

# Audit/Finance Committee Meeting Minutes

June 22, 2018

7:45 AM City Commission Chambers

Committee Attendees: Stahl, Nickles, Moncher, Ruthsatz, Solowiej, and Lloyd.

Nickles called the meeting to order at 7:55 A.M. He then asked for a motion to approve the minutes from the last meeting. Moncher made the motion, with a second from Ruthsatz. There was no further discussion. **All ayes – motion carried.**

The General Fund was up 1% in total revenues and was trending well for June. Income tax was a little flat through May, but RITA thought it might be a timing factor, so we will want to monitor through June to see if it bounces back. Hotel/Motel tax was up 17%. Solowiej noted that the City has been doing very well when it comes to investment income. The short-term interest rate on bonds may see a tick up, but that is market driven. Moncher explained he was not concerned because we would be getting it back on the other side. He also noted that there was a lot of summer left and that there were more hotel rooms available than in the past and at higher room rates. The cash balance was at \$3.6 million and we are currently at 245 employees.

Nickles asked Solowiej if the water/sewer funds were holding their own and Solowiej advised that they were currently. He did note that there were quite a few projects being planned soon and that they would be watching the funds carefully to make sure these projects are covered before moving forward with them. Moncher then made a motion to accept the report and Ruthsatz seconded that motion. There was no further discussion. **All ayes – motion carried.**

Moncher then asked if there were any concerns when it came to Human Resources. Solowiej advised that Maria Muratori had left the City, and it was taking a bit of time to fill that position, because of the experience need in that area. Nickles noted what a huge asset Stu Hamilton was in IT. He was impressed by the amount of cyber training that was going on to prevent those type of attacks on the city's data.

Solowiej then presented the Issue 8 report. He advised that it was in a slightly different format due to the split of the "infrastructure" column from prior year. He feels it will present a clearer picture going forward. Instead of having just one column before for "infrastructure", it is now split into the 4 new detailed categories. Moncher noticed that there was no beginning balance on those columns. Solowiej explained that fortunately the infrastructure account had been zeroed out at year-end, which allowed him to start fresh with these 4 new categories.

Solowiej then presented the committee with a report showing the unfunded vacation/sick leave balances. He explained that the CAFR liability is more conservative than what this report shows. He had tightened the payout criteria for this report by using an age of 60, with 25 years city experience. He noted that he was only using city time, because many times we do not know of an employee's prior government service somewhere outside of the city. The general fund had \$720,000 in projected payouts, which included 7 firemen, 6 police officers, and 11 others. The water fund had 6 employees last year for \$89,000 and predicted 7 employees this year. The sewer fund had 8 employees last year for \$136,000 and predicted 8 employees this year. The payroll stabilization fund has approximately \$485,000 in it currently and we funded \$300,000 last year. To date this year, we have had \$31,000 in payouts. Nickles feels like we are close to funding the payroll stabilization fund. Solowiej agreed and noted that we just need to keep committing funds to it each year, since it takes time to fund.

Moncher asked if the long-term goal was to get the balance to \$750,000 and Solowiej answered yes. Nickles asked to keep this matter on June's agenda each year so that they could continue to monitor the progress. Stahl noted that it was a cyclical process, where you have a large group retire and then a lull for a period. Nickles agreed with Moncher's suggestion of a balance of \$750,000. Chief Orzech noted that there would be a large exit of police officers in 2020, so we would want to be prepared for that. Solowiej advised that by being prepared for this large payout, it would allow the city to fill those positions quicker than having to wait to replace them to make up for the cost of the payouts. This was how the city previously would have dealt with these payouts. Nickles then asked when the transfer is done for the payroll stabilization fund and Solowiej explained that it was done in late December each year. By doing it in December, it allowed them flexibility to see where the city was going to end up as a whole and determine how much excess cash was available to move. Nickles asked to have an agenda item added for this in December, so that the committee could make a recommendation to the City Manager and Commission on it.

Nickles then reminded the committee that the next meeting was on September 14th and he then opened the meeting up to the public.

**Public Participation:**

Sharon Johnson had four questions for the committee. First, she asked when the Hotel/Motel tax on transient rentals would take effect. Solowiej advised he believed that goes into effect on 1/1/2019. Secondly, she asked if the Chesapeake Lofts would be excluded and Solowiej advised they would be included if they were transient rentals. County Auditor Jeffrey was taking the lead on the enforcement of these payments since the County also passed legislation regarding this matter. Thirdly, she asked if she could get a detailed breakdown on the Issue 8 report and Solowiej agreed to get her a breakdown. Her final question was how many employment positions were still open. Solowiej advised he would have to follow up with Eric on this when he gets back from vacation.

Motion was made at 8:30 AM by Moncher to go into executive session to meet with Rea & Associates to conduct the 2017 exit meeting with the auditors and Ruthsatz seconded. Roll call: Nickles - yes, Moncher - yes, Solowiej – yes, Ruthsatz– yes, Lloyd – yes, Stahl – yes

A motion was made at 8:54 AM to return to the regular meeting by Solowiej and seconded by Stahl. Roll call: Nickles - yes, Moncher - yes, Solowiej – yes, Ruthsatz– yes, Lloyd – yes, Stahl – yes

Moncher then asked Lloyd if she could let the City Commission know how appreciative the committee was of the hard work provided by the Finance Department to get a good clean audit. Lloyd agreed to do so.

Motion to adjourn made by Solowiej and seconded by Stahl. **All ayes – motion carried.**

Adjourned at 8:56 A.M.