



# James P. Stith II

## City Auditor

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May 20, 2016

To: City of Norwood City Council  
Finance Committee

Subject: 2016 Budgetary and Cash Flow Issues

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Dear Committee Members,

The 2017 Tax Budget has been prepared and is available for review in the Clerk of Councils office or the Auditors office. In preparing this document, forecasts were made for year-end 2016 through 2019. Projections of payroll keys through the end of 2016 reveal there are many departments over projected payroll and will be significantly short on appropriations at year end. This is creating a cash shortfall throughout the year. Several payments are being made late due to the lack of cash in the General Fund.

In this office's opinion, the current course of action is unsustainable. The City cannot afford its current contracts and retiree benefits. This issue has been discussed over the past several years and it has previously been the desire of Council and the City Administration that we should not limit services to our citizens through department closures and layoffs which are required to balance the budget. The plan has been to operate on a cash basis but this is falling short of meeting our financial requirements. City Council should evaluate our contracts and make changes now, negotiate changes to or eliminate the retirees benefits, and cease any new purchases and hiring which effect the General Fund until the financial situation improves.

For decades the City has put off significant financial concerns to a future date, that date has come and the City has paid dearly for its actions. Through the issuance of bonds and restructuring of debt the City has been able to delay the inevitable, causing a large debt payment to be due in 2016. While the payment of over 1.5 million dollars in bonds has significantly decreased the debt load, it has left the City with a projected negative balance for the next 2 years.

The forecast does show that, if no new expenses are added, the City can be back to a positive cash flow by the end of 2018 but, in the lack of any real change to its obligations, the cycle of overspending will continue.

Sincerely,

Jim Stith  
Auditor

Cc: Norwood City Council  
Hon. Thomas Williams, Mayor