

Audit/Finance Committee Meeting Minutes

August 21, 2020

8 AM City Commission Chambers

Committee Attendees: Nickles, Stahl, Gardner, Ruthsatz, Murray, Wobser and Reeder

Nickles called the meeting to order at 8:00 AM. He began by asking for a motion to accept the minutes from the 7/17/20 meeting. Gardner made the motion and Murray second the motion. There was no discussion. **All ayes – motion carried.**

Nickles began with new business asking Reeder to speak about the 2020 budget and the email she sent last night. Reeder reported that as of the end of July the general fund balance was at \$3.1 million dollars and we are now at about \$2.7 million dollars. The city's expenditures were down about \$1.6 million dollars. Cedar Point just opened on July 9th, so this will be the first month we will be receiving admissions tax from them. Admission tax is due on the 20th of each month, but we have not received anything from them yet. The post office processing delays may be slowing down receiving our payments. We did do the journal entry for the CARES Act money we received last month of over \$504,000 and applied it to our police and fire wages which was a great help to our budget. Currently our full time employee count is at 231 employees, compared to the 2019 year-end number of 253. Nickles asked if we had received the admissions tax from Cedar Point and how does it come in? Reeder responded that we had not received it yet and that they come by mail. Stahl asked if we can contact them directly to get that number from Cedar Point. Reeder agreed to reach out to them and see what number we can release. General fund revenues collected thru August 20, 2020 was about \$11.3 million dollars. As a reminder, we had budgeted about \$24.5 million dollars for this year, so we have collected 46% of what we anticipated. On the expenditure side we have expensed about \$12.1 million dollars, or nearly half of what we projected for the year. Typically our revenues are heavier in the last half of the year due to admissions tax and lodging tax. If we look at revenues in 2019 from September to December, we collected \$7.2 million dollars. Obviously this year is a whole different story. Reeder has revenue projections of about \$4.6 million dollars coming in this year which is a drastic change from last year. We are trying to control expenditures to keep them as low as possible. Reeder is predicting the expenditure numbers to be about 78% of our original \$24 million dollar budget. We have decreased our expenditure number by about \$5.2 million dollars. The shortfall in revenue is definitely a big concern, but we are looking okay at the moment with a \$4.1 million dollar cash balance. These next couple of months will be telling a different story because we won't have our normal tax revenue dollars coming in to subsidize.

Nickles then asked Reeder where we stand with the Payroll Stabilization Fund currently. Reeder reminded the committee that at the last meeting she was predicting the year-end balance to be about \$270,000, but since then two more people have announced their retirement which will reduce that prediction by about \$83,000 taking it down under \$200,000 at year-end. Reeder also advised that she knows of at least one, but maybe two, retirements that will occur in January of 2021. Nickles asked Reeder if those two January retirements were included in the \$200,000 balance and she advised that no it would be the \$200,000 less the two retirements then in 2021. Nickles then asked if she had any estimation of what those payouts would be and she was estimating them to be about \$45,000. Nickles ask Reeder if she had had a conversation with Cedar Point to get a guestimate of what they thought there admissions tax number would be for the year and she advised that she has had discussions with them. Nickles asked if that was something she felt comfortable announcing at a public meeting and Reeder advised that she could not, they asked us to keep that in confidence for the moment. Nickles asked her if she had shared that information with Commissioner Murray or Brady and she explained

that she had not, but was not sure if Wobser had those conversations or not. Nickles asked Brady and Murray if they had heard that number and Brady advised that he had not heard it and Murray advised that he had not but didn't feel he needed to know that number as long as Reeder was aware of it.

Murray then asked Reeder if she felt we were on track with the budget. He reminded the committee that staff has been very diligent in making amazing cuts to bring our expenditures down. As he understands it we cut expenditures by 22% to date, do you feel that number will continue through year-end? Reeder agreed that she thought it would. He then asked if she was projecting revenues to be down by about 33% and she advised he was correct. He then noted that this leaves about an 11% gap in the budget or about \$2.6 million dollars. We have discussed taking \$2 million dollars out of the cash reserve for this year and next. Due to the seasonality of our revenue, he was not sure if that 2 million dollars would be available to take, he was thinking \$1.7 million dollars might be a more accurate number. It looks to him like we have another 1 million dollars to cut out of expenditures moving forward. He is concerned the longer we wait to make these cuts, the more severe the impact will be. Nickles was also concerned about the \$1 million dollars needed and was hoping for some type of plan be in place outlining how that reduction would be made. Stahl feels like the committee is not being used correctly, because there are a lot of people on the committee that know revenues and expenses and does not feel like they are being utilized when it comes to the decision making process and that it's been farmed out to other companies. Nickles explained that the committee's frustrations comes from the fact that they have not been involved in any of the cost cutting decisions. Wobser joined the meeting and Murray brought him up to speed. Murray explained that Reeder had walked them through where we are at today and the cuts that have been made to date, but there is still a gap of about \$2.6 million dollars at year-end. We can pull about \$1.7 million from the cash reserve to help with that deficit, but there would still be a gap of about \$800,000. He then explained to Stahl that the PFM study is being grant funded and a very extensive look at the city's finances and was in place prior to the COVID pandemic. Stahl explained the frustration of the committee was that the committee was not aware of the study and left out of the process. Murray explained that it had been publicized at the commission meetings and that he was not aware that the committee did not know about it and apologized for that. Stahl chalked it up to a miscommunication and thought the company would have asked them for suggestions. Nickles agreed and thought Brady was not aware of it also. Brady explained that he was aware of the study, but did not realize that the committee did not know of it and apologized for that. He did ask Reeder after the last meeting to contact the committee and explain to them what the study was all about. We had hoped that we would have had the results of that study for the committee at this meeting, but it has now been pushed back to the September meeting which is a bit frustrating. Nickles wanted to get back to the discussion of the \$800,000 gap in the budget and asked Wobser if he could give the committee a high level explanation of where these cuts are going to be made. Wobser began by apologizing to the committee for not keeping them up to date on PFM study and advised that we were still a month out on receiving there report, so there is time for the committee to make contact with them if they so desired. He stressed that the miscommunication was not intentional and that we never meant to offend anyone and that he respects the committee's work. He then asked Reeder to explain the process that went into the PFM study. Nickles explained to Wobser that the question is whether or not he has a plan on cutting the remaining \$800,000 deficit in the budget. Wobser explained that he was not sure there was a consensus that we were going to be down by \$800,000. He believes there needs to be more discussion to determine the exact number needed. He advised that they are constantly meeting to discuss cuts that can be made and it will require more planning with staff to develop those cuts. There are still more questions to be answered. Nickles then asked Murray, Brady, and Waddington if they were happy with that explanation. Murray explained that he was spit balling at the beginning of the meeting when he referenced those numbers. He agreed with Wobser that there was not a consensus on what exactly the shortfall will be. He has always been very fearful with his estimations and probably more cautious than most on the committee and he is satisfied with his answer. Brady asked the committee if they were looking for a plan in place

in case cuts need to be made and Nickles agreed that that was what they were looking for. Brady agreed that was not an unreasonable request by the committee. Nickles explained that he wanted us to be pro-active instead of re-active. Wobser explained that this study will bring us some good information to discuss in the next month. Stahl explained that time is of the essence and was disappointed that we didn't get the information for today's meeting. He feels it's very late in the game to get this information. Nickles said let's get the report in and get a plan together. Let's plan for the worst and hope for the best. Reeder explained that she hoped to have the report to them within the next two weeks for their review and comments before the next meeting. She also wanted to remind the committee that she is always conservative when she reports on revenue projections. She reassured them that she and Wobser will continually meet to discuss where we are at and where we need to go. The PFM study will help us to forecast into the next five years. She appreciate everyone's efforts on this. Nickles confirmed with Reeder that she will be emailing the committee the admissions tax number as soon as she gets it. Nickles noted again how beneficial the payroll stabilization fund was to the city and how lucky we are to have such a good cash balance going into this pandemic. Nickles asked to have as many members present at the next meeting to go over the PFM report. Stahl reminded staff that they just need to communicate to the chairman and he will disseminate the information to the committee. Brady thanked Reeder for reaching out to the chairman to explain the PFM report. Nickles then asked Murray if a draft copy of the study is public record and he explained that it is public record once it is passed out on paper, the discussion process is not. Nickles explained that he could stop down to discuss if needed. Meeting was adjourned at 8:44 a.m.