



James P. Stith II

City Auditor

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July 19, 2016

To: City of Norwood City Council
Finance Committee

Subject: 2016 Budgetary and Cash Flow Issues

Dear Committee Members,

Upon review of the payroll totals for the first 15 payrolls in 2016, it is apparent that the current appropriations will be inadequate to sustain the current level of expenditure. Based on our current projections, 2016 will have among the highest payroll obligations in the City's history. This is manifesting in the inability to pay current bills.

Payroll obligations, as set forth by employment contracts, made up over 76% of the 2015 General Fund budget. In this office's opinion, the current course of action is unsustainable. The City cannot afford its current payroll obligations, and retiree benefits. Due to the extent of the payroll obligations the financial answer to this problem is to cut expenses through limiting services, restructuring or eliminating retiree's benefits, closing departments, and laying off personnel. This is a financial opinion only and must be balanced with what is best for the Citizens of Norwood.

The current 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. However, in the lack of any real change to the City's obligations, the cycle of overspending will continue.

Sincerely,

Jim Stith
Auditor

Cc: Norwood City Council
Hon. Thomas Williams, Mayor