FINANCE AND ECONOMIC DEVELOPMENT COMMITTEE

MARCH 28, 2016

The meeting was called to order at 5:00 p.m. by Chairman Jim Matuszak. Committee members present were John Kevern, Jim Matuszak and Tim McCarthy. Also present were Bridgette Kabat, City Administrator, Dave Creps, Finance Director, and Steve Bronder, Income Tax Commissioner.

REVISED LEASE – 221 WEST INDIANA AVENUE

Ms. Kabat stated that the business that rents the city-owned building at 221 West Indiana Avenue was sold to a new entity so the lease needs to be revised to reflect the name of the new lessee. The terms and conditions of the revised lease are the same as the existing lease and will be for one year with an automatic one-year renewal if not terminated by either party. The committee agreed 3-0 to recommend approval of the lease.

FINANCE DIRECTOR'S REPORT

The Committee reviewed expenditures over $5,000 for February 2016. There was discussion regarding arrangements for road salt purchases, the budget and current inventories, the water towers and lighting, and the Fort Meigs Road widening project. Mr. Matuszak asked if all the legal issues have been resolved regarding the Fort Meigs Road widening project; Ms. Kabat said that they have been. Mr. Matuszak asked if the February payment made to the Edge Group is the final bill. Ms. Kabat said if it is not the last one, it is close to it. Mr. Matuszak asked if payments to the Edge Group are still within the $110,000 contract and Ms. Kabat said that they are.

Mr. Creps reported that the balance in the Health Insurance Fund as of February 29, 2016 was $537,068.34. Claims are down. Mr. McCarthy initiated a brief discussion regarding health insurance funding and employees' contributions for the bargaining units.

Mr. Creps explained that he was approached by a municipal advisor about advance refunding relative to the sewer bonds the city issued in 2009. According to the advisors, the interest rate currently being paid by the city would be reduced from 3.98% to slightly less than 2%. The administration is proposing the use of $1 million of the 402 fund balance to make the advance payments on the bonds and to cover the related transactional costs. However, rather than reducing the annual debt service as a result of the reduced interest rate, the administration would like to keep the annual debt service roughly in line with the current levels thereby paying down the outstanding principal balance at an accelerated rate, shortening the duration of the bonds by two years. The advanced refunding would save the city a projected net present value of $694,000. Mr. Matuszak asked if the projected cash flows for the 402 fund would be sufficient to allow the use of the $1 million. Mr. Creps explained that the $1 million is a conservative amount and that there are in fact sufficient funds in the 402 fund balance and that the administration might want to consider another advanced refunding of existing bonds when the opportunity arises again in a couple of years. There was discussion regarding the opportunity to reduce rates charged for services by the city rather than maintaining the current debt service levels during which Mr. Creps explained that any rate savings would be negligible relative to the total periodic charges per customer. Ms. Kabat added that this is the year the Department of Public Utilities will be doing a rate study. The committee challenged the reliability of the projected net present value savings and the related assumptions. Since the advanced refunding would be a competitive process subject to the daily fluctuations in the market, the actual new interest rate will not be known prior to approval of the ordinance, but Ms. Kabat said she is comfortable the rate will go down. She added that the proposed refinancing would have a provision permitting another refunding or early payoff in five years. There were a couple of unanswered questions from the committee and Ms. Kabat offered to follow up accordingly. The committee agreed 3-0 to recommend approval to proceed with the advance refunding of the 2009 sewer bonds.

TAX COMMISSIONER'S REPORT

Mr. Bronder reported that collections for February 2016 were about $1.35 million. He said this amount is up 23% from February 2015 and all three account types were up from the same period last year. Mr. Bronder said that he was at a Regional Tax Authority meeting recently and most municipalities in attendance were reporting an increase in collections for the first two months of 2016. He said that the consensus was that part of it may be the result of the state reforms making municipal tax codes more uniform, which among other things, lowered the threshold for remitting monthly withholdings from $6,000 to $2,400. In other words, some employers that used to remit withholdings on a quarterly basis are now required to remit their withholdings on a monthly basis, thereby accelerating their deposits. He added that we may see a drop in April withholding collections because of this change. Year-to-date total collections are just shy of $3.3 million which is up 18.2% from the same period last year. Mr. Bronder pointed out that the bulk of the increase relates to withholding taxes, which are up 14%.

ECONOMIC DEVELOPMENT

Mr. Matuszak stated that earlier this year the administration wanted to borrow money from the Revolving Loan Fund for the Riverside Park project. He asked if that request is still on the table. Ms. Kabat clarified that it was a grant request, and she said that additional dollars were requested in the budget amendment. She added that if the committee wants to entertain the request, the additional funds could be used for alternate items that were not fully funded in the amended budget. Mr. Matuszak said his opinion is that RLF funds should not be used for this project. No further action was taken.

OTHER BUSINESS

Mr. Matuszak initiated discussion regarding Section 252.05 of the municipal code which together with the amended budget ordinance provides the administration with the privilege of exercising its own discretion relative to transactions described in the provisional documents. Mr. Matuszak said that he believes the administration used poor discretion abusing its authority when it demolished 111 and 112 Water Street. He explained that the proximity of the two structures, the timing of the demolitions and the use of the same contractor on both demolitions should properly have been viewed as a single transaction or contractual arrangement. He explained that he suspects that the two structures were treated as separate transactions and/or contractual arrangements in order to avoid having to seek council's permission to move forward with the contractor. He added that the fact that the administration did not announce it was moving forward with the demolition until after the close of normal business hours the evening immediately preceding the morning of the demolition further suggests it knew it was taking action that had the potential to be delayed if it didn't act as it did. Ms. Kabat said the administration believes its actions were within its authority as provided in Section 252.05 of the municipal code. Mr. Matuszak disagreed with the administration's interpretation of the specific language in the provision that the administration cited as the origin of its authority. He further asked the committee to consider future legislation restricting the administration's privileges set forth in Section 252.05 of the municipal code. Mr. McCarthy said that he assumes all municipalities have some level that is permitted. Ms. Kabat, at Mr. Matuszak's request, said that she will check with other communities in the area to see what limits they have.

There being no further business, the meeting adjourned at 6:15 p.m.

Respectfully submitted,

Jim Matuszak, Chairman
Finance Committee

Next meeting: Monday, April 25, 2016 at 5:00 p.m.