

Audit/Finance Committee Meeting Minutes

September 15, 2017

7:45 AM City Commission Chambers

Committee Attendees: Moncher, Stahl, Ruthsatz, Nickles, Murray, Solowiej, Wobser, and Brady (alternate)

Nickles called the meeting to order at 7:55 A.M. Nickles asked for a motion to approve the minutes from the last meeting. Ruthsatz made the motion, with a second from Moncher. There was no further discussion. **All ayes – motion carried.**

Nickles then jumped ahead in the agenda items to the Moody's rating call update. He advised the committee that this was the first time Moody's had visited the City of Sandusky during their review. Nickles, Solowiej, Wobser, Stuart Hamilton (IT dept.), and Mike Sudsina (financial advisor) were all involved in the visit. They usually allow an hour for the review. They began the meeting and two hours later, after great conversation with staff, the sit down portion of the meeting concluded. Nickles noted what a great job Solowiej and Wobser had done selling the City of Sandusky. The Moody's representatives were very impressed with how the city was using Issue 8 dollars. One of the representatives was from Chicago and one was from Wisconsin. Everyone was very passionate about the progress the city has been experiencing over the last few years. They even found that many of Sandusky's programs were comparable to those found in larger cities like Cleveland and Columbus. The representatives loved our rainy-day fund percentage and that we were keeping our cash balance up. Nickles advised the committee that they had asked for a higher rating due to these positive initiatives. He believed we had a chance of going up in rating, but should at least stay the same if nothing else. They then moved on to the city's numbers. They were impressed with the city's five-year capital plan and the flexibility it had to move projects around if funding fell short. After the sit down portion of the meeting, Solowiej had arranged a bus tour of the city to highlight the many improvements that had been made over the past several years. Matt Lasko & Maria Muratori explained the City's housing/blight programs and showed many of the success stories that had come out of the program. The representatives could not say enough good things about what the city was doing. After the bus tour, the representatives stayed around to have lunch down at Dockside Cafe. They loved the view there. After lunch, city staff left and the representatives spent another 45 minutes with Nickles, discussing the city from a business professional's perspective. In the end, Moody's spent approximately 5 hours reviewing the city, where we would normally only get an hour at the most. Overall, Nickles felt the meeting was very beneficial when it came to the annual rating and suggested that we get with the newspaper for an article when the rating is received. Murray noted what a turn around this was from 2008 when we were wondering who was going to turn the lights off in the city. Solowiej advised the committee that we should hear something from Moody's by Monday of next week. Murray then thanked Nickles for the time he invested in this process and agreed that the community needed to hear about these positive reviews. Nickles reminded the audience that a higher rating would help with the city's interest rates when it comes to financing projects. Nickles then asked Solowiej to estimate what interest rate we would receive and he estimated 1-2% with a good rating and 3-5% with a below average rating.

Solowiej then presented the August report to the committee. He stated that the cash balance at the end of August was at six million dollars. Income tax revenue was up 2%. Hotel/Motel tax revenue was up about 6% and expenditures were remaining steady. Admissions tax revenue was a little behind, but he anticipated that bouncing back with some strong Halloweekends. Investment

income was also doing better. He reminded the committee that the next Issue 8 transfer would be in October. Moncher then made a motion to accept the report and Ruthsatz second that motion. There was no further discussion. **All ayes – motion carried.**

Solowiej then presented the committee with the Issue 8 report. He believes that the city is being very transparent to the public with this report that shows exactly what the city is spending these dollars on. The Issue 8 report was then handed out and the committee was reminded that Housing/Blight would be getting \$300,000 dollars this year, Economic Development would be getting \$500,000, and Infrastructure would get \$1.5 million dollars. As of this report, it had been funded through July. The ending balance was looking pretty good and we plan to spend most of last year's carryover in the current year. Maria Muratori had advised Solowiej that the remaining balance left in E & D has been fully committed and they are just waiting for residents to finish up their projects to draw the funds down. Wobser noted that the sidewalk repair program was the driving force behind the infrastructure projects this year.

Ruthsatz then asked Solowiej where the Payroll Stabilization fund was at currently. Solowiej explained that we have funded the account with \$300,000 last year and due to some retirements, the balance is down to \$125,000. It is his goal to try and get it to around \$500,000 if possible. Chief Orzech then commented that they have a big retirement year coming in 2020, where we will take a huge hit. He is estimating 5 or more retirements that year.

Nickles then reminded the committee that the next meeting will be on October 20, 2017. Moncher then asked for an update on the upcoming note renewal. Solowiej explained that we had a 1 year various purpose note renewal coming up in the amount of \$2.9 million dollars. It included items like the new ladder truck, Bayfront corridor project, and the new salt trucks. The committee asked if Solowiej could send out an e-mail with the new rate, when it comes in and he agreed.

Solowiej advised the committee that he will be a speaker at the GFOA Conference next week in Cleveland on how to prepare an effective MD&A and transmittal letter in a CAFR.

Nickles then opened the meeting up to the public.

Public Participation:

Sharon Johnson advised that she had three items for the committee today. First, she had a question regarding the carryover of Issue 8 funds. She wondered if there was a limit on the amount that could be carried over and if there was a time limit on the carryover. Nickles advised that he had spoken with Law Director Harris regarding these two questions and he was not aware of any restrictions when it came to carryover. She then advised the committee that she is very concerned with the amount of debt the city will be incurring with these four new projects coming up. She then asked about the rainy-day fund. Nickles explained to her that the rainy-day fund is the general fund's cash balance that is carried over from year to year. In the past, it was down to 16-17% and we have been striving to get it up to 22-26%. Currently we are at 23% which is quite good. Solowiej advised at the end of 2016 the cash balance was \$4.087 million. Murray explained to Johnson that we deal in percentages instead of actual cash balances, because our revenues are so seasonal. Using a percentage is a better measurement for the city.

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

Adjourned at 8:30 A.M.