

Audit/Finance Committee Meeting Minutes

October 21, 2016

9:00 AM City Commission Chambers

Committee Attendees: Moncher, Gardner, Allen, Stahl, Nickles, Wobser, Solowiej, and Brady.

Chairman Nickles opened the meeting at 7:52 AM. Nickles then asked for a motion to approve the September 23, 2016 minutes. Moncher made a motion to approve the minutes and it was seconded by Gardner. There was no further discussion. **All ayes – motion carried.**

Monthly Report:

Solowiej began by commenting that everything was looking good to date. The general fund revenues were up by about 13% from last year. He noted that this was due mainly to the jump in our income and admissions tax revenue. Income tax revenue is up by about 20% and admissions tax revenue is up about 17% from last year. He advised the committee that the timing difference from last month in the hotel/motel tax line item had now evened out. Admissions tax is above both last year's actuals and the budgeted amount for 2016. Solowiej then advised the committee that the report shows a 14.5% increase in payroll costs compared to last year's actuals. He explained that this was due to a timing issue. By September 30 in 2015, we had only paid 19 payrolls. By September 30 of 2016, we had paid 20 payrolls. So, the increase is due to the one additional payroll being paid. This variance should even out by the end of October 2016. Moncher then questioned Solowiej about the jump in the Liquor/Beer Permit budgeted revenues. It looks like in previous years it was around \$60,000 but the report is showing a budget number of \$291,866. Solowiej reviewed the report and found that the rows were not aligned properly, that it should be in the \$60,000 ballpark. He advised the committee that he would correct the report and send out a revised copy. Nickles then asked Solowiej how the courts were doing. He advised that they were doing really well and that he had been working closely with the clerk to help her get a better understanding of the courts fit into the overall numbers. Nickles was pleased to hear this, since they would be required to fund a portion of the new justice center project. Solowiej feels that the clerk has a good grasp of how we need to move forward and how they need to cover their costs. Solowiej advised the committee that he had taken a look at the October numbers and they were still looking good. He explained that if you look at the total income tax revenue numbers through October, the city has collected more than they had collected for all of 2015. Moncher then asked Solowiej why the data processing center revenues were lower and Solowiej explained that it was probably due to a missing lease payment from the cell phone towers. He advised he would have to research further to be for sure. Brady then asked why the police department's revenues were so high and Solowiej responded that the courts have been very aggressive in their collection process which in turns helps the collection of police fine revenues.

Gardner then noted that the employee count was up 15% from our low. He asked if Solowiej could add more years to his report, so that it would better show this increase. He feels that the public would like to see how the passage of Issue 8 has increased staffing levels, to provide more services. Nickles agreed that it would show from 2008 on, because that was the time period where the city was having to cut, cut, cut staffing. He feels this will show how things are getting better, because we have these additional funds. Solowiej agreed to adding additional years to the report. Wobser also advised the committee that they are currently working on the Annual Report for the city and that they intend to include all the increased services that have been made possible due to the passage of Issue 8. Gardner sited an example of where he was at a church meeting

and the city had a neighborhood initiative guy there speaking with the church group. In the past you would not have had this individual available to attend this type of meeting. Brady agreed that we need to show the public that we didn't raise their taxes just because we wanted to, but to provide them with better services.

Nickles then asked Solowiej if we had a bond review this year and Solowiej responded that we had not. Moncher asked if we had an annual surveillance call and Solowiej responded we had not. Solowiej explained that Ohio was behind in the rating review and that could keep our rating down. Nickles suggested it might be good to ask for a review. Moncher agreed and asked Solowiej what our status was. Solowiej advised that we were considered stable, which was an increase from our previous rating of negative, so we are moving up. Allen asked Solowiej how much it would cost to have a review done and Solowiej advised it would be a couple thousand dollars. Nickles suggested that we may want to have one done before we go out for additional debt. Solowiej advised the committee that we had a review done last year, prior to our refunding of a \$7 million dollar note. Allen asked what our rating was at that time and Solowiej advised we were at an Aa3 rating. Moncher agreed that Moody's views Ohio as the rust belt and holds our ratings down because of it. He suggested having them come out to visit Sandusky so that we can show them all of the progress that's going on in the city. He feels this might make a difference when it comes to our rating. Brady asked the committee if they felt the larger cash balance would change their mind and help us to increase our rating and Moncher advised it definitely would. Allen explained that we would have to go from stable, to positive, then to an increased letter rating. Gardner thought it helps us if Moody's is hearing from us, the hospital, and Cedar Point that things are changing in northern Ohio. Nickles thought Moncher and Hoffman would consider helping us show them the changes in the area. Solowiej advised the committee that the GFOA conference is in Cleveland next September 2017 and our Moody's representative usually attends that conference. He thought he would extend an invitation to him, so that he might be able to come down and visit us while he is in town for the conference. Moncher agreed that it would be a good idea, that way he can see all the good things happening in Sandusky. There was no further discussion. Gardner then made a motion to accept the Standard Report and Stahl seconded the motion. There was no further discussion. **All ayes – motion carried.**

New Business:

Nickles then asked for an update on the draft budget. Solowiej explained that he had just received all of the draft budgets from the departments and was going to be meeting with Wobser on Monday to go over them. Nickles suggested it might be hard to estimate the income tax and admissions tax revenues for next year and Solowiej agreed. Gardner then asked if the city was including funds in the budget process to go towards the Lake Erie initiatives for such things as septic/storm separation, etc. Klein explained to Gardner that he has had discussions with Sherrod Brown regarding these initiatives and that the initiative was getting pushed through the Senate to be voted upon. Brown advised that he was going to push hard to get some of that money for our area. Gardner asked if there were things we needed to be doing right now to prepare for those funding opportunities. Klein explained that we have been working on the prep work. First, we been reviewing the sewer overflow problem from the '99 version to make sure it's still working. We are in the final phase of getting that approved. Secondly, we are working on a green infrastructure approach to tackle the \$122 million dollar worth of improvements the EPA has suggested for the city to deal with overflow problems. We believe if we go the green infrastructure route, we could reduce those costs down to around \$36-87 million dollars. We need to prioritize the projects, so that we can work it into the city's five year capital plan. Then once the money is approved, we will apply for the grants to start the implementation of some of

these projects. Stahl then asked Klein, if he knew what Detroit has been doing, since we feel the effects of their environment. Klein advised that they were making some improvements, but maybe not as much as they should. He explained that Toledo has a bigger effect on us and there has been a good amount of money going to them and Cleveland to make improvements. The city has recently joined the Cleveland Water Alliance to research the economic benefits that the lake has on our larger cities. They are starting to force cities like Toledo and Detroit to start collaborating on a solution. Brady complemented Klein on him negotiating with the EPA to turn a \$122 million dollar project into a possible \$36-87 million dollar project and noted five of the suggested green projects are already on the board and almost done. This will allow us to get more bang out of our buck, if we are go get some of that grant funding. Gardner agreed that what we are doing is good and it helps to keep the sewer rates down, this will attract businesses here.

Gardner then suggested that the city needs to have a conversation with the city school system regarding tax abatements. He noted that the City of Bellevue offers a 12 year 100% take abatement to new construction. They are capable of doing this since they have an income tax for the schools, so they do not mind giving up some of that tax money for the short term. Nickles reminded the committee that a school district tax would have to be voted in by the public. Wobser advised the committee that the city has been looking at a variety of options as part of their five year strategic plan. He noted that Cleveland too had a 15 year tax abatement and he sees the value in it. He explained that they are trying to come up with a balance that would be effective in this city. He advised discussions are being had with commission and the school system, because this is such a big marketing tool for new development.

Nickles then asked for an update on the city hall move. Solowiej advised that we had made half of the \$80,000 payment to Marous Brothers. Wobser then explained that Marous Brothers had meet the September 30 deadline to file an application for historical tax credits and expects them to hear back by the end of the year. The state pre-scores applications, so that adjustments can be made to them if necessary, and they scored an 84 out 100. He noted in the last round of credits the state gave out, anything with a score over 80 received tax credits. He also explained that the fact no one in the county has received tax credits for a long while, will give them a better chance in the competitive process. If by chance they are not awarded the tax credits in this round, they can re-apply in six months. Wobser then explained that the next step after the credit approval, would be to negotiate a lease agreement.

Nickles then asked for an update on the justice center move. Wobser explained that they have established a site selection committee and they are in the process of developing a site selection criteria form to be used by the committee to evaluate prospective sites. The hope is to then advertise it to the community to allow those with available property to apply for consideration. Once those applications are returned, the committee would narrow the selection down to two sites to evaluate the properties. Moncher suggested the American Crayon site as a possible location and Wobser advised it had been considered, but there may be some environmental concerns at that location. He explained those types of issues are why they wanted to have a couple of options to evaluate, in case site problems arise in their research.

Nickles then asked for an update on the Water Street project. Wobser advised that there has been some activity there, some equipment has been moved in. Permits have been pulled by the developer and they are current on their loan with us. Wobser explained that the developer is trying to decide whether or not to open by year-end or wait until spring but they are moving forward. Gardner asked about the vacant property next door to the restaurant. Wobser advised that the developer has architect plans developed and is currently working with the bank to get the

funding in place. He is about a year behind on this part of the project. Gardner asked if they were required to have a performance bond for this project. Wobser advised the way the loan was written, they must be opened by June of 2017. Wobser reminded the committee that there was sense of urgency with this project when it was established, because the roof had collapsed and the building needed to be demolished. He is confident the city will be made whole by June and if things look otherwise, they will be on them to get the project done. Since they are current on their loan, our hands are tied, and there's not much we can do at this point.

Nickles then asked the committee members to look over the proposed meeting dates for 2017 that Solowiej listed on the agenda. He asked everyone to review their calendar and advise Solowiej of any conflicts they might have and the committee will vote on them at the next meeting.

Nickles then asked if anyone had anything else and Solowiej had one more thing. He wanted to invite the committee members to the November 14, 2016, City Commission meeting because a representative of the State Auditor's office would be in attendance to present the City with the Auditor's Award. He explained to the committee that less than 5 percent of the state's public entities receive this award, so it is a great honor for the City. Stahl then took the opportunity to congratulate the finance committee on their outstanding work over the years and noted that they have stood the test of time. Due to their diligence in getting online reporting for the public, the city has become transparent when it comes to their financial reporting. Wobser then advised the committee that he and his staff were working on pulling together the Issue 8 spreadsheet to include the items they had requested. He explained that he has a new administrative assistant and that is one of the projects he has her working on.

Nickles then opened the meeting up to the public. No were no comments from the public.

Motion to adjourn made by Stahl and seconded by Moncher. **All ayes – motion carried.**
Adjourned at 8:40 A.M.