue; and (2) the "actual" beginning balance is divided between several funds/accounts such as; Capital Transfer-out, Operating Transfer-out and Contingency/Emergency Transfer-out. They noted that they attempted to establish a Capital Building Fund in 2018 to transfer-in a planned sum of money from the General Fund for future building construction. However, the Ohio Auditor of State's Office rejected the County's application.

The Budget Commission stated that the concerning issue is not the County having a large sum of money; as there is a plan on how the money will be spent. Rather, the problem is that the County’s actual beginning and ending balances versus the estimated balances of zero. A clarification was made that the County is calling a transfer-out an expense; when it is not actually an expense. The \$5,000,000 transfer-in shown in the County’s 2020 tax budget (General Fund) would create deficit spending; 100% of revenue has been appropriated coupled with a zero carry-over (budget). Therefore, the \$5,000,000 transfer-in cannot be substantiated; it is a transfer in from nowhere. Historically, Geauga County has estimated their tax budget with zero beginning and ending balance as well as, matching their estimated revenues to expenses. Discussion centered on the questions: Why fully appropriate if expenditures do not support that action? How are the County’s expenses paid during the first quarter when there is no money shown as available?

The County representatives claimed that the difference between the County Budget and other political subdivisions’ with regard to the General Fund is fiscal control. The County has many elected officials that utilize and look to the monies in the General Fund to support their needs, while other political subdivisions do not. They sated that the County Commissioners view themselves as the “gatekeeper” of the accounts within the General Fund, and that they fully appropriated monies in an effort to maintain control of other elected officials. This allows them the ability to meet the needs of the various departments’ unplanned requests.

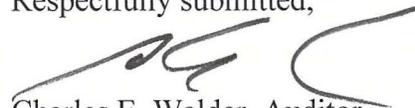
The Budget Commission stated that all political subdivisions in Geauga County that come before them for budget hearings are bound by the Ohio Revised Code (“ORC”). Transfers are from fund to fund (ORC.5705.14). Therefore, there has to be a target and a source. The ORC defines the acceptable reasons in order to legally transfer into the General Fund. A transfer happens when you make it happen; instantaneous. Therefore, using transfers (one sided) as a place holder is not accurate or transparent under the applicable legal restrictions. Political subdivision budgets need to represent actual intentions.

Several options were discussed as to how to make the necessary adjustments to the County’s 2020 Tax Budget. The expectation is for the County to move away from Zero Based Budgeting and create a correct and legal budget that actually reflects their intentions, with realistic revenue projections, appropriations of only actual expenses without causing a material change to what departments and other elected officials’ Offices have submitted (budgets) to the County.

The County representatives agreed to work on a revision to bring their budget into compliance. They could not commit that it would be completed to the Budget Commission prior to the annual Budget Hearing; scheduled for August 19, 2019.

Being no further business to conduct it was moved by Charles E. Walder to adjourn the August 12, 2019 special meeting at 2:21 p.m.

Respectfully submitted,


Charles E. Walder, Auditor
Secretary/Budget Commission

