

Audit/Finance Committee Meeting Minutes

February 23, 2018

7:45 AM City Commission Chambers

Committee Attendees: Moncher, Stahl, Nickles, Hoffman, Lloyd, Ruthsatz, Solowiej, and Wobser.

Nickles called the meeting to order at 7:53 A.M. Nickles introduced the new City Commission appointment to the committee, Nikki Lloyd. He then asked for a motion to approve the minutes from the last meeting. Moncher made the motion, with a second from Ruthsatz. There was no further discussion. **All ayes – motion carried.**

Solowiej then presented the committee with the January 2018 report. Revenues coming in were up approximately 3%, with an increase of 3.5% in income tax revenue. The admissions tax number was a little distorted due to a timing issue from prior year. Nickles then asked Solowiej if he had any concerns over the impact of HB49. Solowiej advised he was not sure of the impact yet of the state processing payments. He felt there may be a timing issue if they were slow to process. He was not exactly sure how many businesses will elect the change.

Solowiej then noted the driving force behind the variance in expenses from this year to last was the number of employees. Last January we were at 234 full-time employees and are currently at 245 full-time employees. He explained that the city has filled approximately 90-95% of the new hires they were projecting. In the General Fund, there is still the Assistant Fire Chief that needs to be filled, along with a possible addition in community development for a Neighborhood Coordinator. There are another 5 employees that are spread out over other funds. Nickles then asked if they knew of any large retirements yet that may occur in 2018. Solowiej noted that Assistant Police Chief Frost has informed them of his retirement this year, which will likely result in a large payout. He reminded the committee that we had funded the Payroll Stabilization Fund with \$300,000 last year, which increased the balance to around \$484,000. Solowiej also noted that 2020 is when the 27th payroll will hit. He advised that he would like to keep that balance up to cover that additional cost. He estimated that the extra payroll would cost the city approximately \$400,000. Ruthsatz then asked Solowiej how that fund is funded. Solowiej explained that a transfer is done at year end, once we have determined how much excess is available to move into that account. Moncher asked if that fund balance could be added to the monthly report, so that the committee could monitor it over the year. Solowiej agreed. Moncher then made a motion to accept the report and Hoffman second that motion. There was no further discussion. **All ayes – motion carried.**

Solowiej then presented the committee with the final Issue 8 report for 2017. He explained to the committee that they were changing the way they approached the infrastructure portion of the Issue 8 funds. They have found that there are so many things being run through that section, with many departments using those funds, it was very hard to manage. They have decided to split the Infrastructure column into 4 sub-accounts, to better manage the funds. The funding amount for infrastructure will still be the \$1.5 million dollars, but it will be divided between these four sub-accounts. It will still be funded four times a year as revenues come in. The four sub-accounts will be streets receiving \$985,000, parks & recreation receiving \$325,000, vehicles receiving \$145,000, and arts/special programs/planning receiving \$45,000. We have received positive feedback on this change from our other directors.

Nickles then asked Solowiej if we had received the \$100,000 back with interest from Water Street and Solowiej advised that we had. Nickles also informed the committee that he had heard on Tuesday that Lake Erie Shores and Islands was going to be moving down to Water Street and that would be a great addition to the neighborhood. Moncher then made a motion to accept the 12/31/17 Issue 8 report and Hoffman second that motion. There was no further discussion. **All ayes – motion carried.**

Solowiej then presented the second draft of the 2018 budget to the committee. He reminded the committee that they had reviewed the first draft back in November. He explained that a public hearing will be held at the March 12, 2018, City Commission meeting, with the City Commission voting for the first time at that meeting. A newspaper ad with the budget information will be posted prior to the public hearing. Then a second reading will be presented at the March 26, 2018, meeting to have the budget passed under Section 14. Nickles reminded the committee that they would be meeting again on 3/23/18, right before the second reading. Solowiej explained that he would be presenting the budget at a high level and that it matched both the Strategic Plan and Bicentennial Plan that had been previously passed in 2016. It is a balanced budget, which will hopefully add to the city's reserve at year-end. Last year's budget had a reserve of \$4.7 million dollars, which was a reserve of 21%. The proposed budget would be very similar with a target reserve of \$4.775 million dollars or 20% reserve. He noted that there were 3 or 4 extra positions budgeted this year, taking our total full-time employee count up to 250-255. The budget process has been a lot smoother over the last few years, with great discussion had between the department heads. Solowiej noted that Wobser was willing to make adjustments when needed and he is comfortable with the manager's numbers. He did note that they may have to change a bit of the detail, but page one is where they are hoping to be.

Hoffman then asked about the numbers for police and fire, he wondered if they were contractually set. Solowiej explained that they have been maintaining their overtime hours. The police department did have increased overtime, but had revenue dollars coming in to cover the off-duty hours. He noted that Chief Orzech usually comes in under budget. Stahl then asked if part-time fire fighters could be used to reduce the overtime in the fire budget. Solowiej believed that as long as we keep the full-time employee number intact, we may be able to supplement that number with part-time fire fighters. Stahl felt this would be a good place to cut costs. Solowiej agreed, as it would be similar to how the police department uses reserve officers to maintain staffing. Moncher noted that we were previously staffed at 53, but look to be at 47-48. He wondered if we were ok at that level. Solowiej believed we were because an exact number is not set in the union contract. He agreed to look into this further with Wobser and the Fire Chief. Moncher then made a motion to recommend draft 2 of the budget, with detail modifications, to the city commission. Hoffman then second that motion. If drastic changes were to be made to draft 2, the committee would like the option to re-vote if needed. There was no further discussion. **All ayes – motion carried.**

Nickles then reminded all in attendance that the committee will meet again on 3/23/18, representatives from Rea & Associates to be present to have the pre-audit conference. Rea & Associates will then come again in June to have the post-audit conference. Nickles reminded the committee again that the city has received the GFOA award 26 years in a row and the State Auditors award for the past 4 years in a row. He explained that this shows the community that the finance department is a good steward of the city's money.

Nickles then opened the meeting up to the public.

Public Participation:

Sharon Johnson asked the committee if they could move the public art sub-account under the development category instead of the infrastructure category. Solowiej advised that infrastructure was a better place for it, because it is more than just art related projects. It also involves planning projects, which ties to infrastructure projects. She then asked if they were increasing the Issue 8 dollars this year. Solowiej advised that they were going to be funded at the same amounts they were last year. \$300,000 going to housing and blight, \$500,000 going to economic development and \$1.5 million going to infrastructure. Those infrastructure funds of \$1.5 million would then be split between the four new accounts. \$985,000 to streets, \$325,000 to parks, \$145,000 to vehicles, and \$45,000 to arts/special projects/planning. She then asked if you could develop a stabilization fund for vehicles, like you have for payroll payouts. Moncher explained that would have to be taken out of operating dollars to do that. We have specific funds for capital, so the funds already exist. Wobser reminded the committee and the public that \$800,000 was approved for infrastructure when Issue 8 started. We have since increased the amount for infrastructure and added art, vehicles, etc. A onetime adjustment can be made if money is there. We can always move it to infrastructure. Moncher suggested waiting 6 to 8 months and then review the new setup. He feels it will be easier to monitor street work with the split of the new categories. Wobser explained by splitting these funds, CDBG dollars will be freed up to do other projects. Lloyd agreed with the committee that she feels this new reporting style will be much more transparent on where the dollars are going. She explained that it is much more than just art that is going into that category and maybe we could look at changing what we call that bucket of funds.

Motion to adjourn made by Moncher and seconded by Ruthsatz. **All ayes – motion carried.**

Adjourned at 8:35 A.M.