

FINANCE COMMITTEE MINUTES
of June 27, 2022

In Attendance: **Vermilion City Council:** *Monica Stark, President of Council; Steve Herron, Council at Large; Pat Stein, Ward One; Greg Drew, Ward Two; Barb Brady, Ward Four; Brian Holmes, Ward Five. Absent: Teresa Mayle, Ward Three*

Administration: *Jim Forthofer, Mayor; Tony Valerius, Service Director; Chris Howard, Service Director; Amy Hendricks, Finance Director; Chris Hartung, Police Chief*

Call to Order: Brian Holmes, Chairman, RESOLVED THAT this Finance Committee comprised of the committee of the whole does now come to order.

TOPIC ONE: **Review of Financial Health Indicator Report**

Amy Hendricks said the city has received a draft report that has been provided to council and it does favorably reflect on the city. They have one indicator that is not in the positive outlook category, which is indicator 11 that has to do with percentage of the city's infrastructure and capital assets that need replacement or at the age that they could need significant repairs, which is more than 70 percent. They had dropped from 2020 due to the size of some of the roads they completed in 2021, as well as some of the city's equipment purchases. They made significant improvement through the time from 2018 to the present in the financial indicators. The first several indicators have to do with revenue percentages and those are all on positive trends as they have gone through 2018 to 2021. The unassigned fund balance increase was smaller for 2021 over 2020, but again they were experiencing some of the impacts of COVID on their income taxes and things like that. Also, the city's property tax revenue has increased each year from 2018 – though the increase for 2021 was the smallest they have had in the last three years, so maybe some of these things are starting to level out a little bit for the community. One indicator that has gone positive for 2021 that was critical last year is indicator seven which is the income tax revenue. 2020 showed a drop slightly below the prior year of 2019, which was COVID related. It was not something the city could control at the city level, but it did rebound with a slight increase in 2021. She commented on indicator 10 that shows the city just below the critical line and that is the percentages of intergovernmental revenues as a percentage of the city's total revenue. That has gotten higher in the last two years because of the additional federal assistance through CARES funding and ARPA funding. Again, the only critical indicator the city has is the capital assets and they have been talking about this since the beginning of the year as ways to take care of these issues and make some additional progress. Some of the indicators relate to revenue, which is common benchmark for public entities for indicators of potentially overspending and the city has continued each year to have a greater percentage of their cash that has been able to be reserved for future needs that did drop off in 2021. They had been up over about 325 days of

operating cash for the city, and it has dropped down to just under 300 – about 290 days for those areas.

Mayor Forthofer said since the finance director took office most of these indicators have moved from red, and this is a real testimony to professional fiscal management. The one thing the finance director cannot fix is old facilities and old equipment, and this is the one they have problems with, so this is the reason they brought three projects to council a couple of months ago. He said this speaks well to the work of the finance director.

B. Brady asked if the city's debt is decreasing. A. Hendricks said correct.

TOPIC TWO:Review of Draft Audit Report (2021)

Amy Hendricks said the draft of the Financial Compliance Audit for 2021 was distributed to council as the city received it last week from Charles E. Harris & Associates. They have submitted it to the Auditor of State for their final approval and review. The preliminary report shows no incidences noted of non-compliance with Ohio Revised Code or federal regulations, and no material weaknesses that they made recommendations on. This has been a long time since the city has had a report like this. M. Stark said this is a lot of work and applauded the finance director. A. Hendricks reassured the community the city continues to operate cleanly and accurately as possible.

TOPIC THREE: Capital Financial Planning

Amy Hendricks reported she was able to get preliminary information back from Sudsina & Associates late last week based on what they had anticipated in revenue for each of the various things they talked about to address the capital needs for the city. For example, on the roads they have a couple contributing factors – they have the permissive use and the portion of the income tax forgiveness that could give the city about \$250,000 a year to make debt service. With the lateral replacements for the sewers, which is the EPA fee that was increased, about \$275,000 annually for debt service. For the potential new construction of the police station to enhance public safety there will be about \$400,000. Currently, interest rates are volatile, so they have been losing some ground on what the city can get with each one of these, but to give an idea of the potential of these with the current interest rates, for income tax and the permissive use tax of the roads if they borrowed for 20 years there would be \$3.3 million generated for projects; 30 years \$4.2 million, and for the lateral replacement at 20 years would be \$3.7 million, and at 30 years at \$4.7 million. For the income tax for the police station – 20 years would generate \$4 million, and 30 years would generate \$5.1 million. The last outstanding item on the Special Council agenda tonight is the third reading of the removal of the income tax forgiveness for the taxes that the community has already voted into place, so on behalf of the administration, she asked for council's support for Ordinance 2022-43.

Mayor Forthofer said he listens to the finance director and when she says things are starting to scare her, it puts a little pressure on him. He is more convinced than ever that they need to do the project, and this is a logical source which has already been voted on by the voters, and this will be better now rather than later.

B. Brady asked if any debt would be coming off soon. A. Hendricks said they have about three years left on one of the wastewater projects. It is not a big amount, but that is the only one coming off quickly. G. Drew said if this ordinance passes tonight does it guarantee that the VPD is going to get a new building. A. Hendricks said if it can be done within the budgeted figure, it would certainly be her understanding that this would be a way the city would proceed. Mayor Forthofer said the only point in opening this subject, is to help fund a police station. The finance director has made him aware that if the forgiveness is removed, some of it must go to road maintenance and it also allows a few other safety issues that can be helped. However, the primary purpose would be bonded in building a new police station. A. Hendricks said the approval of the project for the police station would be subject to the approval by city council. G. Drew said for some reason this council, or another council does not approve this project, then what happens to this money. A. Hendricks explained the part that is not dedicated to roads would be revenue to the general fund that would be budgeted as council deems fit.

After no further discussion came before the committee, B. Holmes adjourned the meeting.

Next Meeting: July 18, 2022 – 7:00 p.m. @ Vermilion Municipal Complex, 687 Decatur Street, Vermilion, Ohio

Transcribed by: Gwen Fisher, Certified Municipal Clerk