



# Dave Yost • Auditor of State

October 20, 2014

Ms. Sharon Hanrahan, Chair  
City of East Cleveland Financial  
Planning and Supervision Commission  
Office of Budget and Management  
30 East Broad Street, 35<sup>th</sup> Floor  
Columbus, Ohio 43215

Ms. Hanrahan:

In the Auditor of State's capacity as financial supervisor, staff from our Local Government Services Section (LGS) have been monitoring that the City of East Cleveland (the City) is in compliance with the safeguards that have been put in place by the Financial Planning and Supervision Commission. In working with the City, we have identified several items that we feel should be brought to your attention.

Our staff from LGS has also been working with the City to make sure that they are compliant with the recovery plan. Both the Law Enforcement Trust Fund and Self Insurance Fund have been brought onto the City's books and their estimated resources and appropriations have been included to the updated budgetary documents mentioned below.

Traffic camera revenues are not being received by the City as originally anticipated. The original amount included the City's forecast for traffic camera revenue was \$950,000; as of August 31, 2014, the City has only received \$78,876. As a result, the anticipated traffic camera revenue for 2014 has been reduced to \$160,000 and a new amended certificate of estimated resources has been requested from the Cuyahoga County Budget Commission. The amended certificate of estimated resources has also been revised to reflect the adjustment of several other revenue sources as indicated in the Attachment.

The City's appropriations have also been reduced to reflect these adjustments in City revenues and to bring them in line with the revenues reflected in the most recent amended certificate of estimated resources. (See Attachment)

The City recently became aware of a \$638,000 judgment issued against them in favor of a traffic company they had done business with in prior years. The City plans to attempt to have the judgment vacated and if that fails then to appeal the judgment. This \$638,000 judgment amount has been included to the City's account payable listing.

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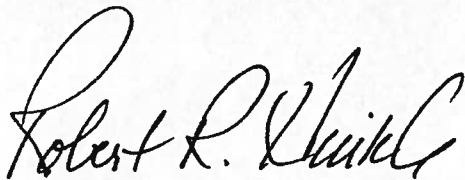
Healthcare claims for the City have not been paid for a number of months. The current known payable amount for claims outstanding that the City has received from its third party administrator (TPA), is approximately \$509,000. Due to the growing amount of unpaid claims, we have been told that City employees are being turned away from healthcare providers and in some instances being asked to pay the claims themselves by their physicians. The City has also received notice from the TPA that unless the administrative fee owed to the TPA is paid, healthcare will no longer be provided to City employees.

The City's outstanding accounts payable have increased \$1,322,261 from \$2,163,680 as of August 27, 2014 to \$3,485,941 as of October 7, 2014. The main elements of this increase are the \$638,000 above-mentioned judgment, \$509,000 above-mentioned healthcare claims, \$94,000 in additional litigation settlements and \$81,000 in outstanding amounts owed to the Police and Fire Pension system.

One final issue of concern is what will remain from the potential local government borrowing to address the City's fund deficits. If the City is able to borrow \$6.9 million, approximately \$3.5 million will need to be used to satisfy outstanding accounts payable, leaving only \$3.4 million to address the fund deficits on the City's books. At August 31, 2014, the City's fund deficits totaled approximately \$5.5 million. Even with the local government borrowing, the City will be unable to eliminate all of these fund deficits.

The City of East Cleveland is making no progress on reducing their outstanding accounts payable and fund deficits. The City must immediately make significant additional spending cuts and adjustments to prevent further decline. If you have any questions please feel free to contact me.

Sincerely,



Robert R. Hinkle, CPA, CGFM  
Chief Deputy Auditor

Cc: Tim Keen, Director, OBM

**City of East Cleveland**  
**Changes to 1-22-2014 Amended Certificate**  
**Attachment**  
**Amounts Only Include Line Items that were Revised**

	Current Certificate 1-22-2014	Revised Certificate 10-9-2014	Net Change Increase (Decrease)
<b>General Fund</b>			
<b>Revenues</b>			
Income Taxes	\$5,221,370.77	\$4,982,370.77	(\$239,000.00)
Safe Route and Schools Resource Officer	\$0.00	109,766.00	109,766.00
Other	18,000.00	6,000.00	(12,000.00)
Refuse Fee	420,000.00	500,000.00	80,000.00
Traffic Cameras	950,000.00	160,000.00	(790,000.00)
Interest	50.00	15.00	(35.00)
Reimbursements	50,000.00	10,000.00	(40,000.00)
Workers' Compensation Refund	0.00	175,000.00	175,000.00
Health Care Contribution	188,315.04	180,500.00	(7,815.04)
Sale of Assets (Noble Road)	0.00	125,000.00	125,000.00
Sale of Cell Tower Rights	0.00	315,000.00	315,000.00
Miscellaneous	31,000.00	11,000.00	(20,000.00)
<b>Total Revenues</b>	<b>\$11,445,738.17</b>	<b>\$11,141,654.13</b>	<b>(\$304,084.04)</b>

**Revised Appropriations Adopted by Council on October 13, 2014**  
**Amounts Only Include Line Items that were Revised**

	Current Appropriations Ord. 27-14	Revised Appropriations Ord. 52-14	Net Change Increase (Decrease)
<b>Appropriations</b>			
Police	\$4,171,280.69	\$3,700,179.15	(\$471,101.54)
Fire	3,069,157.31	2,630,436.85	(438,720.46)
Street Lighting	19,226.44	81,836.71	62,610.27
Parking Violation	9,938.01	7,865.05	(2,072.96)
Parks and Recreation	81,070.14	106,900.07	25,829.93
Housing	41,020.39	89,416.09	48,395.70
Service	551,873.17	566,750.18	14,877.01
Refuse Collection	1,141,668.06	1,114,155.53	(27,512.53)
Transfers Out	61,199.00	140,660.55	79,461.55
Mayor's Office	168,905.10	208,228.73	39,323.63
Central Services	126,607.60	787,824.92	661,217.32
Law Department	293,056.21	285,678.74	(7,377.47)
Engineering and Building	64,445.26	44,549.86	(19,895.40)
City Council	166,404.26	141,700.72	(24,703.54)
Court	719,607.16	714,663.33	(4,943.83)
Finance Department	186,434.77	265,326.91	78,892.14
Lands and Buildings	58,616.93	44,450.40	(14,166.53)
Civil Services	10,314.07	8,901.25	(1,412.82)
Human Resources	114,301.13	107,087.83	(7,213.30)
EDP-IT	84,424.51	71,944.27	(12,480.24)
Purchasing	58,769.38	23,000.73	(35,768.65)
OPWC Loan Payment	247,418.58	0.00	(247,418.58)
<b>Total Appropriations</b>	<b>\$11,445,738.17</b>	<b>\$11,141,557.87</b>	<b>(\$304,180.30)</b>