

# Audit/Finance Committee Meeting Minutes

March 24, 2017

7:45 AM City Commission Chambers

Committee Attendees: Moncher, Gardner, Hoffman, Stahl, Nickles, Ruthsatz, Wobser, Solowiej, Allen, and Murray.

Nickles called the meeting to order at 7:53 A.M. Nickles asked for a motion to approve the minutes from the last meeting. Stahl made the motion, with a second from Moncher. There was no further discussion. **All ayes – motion carried.**

## **Monthly Report:**

Solowiej then presented the February financial report. He advised that everything was looking good. General Fund revenues were up by about 4.4% and income tax was up about 2.7%. He also noted that the trend through March was also positive. Nickles then asked Solowiej if Governor Kasich's central collection plan would affect the city. Solowiej explained that he had not seen any numbers on it yet, but RITA would be monitoring it for us. He did not expect any big changes for us, but did note that timing might be the only issue because the State is slower when making payments back to us.

Solowiej then advised the committee that the budget was scheduled to be on the agenda for Monday night and it would take two readings before it would be officially approved. He also advised the committee that the new financial management software was up and running and that so far we have had mostly positive feedback on the new system. He explained that the system upgrade would give department heads a lot more tools to monitor their budgets. He also noted that the last part of the system upgrade would be that of the Utility Billing module and that he was hoping to begin the conversion of that module by year-end. Nickles was pleased to see that we were continuing to upgrade our systems. Moncher then made a motion to accept the February report and Hoffman second that motion. There was no further discussion. **All ayes – motion carried.**

## **Capital Plan Update:**

Director Klein was then asked to present the updated five year capital plan. He explained to the committee that he was going to skip the first part and start with changes made to the report's format. He explained that page 11 included pie charts and graphs under funding and category summaries to show where all our money was going. He noted that there was a spike in 2020 due to some large sewer projects that were scheduled. He advised that page 13 would be useful to the public, because it showed the categories where our funding would be going on an annual basis. This allows the public to see the City's intentions.

He then explained that the economic development portion of Issue 8 was a little higher here and there due to some large purchases in certain years. Page 19 highlighted the projects that were involved and noted that they matched with what Wobser had presented to the community in the State of the City last week. He noted \$35,000 was going towards the Sandusky Bay Pathway plan for this year and funds were earmarked for future years to continue pathway and trail improvements. Page 26 highlights street projects, which now includes street names this year since we now have projected costs for those projects. He explained that the projects that are further out on the schedule are tentative numbers and will be contingent on if funds come through. They may have to be pushed back if funds are slow to come in. Page 31 lists the water

projects. Currently in 2017, we are doing what we said we were going to do when it comes to the Cedar Point water main project. It also shows the Venice road project, which is a big water main project that is being coordinated with an ODOT project that will be happening at the same time. Klein also wanted to note to the committee that on page 27 they would see the Healthy Hayes Corridor, which had four different funding sources involved in it. He explained that we would be dividing it between the various budgets. These costs are then factored into his various rate studies to confirm that we are going to be able to provide the residents with what we promised them. If the funds are not there we may need to push projects back to avoid potential increases to the customers.

Nickles explained to the committee that this was the plan they had worked on together. Moncher remarked that Klein had done a great job presenting this plan at the Downtown Round Table the previous Wednesday. Gardner then asked Klein what would happen if we didn't receive the CDBG funds we were anticipating. Klein explained that this plan is very flexible and that we were anticipating approximately \$750,000 to \$800,000 from CDBG. Wobser noted that we had received \$697,000 this year. Gardner then asked if those funds were state or federal and Klein answered federal. He then explained that those funds were split between parks, streets and planning and that the funds must be used in block grant areas. He noted that we were going to have to pull funds from the Issue 8 fund now for Lions Park, because it is no longer in the block grant area. If we know we are going to lose funding in the CDBG area, we should push projects back that were contingent on those funds. Wobser advised the committee that only 1/3 of CDBG funds go towards street projects. Murray noted that they could review page 11 for the breakdown if they were interested. Nickles noted that this plan was a fantastic tool for planning purposes and that Klein had done a great job putting it together. Hoffman then made a motion to accept the updated five-year capital plan and recommend its approval to City Commission, with a second from Moncher. There was no further discussion. **All ayes – motion carried.**

Nickles then asked Solowiej for some payout numbers at the next meeting on the retirement of the Fire Chief. He asked if Solowiej had an idea of where we were at when it came to the Payroll Stabilization fund. Solowiej explained that we had contributed \$300,000 to the fund last year. Murray asked Hank if this liability was in our CAFR and Solowiej advised that it was. Nickles would like to get some idea of how many dollars are going to have to come out of that fund this year. Allen then asked Solowiej if other things than payroll were taken out of that fund. Solowiej explained that it was strictly payroll. It is used for retirement payouts and to cover additional payroll costs in years where there are 27 payrolls. Solowiej then asked Nickles if he would like the numbers before the next meeting and Nickles advised he would just like to have it on the June meeting's agenda.

Murray then asked for the committee's advice on locking in interest rates right now, since they were so low. He advised that we have a lot of short term notes and he is concerned the rates might go up. He wondered what they saw other business doing, are they locking in their rates? Nickles explained that before they were 7-8% and he did not believe they were going to go that high. Moncher did not believe that short term rates were going to go up, he suggested that we may want to look more at our long-term rates. Solowiej explained to the committee that one year notes give the city some flexibility. Once you bond out your debt you are tied down with what you can do with it. He advised the committee that he will meet with bond council to discuss. Allen asked Solowiej if he know how much we had and Solowiej responded with 2 to 3 million in short term debt. Allen felt they would see some increase in the future. Nickles noted that there may be some upfront costs involved to bond out our debt. Solowiej noted that it was worth having a conversation with the bond council to get their guidance in the matter. Gardner remarked that he was on a conference call with 3 economists recently and he's not so sure how

much of an increase there will be, since the US is one of the biggest borrowers, if they increase rates to us it would affect their rates also.

Nickles then opened the meeting up to the public.

**Public Participation:**

Sharon Johnson commented that she was on the CDBG committee and noted that Lions Park has slipped out of the low-medium income bracket. Nickles agreed with her and explained that we would no longer be using CDBG funds for those projects. Johnson then asked if the 5 year capital plan was on the website and Murray explained that it was not right at the moment because it had not been approved by Commission yet. He advised that once it has been approved it will be on there. Wobser noted that this plan is designed to show the public the pots our money is going into. Grants restrictions are reviewed when projects are being considered for the future. Murray explained that staff has a lot of great ideas, but someone must figure out how to pay for them all. There is a lot of planning that goes into these projects, because you do not want to fix a road that is going to be tore up later due to a water or sewer project. Timing is key to a successful plan.

Motion to adjourn made by Moncher and seconded by Gardner. **All ayes – motion carried.**

Adjourned at 8:25 A.M.