

Audit/Finance Committee Meeting Minutes
February 19, 2016
7:45 AM City Commission Chambers

Committee Attendees: Allen, Gardner, Nickles, Moncher, Stahl, Ruthsatz, Solowiej, Wobser, Murray, and Brady as alternate if needed

Chairman Nickles opened the meeting at 7:51 AM and expressed joy of being able to gather and discuss about good things today. He asked for a motion to approve the December 18, 2015 minutes. Moncher made a motion to approve the minutes and it was seconded by Ruthsatz. There was no further discussion. **All ayes – motion carried.**

January Monthly Report:

Nickles teased Wobser a bit over his concern last year with the slow start of income tax revenue coming into the City. Nickles had assured him that it would come in by year-end and it did. Solowiej agreed with Nickles, noting that income tax in January of this year had doubled compared to last January. He also noted that this was the first time in about 5 years that we had a net gain in January. Usually, January is a slow month because receipts are usually slow to come in. He had checked February's numbers year to date and we were still up about 60% and noted that there had been a very steady stream of people coming into the office over the last few weeks to pay their income taxes. There was no further discussion. Ruthsatz 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:

Issue 8

Solowiej began reviewing the summary report he had updated. He explained that the front page provided a general summation of how the line items had been funded in 2015. \$250,000 had gone to the Housing and Blight initiative, \$250,000 had gone to Economic Development programs, and \$1,000,000 had gone to Infrastructure. He also explained that in the future, any re-paid Issue 8 money would go back into the fund it was initially paid out of, so it would increase the availability of future Issue 8 funds. He then explained that the backside of the sheet provided a summation of how money was spent out of these funds in 2015. He then asked the committee if they were comfortable with the setup of this report. Moncher advised the committee that he liked the format, and Nickles agreed that there was enough detail included in the report.

Wobser then passed out his updated Issue 8 spreadsheet that gave more detail on what has been committed when it comes to the Issue 8 funds compared to Solowiej's sheet that showed what actually has been paid for. Wobser explained that they had been working on a master plan when it comes to these funds to be submitted to Commission. Part one was the Economic Development portion of the plan, which the newspaper had run an article on last week. From that article, they have had a lot of interested parties contact the City requesting more information. It is their hope that next month the Housing portion of the plan will be presented and then the month after that the infrastructure portion will be ready. Nickles then asked the committee how

they felt with all the Issue 8 information they had been provided. Allen asked if the amounts should reconcile between the two reports. Wobser explained that Matt Lasko was updating his sheet to tie the spent and committed numbers together. Stahl then suggested to the committee that maybe this sheet should be added to the City's website, along with the normal monthly financial reports. Nickles suggested that we wait until after next month's meeting, to allow all the committee members to review reports and suggest any changes they would like to see made to it. Then have Solowiej add it to the list of reports on the website. Brady remarked that he was not a bean counter but wanted to note the last column of the report that showed all of the Economic Development that has taken place in the City because of the funds provided by Issue 8. He believes it is time for the City to be bold, but not reckless with these funds. Nickles agreed that as we leverage these funds to help businesses, we will see the returns in income taxes being paid to the City, increased employment numbers, etc. Nickles then asked the committee to notify Solowiej of any changes they would like to see on the reports by the next meeting and copy the committee members, so that they can revisit the topic in March. Solowiej agreed and noted that changes can be made as we go along as needed also. Nickles then thanked staff for working these documents up for their review.

2016 Budget

Solowiej then passed out the budget packets for the committee to review. He explained that the department heads had done a really good job of putting their budgets together. He believes it may have been a bit easier this year, since we now have a strategic plan in place to help with the overall framework of the budgets. He advised the committee at this point we have a balanced budget. We are showing \$20.5 million in revenue and \$20.42 million in expenses, which would give us an ending cash balance of approximately \$4.3 million dollars or 21% reserve. He realizes this is still a low ending balance in % terms, but currently there is a sense of urgency on implementing core objectives of the strategic plan. The hope though is that this balance will grow over time. Nickles then asked if the City has to go to Standards & Poor's, like Moncher does at the hospital. Solowiej advised that the City has to meet with Moody's at note renewal time. Solowiej is excited to meet with them this year, because the City has so many positives to go along with the 21% fund balance. Allen asked if we had been paying down any of our debt service. Solowiej explained that we have been paying down our debt, but we will also be adding some new debt with the addition of a fire truck, ambulance, and some salt trucks. So, that is why the debt numbers will go up this fall. Solowiej then explained that we have been paying notes off fairly quickly, usually between 5 to 10 year payoffs on smaller purchases. Moncher remarked that this was a good idea, with the low interest rates we have. Solowiej agreed noting that our current net interest cost on our notes is approximately .60%. Nickles reminded the committee that we have been getting a lot of bidders these days on our debt renewal, compared to limited bidders in the past. The more competition the better.

Wobser advised the committee that he was happy with the budget and he felt good about where we are at. He explained there has been a lot of new productivity in the budget with the transfer of \$1.7 million from the General Fund to the Capital Infrastructure/Housing & Blight/Economic Development funds. With these funds, we hope to retain and grow private investment. He advised that many of the new positions from last year only had a partial effect on the budget in 2015 and would have a full effect on 2016's budget. Wobser cited the 10 new bodies in the public service area and how they have been able to reduce the number of complaints from citizens. He explained that we are not perfect yet but we are working towards it. Wobser then referenced the increased staffing within the Police Department, which will carry forward into this year. They have finalized the contract with the union for the next 3 years, with an increase in year one and then we should stay neutral in years 2 and 3. He then went onto the Fire

Department and noted that they have been able to keep all three stations going and were also able to purchase some additional equipment which will allow them to provide better service to the public. Next, he went on to the Housing Department and advised the committee that they are now almost back to the full staffing levels of 2004. They have better organized the department, to help efficiency. He then went on to the increase in the Public Works staffing. They are now able to perform more projects with the additional staff. They are coming up with a five year capital improvement plan to help guide them into the future. They are also applying for more grant funds, so that we may leverage our money to get the best return. There may be a possibility that we may need an additional engineer or inspector in the future to assist with all these new projects. Then finally Wobser spoke about the Administrative Service department. They are looking to streamline this department, by making some changes to the reporting structure to both law and finance. He feels there may be cost savings by doing this and should improve the efficiency of the office. Overall, he was very hopeful that we could add money to the reserve balance at year-end and improve the services provided by the City which would attract businesses to the City.

Nickles then reminded the committee that they had discussed last year reviewing the different Enterprise Funds that the City has. He was wondering if they might be able to get updates once or twice a year on these funds for them to review and discuss. He explained to the committee that they had promised the public to review all the City's funds and that it was not to look at increasing the rates. It was just to review their revenues and expenses and to make sure we were making good decisions. Murray thought that was a great idea. Nickles then noted the next Finance Committee meeting was on March 18th and wondered when the City Commission would be voting on the budget. Solowiej thought they would be voting on it at the March 14th Commission meeting if the committee was ok with us proceeding with this budget. Solowiej reminded the committee that the March 18th meeting would primarily be to meet with the auditors before they begin our 2015 audit. Nickles then asked Solowiej if the budget presented was a "strong draft" of what would be going to the City Commission. Solowiej advised there were just a couple of things he needed from Director Aaron Klein to finalize the budget, but they would be under \$2,000. Moncher then made the motion to recommend this budget, along with the small changes and Stahl seconded the motion. Moncher commented what a nice job they had done on the budget. There was no further discussion. **All ayes – motion carried.**

Nickles then commented that it's nice to budget for the future when you have money to budget with and it was very nice that the voters allowed us to have that money to work with. Nickles reminded the committee that it was time for the City to be bold, but not reckless. Solowiej then remarked that it was very nice to have a Strategic Plan in place, so that everyone knows the direction City Commission wants us to go and everyone is on the same page when developing their budgets.

Murray then noted that the budget would be voted on at the first meeting in March. He was not sure if they would vote on it once or twice, it will be up to the Commission if they need more time to review and discuss. He did advise it would go into immediate effect either way. He then advised that they hope to have the capital budget to the committee in March. Nickles explained that Moncher does an amazing job at the hospital with their capital budget. He usually does a list of items that are over a \$50,000 threshold and then adds a contingency amount to be used on smaller purchases. Moncher explained that he usually has each department head give him a list of items over \$50,000 that they will need to purchase within the next 3 years. Anything they need under this threshold they can purchase without board approval, as long as the contingency funds permit. If an item is on the list and the board has approved the list, they can go ahead with the purchase. Each item does not have to go to the board on an individual basis. Only those that

were not budgeted on that list, would go to the board for approval if over \$50,000. Murray stated the capital budget will be aligned with the City's strategic plan. Wobser explained that the goal of the capital budget is to be as transparent as possible on where the City plans to go in the next 5 years. He believes that private investment might mirror our investments, if they know ahead of time where we are putting our money and when. He plans on bring the capital budget to the Finance Committee for review once it is complete.

Gardner then asked Solowiej where the Street Fund would fall in this budget. Solowiej explained that it was a separate fund and that it was not included in this budget, because this budget was only for the General Fund. Solowiej said that he could get him the information on that budget if he would like it. Nickles brought up the review of the Enterprise Funds again, saying that he would like to analyze each of the funds to ensure the current rates will support the funds. Gardner explained that over the 15 years of him being on the Finance Committee the most complaints he had received from voters was on the water and sewer rate increases. He feels this is why we need to pay closer attention to these funds, to make sure we don't have those big jumps in the future. Solowiej agreed that we should have had smaller increases over time rather than the larger increases we had at one time.

Nickles then opened the meeting up for public participation.

Public Participation:

Sharon Johnson agreed with the committee that the Issue 8 summaries should be posted online for the residents of Sandusky to see both the commitments and the expenditures. She then told the committee that she fears another water and sewer rate increase coming after their discussion of reviewing the enterprise funds. Nickles reiterated that a rate increase was not why they wanted to review the water and sewer budget. Wobser supported Nickles by saying that the water and sewer rates have been set by Commission for the next few years, so changes to them should not be made. Ruthsatz commented that the balances did look low. Wobser said that Aaron Klein does monitor the revenues coming in and plans projects accordingly. Brady reminded the Committee that we are spending dollars now that we will finance at a later date, so these reports are just a snapshot of a moment in time. Solowiej also reminded the committee that our OWDA debt service payments are made 1/1 and 7/1, so January and July cash balances will always look worse than other months. He also noted that we have spent approximately \$1.2 million on the grit tank project, which we should be getting back in the near future.

Motion to adjourn made by Stahl and seconded by Solowiej. There was no further discussion.
All ayes – motion carried.

Adjourned at 8:30 A.M.