

Chairman Nickles called the meeting to order at 8:06 am.

Members present: Allen Nickles (Chairman), Naomi Twine, Dan Moncher, Craig Stahl, Brian Allen, Eric Wobser (City Manager), Michelle Reeder (Finance Director)

Ex-Officio members and staff present: Sally Martin

Members absent: Steve Tomasula, Jim Ruthsatz, Dennis Murray (City Commissioner)

APPROVAL OF MINUTES

Upon motion of Mr. Moncher and second of Ms. Twine, the members voted to approve the minutes of the February 18, 2022 meeting. Chairman Nickles declared the motion passed.

NEW BUSINESS

- **Sudsina & Associates Presentation**

Mike Sudsina of Sudsina & Associates provided a presentation of the 2022 Debt Summary and Capacity Analysis. Mr. Sudsina noted that this is an important process to focus on which is the city's ability to borrow when needed and the capacity that the city has to do that. Mr. Sudsina shared that there is currently \$21,389,646 in outstanding debt with approximately \$2 million scheduled in pay down this year. The City's annual debt service requirements drop by nearly \$800,000 after 2026. Outstanding principal drops by nearly \$12.7 million by 2031. In regard to the city's credit limits, there are two limitations – a direct debt limit and an indirect debt limit. The direct debt limit is calculated on assessed valuation which has been on the rise, which helps the credit limit of the city rise as well. The city is up to \$515 million in assessed valuation. Two years ago it was \$475 million, so the city is up around \$30 million in property valuations. Mr. Sudsina referenced a slide which showed almost \$19.9 million dollars of debt issuance capacity, without a vote or other revenue source being pledged. Two years ago it was \$14 million. This is due to debt retiring and assessed valuations going up. Of the two debt limitations, direct and indirect, the law says you have to rely on the most restrictive debt limitation. The indirect limit shows that the city could borrow available debt service of \$2.5 million dollars that could be leveraged at today's interest rates into \$33 million dollars of debt. Since the direct debt limit is only \$19.9 million, that's the most restrictive one, which is the one we have to focus on. Indirect limitation also takes into account the overlapping subdivisions, the schools and the county. This debt limitation looks at the individual property owner. Even though this shows \$3 million as available remaining millage for the 10 mils, they recommend setting aside one mill for emergencies. They reduce available millage by law from 5.0 mills to 4.9 mills as a reserve. Assessed valuation in 2022 increased by 9%. The real estate portion of the assessed valuation is at an all-time high. Mr. Nickles asked how the City of Sandusky compares to other cities with their debt service as opposed to similar sized cities. Mr. Sudsina shared that it boils down to the credit rating, which the city has a very good

credit rating, and it has been maintained. Moody's looks at the credit rating very closely and it is one of their determining factors in their credit rating – how much debt is burdening the city. Moody's finds it to be moderate for Sandusky, so it's right in the average. Mr. Sudsina shared a chart that showed the history of municipal tax-exempt bond rates. He added that this week we are at a one-year high for interest rates, but if you look at it historically, we are still at relatively low interest rates. Mr. Nickles asked when the city will be going out for a note. Ms. Reeder shared that the city has a late September renewal. Mr. Sudsina added that they have recently done a few note issuances, and all have been in similar range to what he shared. He added that he feels that they are fairly stable. A one-year note will be around 2%, 20-year bond at 3.5 – 4%. Mr. Sudsina added that his presentation was about general obligation and the city being able to issue debt without a vote of the people, but when the administration finds additional revenue sources such as tax increase agreement, grants or other revenue sources that are not based on general obligation, it gives the city the ability to leverage itself based on those revenues. Mr. Sudsina added that a new emerging trend in the municipal finance market is called ESG which stands for Environmental, Social and Governmental and those are risks that agencies and others in the industry are beginning to be concerned about. What different parts of the country are subject to different risks based on environmental threats, social threats and other things statutorily with regard to operating the government. He shared that Ohio, especially northern Ohio with water resources, does have an occasional tornado but are not subject to hurricanes, the things that investors are concerned about when lending money to a particular political subdivision. Northern Ohio has a relatively low risk level, certainly on the environmental and relatively low on social, which gets down to demographics. Mr. Nickles thanked Mr. Sudsina for the presentation and added that he feels the committee should review the bond and financing at least once per year to make sure everyone understands what is going on. Mr. Murray recommended that the presentation be attached to the meeting minutes so members of the public are able to view it.

- **May 2022 Financial Review**

Ms. Reeder shared that the city received the second half of the expected American Rescue Plan funds, which was just over \$9 million. She added that there are rules and regulations that they have to work through. The administration is working on figuring out best uses. The city has until the end of 2024 to earmark the funds. The funds are sitting in a separate fund. Mr. Nickles asked if the city has the ability to put the funds in a financial institution such as a CDARS program or Star Ohio. Ms. Reeder said absolutely. She added that is why she works closely with the city manager to figure out timing of when those monies will be needed to be expended. Mr. Nickles asked about the rate the city was getting. Ms. Reeder shared that Meeders Investment Firm is working with the city. It was \$9,045,000 that was received for the second half of the stimulus dollars. The funds are sitting at Star Ohio until the city works through the timing issue of when the city expects to need those funds. The funds are earning interest and the interest goes back to the general fund as the interest does not have to go back to the stimulus

fund. In regards to the May financials, the City has seen an increase in revenue. In May, the majority of the increase was due to income tax revenue. Last year the committee gave the approval to do the administrative subpoena program where RITA sent out the administrative subpoenas. It only cost the city \$1.00 for each letter sent to those who were delinquent. The program cost the city \$5,994. They are giving quarterly reports. At the end of March they were able to collect \$88,301 in income tax revenue. This program cleaned up a lot of delinquency from different years. Mr. Murray asked if the program was clipped by the General Assembly, eliminating the ability to send the subpoenas. Ms. Reeder shared that she had not heard anything about it. Ms. Reeder shared this program was done in 2021, but she would follow-up on Mr. Murray's question. Ms. Reeder went on that for every dollar that RITA collects, they retain 3%. In May of each year, RITA does a true up where they look at their actual cost and recalculate their administrative fee. In 2021, the actual administrative cost for RITA was only 1.52%, so the city got almost half of the money back that was retained by RITA. It resulted in a refund of \$166,046 back to the City. May financial revenue was up compared to last year, we are up about \$1.3 million in income tax revenue. The largest part of the income tax revenue was due to an increase in net profit returns. The city is still waiting to finalize these figures as some net profits were estimated figures, and we could see changes once business returns are finalized. The other large item where there was an increase was the lodging tax, which was up about \$150,000 at the end of May compared to last year. A lot of this is due to timing. Erie County collects the tax and the city now receives it on a quarterly basis. People were required to file in January and the city received the money in February and that was for the last quarter of 2021. All revenue in the general fund at the end of May was just over \$9 million. Compared to last year in 2021, the city had almost \$7.2 million in general fund revenue, so the city saw an increase in about \$1.8 million. On the expenditures side, Expenditures through May were \$8,765,000. Compared to 2020, expenditures were \$8,566,000. In 2021, the city only spent \$6.3 million as we were still reducing our spending due to the pandemic. She added the city has increased expenditures because revenue was expected to be up this year, largely due to the admission tax increase to 8% and the parking tax, so the city has additional transfers that are going from the general fund. Revenue that's coming in from the general fund is getting transferred over to the capital fund so it can be spent appropriately. Mr. Nickles asked Mr. Wobser if he has filled the upper-level positions. Mr. Wobser responded that they are in the process of filling a few positions, but not anticipating any significant positions that are unbudgeted in the 2022 budget. There are vacancies within what was budgeted for 2022. Ms. Reeder shared that the city was at 233 full-time employees at the end of May and the city was at 253 employees at the end of January of 2020, before the pandemic. The city is still down 20 full-time employees compared to January of 2020. The payroll stabilization fund balance is \$399,666. Mr. Nickles added that the committee had talked about a percentage and asked if it was going to be added this year to the payroll stabilization fund. Ms. Reeder shared that there will be around \$140,000 coming out of the fund, so the city will be replenishing

the fund. She added the target balance is \$400,000 for the fund. Ms. Reeder shared that admissions tax and parking taxes were due on June 20. The city has received about \$675,000 in admission tax in June which would have been collected in May. Total for the year for admissions tax is about \$720,000. She noted that a lot of the Cedar Point passes sold were sold last year at the 4% admissions tax rate. Compared to 2019, in June the city had a year-to-date total of \$470,000 in admission tax revenue and today the city is looking at \$720,000. In regard to parking tax, in June the city has collected \$49,600 in parking tax revenue. The general fund cash balance at the end of May was almost \$5.2 million. May of 2021, the cash balance was almost identical. Mr. Nickles asked about the next audit. Ms. Reeder shared that the city completed the 2020 Audit. In January 2021, the state said they were unable to do the city's financial statements. The city went and got quotes and Rea and Associates is doing the city's financial statements. The city is on an extension through the end of July for those statements. Mr. Murray pointed out that although the cash balance has increased relative to where the city was six to seven years ago, it remains about 20%, so the city is maintaining a healthy cash balance. He added that he has a concern about the continued collapse of municipal court revenues. In 2018 they had revenues at this point in the year of \$428,000 and is now down to \$322,000. Ms. Reeder shared that they have had talks with the court and they did see a large amount of tickets generated from Bike Week, so the court does expect a large increase when those citations are paid. The court is not replacing an employee, so they are cautious of their expenditures. Mr. Murray asked if information over time could be presented in a chart.

PUBLIC PARTICIPATION

- None

NEXT MEETING:

- September 16, 2022

ADJOURNMENT

Upon motion of Mr. Moncher and seconded by Mr. Stahl the members voted to adjourn. Chairman Nickles declared the meeting adjourned.



Attest: Michelle Reeder
Finance Director

Date: 9/16/22



Attest: Allen Nickles
Chairman

Date: 9/16/22