

## MEMORANDUM

April 8, 2025

To: Bill Draugelis

From: Tom Judy & Bryan Thurman, Public Financial Solutions, LLC

RE: Report of Activity and Proposed Future Activities

Bill,

With the completion of the first quarter of 2025, we would like to provide you with a summary of our activities on behalf of the Village of New Lebanon to-date as well as some suggestions for the upcoming months.

- Prepared 2025 Budget. The former Interim Village Manager reached out to us in mid-October of last year to prepare the 2025 Budget. The budget had to be prepared within a very short timeframe, so we recommend implementation of a more comprehensive budget and financial planning process moving forward (discussed more below).
- Formulated Plans to address the deficit fund balances in three of the Village's funds.
  - The Village currently has three funds with deficit cash fund balances – the Sewer Rehab Fund, the Construction Projects Fund, and the Sewer Fund. This is contrary to Ohio law. The Village has received audit findings in each of its last two biennial audits for the deficits in Sewer Rehab and Construction Projects. The Sewer Fund entered into a deficit position during 2024. The Village can expect to receive findings for each of these three funds in the upcoming audit for 2023-2024.
  - We developed a five-year forecast for the Water and Sewer Funds to aid in determining the corrective actions needed to address the Sewer Fund deficit as well as the declining Water Fund balance. Based on that work, the Village Council approved a 20% increase in sewer rates effective this month. This will be the first in a series of increases that will be necessary to eliminate the deficits in the Sewer Fund and the Sewer Rehab Fund. It will take up to three years to generate enough revenue from these increases to totally eliminate these deficits.
  - Based on our recommendation, the Village requested approval from the State of Ohio for interfund transfers that will eliminate the Construction Projects Fund deficit.
  - Elimination of these deficits is essential. Not only do carrying fund balance deficits violate state law, they can ultimately lead to a municipality being declared in Fiscal Watch by the Auditor of State.
- Prepared Financial Statements required by the Auditor of State for 2023 and 2024.
  - The Village is required to file financial statements, including notes to the financial statements and other supplemental information, with the Auditor of State annually. These financial statements are the basis of the biennial financial audit. The Village

was delinquent in filing these statements as they had not been filed since 2022. We prepared the statements for 2023 and 2024, and filed them with the Auditor of State.

- Amended Workers Compensation reports, generating refunds for the Village.
  - We determined that the Village had incorrectly reported its payroll to the Bureau of Workers Compensation (BWC) in 2023 and 2024.
  - We assisted staff with filing the 2024 BWC “true-up” and amended report for 2023 resulting in Workers Comp refunds of approximately \$12,000 for 2024 and \$50,000 for 2023.
  
- Secured Permissive Tax funds for the Village.
  - We determined that the Village had not requested Permissive Tax funds from Montgomery County since 2021. We assisted the Village with the drawdown of approximately \$56,000 of Permissive Tax funds from the County.
  - Permissive Tax funds are special auto license fees that can be levied by county and/or municipal governments. The monies generated must be used for street construction and repairs. Certain of the county-levied fees must be shared with the county’s municipal governments.
  - Note that municipalities have the opportunity to levy permissive tax fees as well. This appears to be an untapped source of income for the Village.
  
- Assisting Village in meeting its Federal funds reporting requirements.
  - The American Rescue Plan Act authorized the Coronavirus State and Local Recovery Funds (SLFRF) program which provided \$350 billion to state, local, tribal, and territorial governments to support their response to and recovery from the COVID crisis.
  - The Village received over \$400,000 from this program. The Village was required to file an annual project and expenditure report. This report had not been filed since 2023. Failure to file could lead to the federal government taking action to recover funds. We are currently assisting the Village in getting these filings up to date.
  
- Planning for implementation of a comprehensive Five-Year Capital and Operating Plan process.
  - Our experience is that a long-range focus in financial planning is vital to good financial management.
  - Based on our previous discussions with you, we have begun to develop the framework for the Village’s 2026-2030 Five Year Operating and Capital Plan.
  - We have already identified financial trends that need to be addressed while they are still in early stages. A long-range financial plan like we propose will shed light on these areas of concern and enable the Village leaders to strategically plan to address them.
  - Part of this process is the development of financial policies. Sound financial policies will be a key to the responsible and consistent management of the Village’s finances.

- During this process, we will provide departments and key staff with training and guidance in developing their long-term requests as well as their annual departmental budgets. We believe this investment of time in training staff will enable them to be able to understand and manage their budgets better. The best financial management environment is one in which the department heads are equipped to take ownership of their budgets.
- Eliminated Community Enrichment Fund.
  - The Village had established a new fund, the Community Enrichment Fund, to account for the costs of the building formerly used as the Municipal Court. However, there was no record that the Village had secured the required approval from the State to establish this fund. Based on our recommendation, all activity of the Community Enrichment Fund was reversed and moved to the Municipal Court Building Fund. This action avoided what would likely have been an audit finding.
- Provided income tax assistance.
  - Due to the retirement of the income tax administrator, it became necessary for us to step in and assist staff with income tax processing.
  - We provided advice on the transition to RITA and are available to provide continuing guidance.
- Provided assistance to Finance staff.
  - We have provided assistance, guidance, and direction to finance staff in a variety of areas in the absence of a Finance Director. We believe this has been a key contribution.
  - The Village is blessed with a fantastic finance staff who have stepped up throughout all the organizational changes. During this period, they have been asked to do things they have never done. We have placed a high priority on giving these staff members needed support and assistance.
- Other financial management issues.
  - We have identified other areas of needed improvement, including unaddressed issues indicated by auditors in previous audits. We would welcome the opportunity to discuss these with you.

Thank you for the opportunity to serve the Village of New Lebanon. Please let us know if you have questions or comments.