

**Chairman Al Nickles called the meeting to order at 8:13 a.m.**

**Members present:** Richard Brady, Steve Tomasula, Brian Allen, Al Nickles, Jim Ruthsatz, Joe Ramey, Craig Stahl, Michelle Reeder (Finance Director), John Orzech (City Manager)

**Ex-Officio members and staff present:** Sally Martin, Stewart Hastings, Law Director; Aaron Klein, Public Works Director; Jeff Krabill, Commissioner

### **APPROVAL OF MINUTES**

**Upon motion of Mr. Tomasula and second of Mr. Ruthsatz, the members voted to approve the minutes of the December 8, 2023, meeting and dispense with the reading of the minutes. Mr. Nickles declared the motion passed.**

### **NEW BUSINESS**

- Mr. Nickles congratulated Ms. Reeder and her staff for being awarded with the Certificate of Achievement for Excellence in Financial Reporting by the Governmental Finance Officers Association of the United States and Canada (GFOA) for its 2022 Annual Comprehensive Financial Report.
- **2023 Audit Entrance conference, Rea & Associates**  
Mr. Nickles shared that the city will be going back to using Rea & Associates for audit services. The city used the State for the past two years and is now back with Rea & Associates. Rea & Associates will complete the city's audit and a separate division under Rea & Associates will be doing the city's ACFR report. Rea & Associates representatives introduced themselves. They shared that the state has a 10-year cap on the number of years a firm can do audits before they require a rotation. Rea & Associates have 15 offices and over 400 employees. They issue about 150 audits a year between cities, counties, traditional schools, community colleges. They have a separate division that compiles financial statements. This division compiles about 100 financial statements for entities each year. Rea & Associates shared they are in the information gathering phase of the city's audit. They shared that State local fiscal recovery funds and transit are the two major programs that will be audited this year. He added that transit is a large enough program to be considered a Type A program, which must be looked at once every three years. State local fiscal recovery funds are deemed high-risk by the federal government and will be looked at this year. They went on to detail their process for the audit adding that everything is due to the state by June 30, 2024. Rea & Associates reviewed the arrangement letter that was issued to the city.
- **2023 financials & January 2024**  
Ms. Reeder discussed the December 2023 financials. She shared that the city had almost \$13.9 million in income tax collection, which was similar to the end of 2022. Admissions tax collection rate went from 4% to 8%, which accounts for the jump in admissions tax.

Lodging tax has been relatively flat for the last two years. Total general fund revenue was almost \$34.5 million collected last year. Most was attributed to the admissions and parking tax increase. In addition, the city had a large interest earning last year of nearly \$1.5 million. The top five departments for expenses were Administrative Support, which also includes transfers; police, fire, horticulture, public realm and municipal court. The increased transfers are due to the increased admissions and parking taxes. In 2018 wages and fringe benefits were \$14.1 million. In 2023, the total spent was still under that figure. Contractual services and supplies and materials were also reviewed. Expenditures for 2023 were \$34.3 million. The cash balance at the end of the year was just over \$6 million. The city aims to maintain a cash balance of 15-20% of what is expended annually, or \$4.6-\$6.1 million. Departments with the largest employee counts are police and fire. There were 245 full-time employees at the end of 2023. Mr. Nickles shared that Moody's, for bonding, likes to see a percentage of cash at the end of the year, which the city maintains. Ms. Reeder discussed more in depth about transfers, highlighting a total of \$12.8 million from the general fund to various departments. Housing received \$500,000; Economic Development (economic development grants) received \$500,000; street department received \$990,000; recreation received \$345,000; facilities and vehicles received \$145,000; planning and special projects received \$20,000; public art and programming were set up by ordinance. Public art gets 1% of the previous year's admissions tax, or \$94,400. Programming gets 10% of the previous year's lodging tax, or \$182,904. From the increased admissions tax and parking tax, \$6.1 million was transferred from the general fund to the capital projects fund. This is for different promises such as the causeway, destination development and the rec center. Health insurance needed \$1 million from the general fund last year. The city is self-funded for insurance, so if there is a shortfall on health insurance the city is making up the difference. At the end of 2023 the health insurance fund had a \$1.4 million cash balance. Health insurance will be a topic as the city renegotiates later this year with the unions for the next 3 years. Parks and recreation received \$350,000; police pension received \$600,000; fire pension was \$850,000; transit received \$850,000; payroll stabilization fund received \$215,000. Payroll stabilization was created to take care of any retirements or separations, which pays out accumulated sick or vacation leave.

Ms. Reeder reviewed the January 2024 financials. January revenue from income tax is from payments that RITA received in December of 2023. Income tax is down from 2022 but is up from 2023. The difference in income tax right now is net profit returns. Admissions tax and lodging tax were similar. Total revenue collected in the general fund for January was \$1.8 million, which is similar to 2022. Ms. Reeder reviewed expenses by category including wages and fringe benefits, contractual services, supplies and materials, and transfers. Expenditures for the month of January were just over \$2 million, which included some transfers. This was similar to 2020. Cash balance was about \$5.9 million at the end of January. The city gained one full-time employee. Ms. Reeder reviewed the Resource Network report from 2020 as it pertained to employee

count. Ms. Reeder added that the employee count is similar to 2020. She add that there are five police officers that are funded by Cedar Point. There were an additional three firefighters that the city had to hire due to a fact finding report. Mr. Allen asked about long term liabilities at the end of 2023 as an aggregate amount. Ms. Reeder shared they do not have that all compiled yet for 2023.

- **Water & Sewer rate discussion**

Ms. Reeder shared that the most recent water and sewer rate increases were done in 2015, which resulted in a seven-year rate increase. In years 2015 through 2021 there were rate increases. 2022, 2023 and so far in 2024 there have not been rate increases. When the rate study was done in 2015, they looked at the annual revenue and projected out where revenues would be in the future. The projections did not pan out. There was a reduction in water consumption. When usage is reduced, revenue is reduced. Mr. Klein shared that after the 7 years of increases, they would have been looking at additional increases during the 2020/2021 timeframe. At that time, it was nearly impossible to predict where things would be. Due to this, and that residents were struggling financially due to Covid, it was decided to delay possible increases. Ms. Reeder shared information about water and sewer fund balances. The water fund balance is most concerning, which is why they are looking at rate increases right away for water. She also reviewed the revenue for the various funds. Ms. Reeder shared that the city does have agreements with the county for water and sewer. In regards to water rates, whatever percentage increase the city gives to residents, the county's rate automatically goes up the same amount. Ms. Reeder reviewed the decline in water usage, which is concerning seeing the downward trend. Regarding water expenditures, personnel was at \$3 million in 2017 and at \$3.1 million five years later. For debt service, it was \$1.6 million in 2017 and just over \$2 million in 2023. Supplies and materials and travel and training were also highlighted. For sewer expenditures, personnel was at \$3.2 million in 2017 and at \$3.4 million five years later. Ms. Reeder noted the small spike which was a payout to a retiring employee. She also noted that the payroll stabilization fund covers retiring employees whose salaries come from the general fund. Water and sewer funded employees pay for their own expenses when someone retires. Debt service was \$2.7 million in 2017 and \$3.2 million in 2023. Ms. Reeder also highlighted contractual services, supplies and materials and travel and training. Ms. Reeder reviewed the employees who are in water and sewer along with the administrative employees who support water and sewer, such as finance and customer accounting. Chemical costs are contractual expenses and the city does get the best price they can, but the costs of chemicals have risen greatly. Ms. Reeder provided information about what would happen to both the water and sewer funds if there were no increases. The water fund and sewer fund would eventually go into the negative. Ms. Reeder provided a comparison of water and sewer rates of surrounding communities. Some communities do not have sewer charges as they do not offer public sewer services. Sandusky's water rates are the lowest in the area. Ms. Reeder shared what they are recommending for

rate increases, which includes a 15% increase to the water rate in 2024. The average increase a resident will see will be \$3.32. The 15% increase would only be on the water side and it is based on usage. 2025 would also be a 15% increase to water only. The average increase for a resident will be \$3.80. 2026-2030 would be a 3% increase for water and a 3% increase for sewer. With the projected increases, there is still concern for the water fund in 2024. There will be some transfers and advances from the general fund to the water fund this year. EPA mandates will have to be addressed separately. There currently is a sufficient balance in the sewer fund. Increases to sewer fund rates will begin in 2026. At 5 CCF of usage (including sewer), the new bill would be \$76.65 compared to \$73.35. Even with the rate increases, compared to surrounding communities, Sandusky will still be one of the lowest water rates. There will be legislation for the new rates at the next city commission meeting. Mr. Nickles shared he feels this city is being proactive with the rate increases. Mr. Nickles added that EPA has mandates that the city is required to complete. Mr. Klein agreed with Mr. Nickles and shared that the city is in the final year of the EPA's long-term control plan. The EPA will eventually work with the city on new projects/mandates. Mr. Klein added that the debt service rose slightly on the sewer mainly due to large projects. In addition, he noted that various projects on the water side were delayed for so long that it was imperative that they be completed, which was part of the reasoning for the previous rate increase. He also added the projects in the early 2000's will be rolling off the books by 2026 and 2027. Mr. Stahl asked Commissioner Brady if it would be beneficial for the committee to vote on approving the water and sewer increases, to which Commissioner Brady said it would be beneficial, but not required. Commissioner Brady added he feels the citizens appreciate the committee's input. He added that staff have put the city in the best possible financial position and it would be irresponsible of the commission to not vote for the increase.

**Mr. Stahl made a motion to approve the water and sewer rate increases as discussed. Mr. Allen seconded the motion. Roll Call: Commissioner Brady – yes; Mr. Tomasula – yes; Mr. Allen – yes; Mr. Nickles – yes; Mr. Ruthsatz – yes; Mr. Ramey – yes; Mr. Stahl – yes; Mr. Orzech – yes; Ms. Reeder – yes. Chairman Nickles declared the motion passed.**

#### **Five year capital plan summary**

Mr. Klein provided an abbreviated presentation of the five-year capital plan. He shared that the plan is currently around \$73 million for 2024. He added it is a five-year plan so the information is there for 2025 – 2028. The plan is typically front loaded, especially this year with nearly \$8 million remaining in stimulus funding that needs encumbered before the end of 2024. Mr. Klein shared that he has broken down and consolidated some items. An example is major infrastructure which includes Issue 8, parking and admissions tax, CDBG, available capital funds, stimulus funds. There is a lot that goes into each column on the spreadsheet he reviewed. Mr. Klein shared he hopes to present

the capital plan to the city commission and the plan has already been sent to staff.

**Mr. Nickles moved to endorse the five-year capital plan as it was presented. Mr. Ruthsatz seconded the motion. Roll Call: Commissioner Brady – yes; Mr. Tomasula – yes; Mr. Allen – yes; Mr. Nickles – yes; Mr. Ruthsatz – yes; Mr. Ramey – yes; Mr. Stahl – yes; Mr. Orzech – yes; Ms. Reeder – yes. Chairman Nickles declared the motion passed.**

Mr. Orzech added that this is just a plan. He reminded the committee members that projects \$10,000 or more goes to city commission for approval.

**PUBLIC PARTICIPATION**

- None


**ADJOURNMENT**

**Upon motion of Mr. Tomasula and seconded by Mr. Ruthsatz the members voted to adjourn. Chairman Nickles declared the meeting adjourned at 9:15 am.**

**NEXT MEETING:**

- April 19, 2024

  
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**Attest: Michelle Reeder**  
**Finance Director**  
**Date: 4/19/24**

  
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**Attest: Allen Nickles**  
**Chairman**  
**Date: 4/19/24**