

FINANCE COMMITTEE MINUTES

JULY 17, 2014

The meeting was called to order by Chairman Berbee at 4:45 p.m.

Members Present: J.R. Rausch, Mark Reams, Henk Berbee

Others Present: Terry Emery, Jenny Chavarria, Tim Aslaner, Ryan Horns

Approval of Minutes: There being no additions or corrections, the minutes for the meeting on June 18, 2014 was approved as presented.

AGENDA:

Monthly Budget Review and Accept June Financials: Ms. Chavarria presented the June Financials, which are quarterly so they are not as detailed. Income taxes are still ahead compared to this time last year. Year-to-date is 7.9 million which is \$287,000.00 higher than this time last year. As far as expenditures, we are where we should be for being half the year in. Sewer year-to-date service charges are significantly higher than last year (24% higher) at this time. Usage continues to be greater than this period last year. Largest user total usage is higher than this time last year. Water service charges are higher than this time last year as well (12% higher).

Mr. Berbee asked Mr. Rausch if he saw anything in the report out of the ordinary? Mr. Rausch said no.

Motion to accept the report- Mr. Reams made a motion, seconded by Mr. Rausch.

2014 Debt Review: Ms. Chavarria (see attached handout Year-to-Date Debt Review) stated that you have description of the debt, the fund, the 2014 Budgeted Payment, January 1st to July 11th payments, July 12th to December 31st payments, 2014 Payments, and variance. We have noted, we are paying \$630,000.00 more down from the original budget. Mainly due to the Fire and City Hall note, we decided that since the income tax revenue was higher than what it was projected in 2013 we would use those excess funds to pay down those notes. Mr. Berbee stated that this goes in agreement with the survey that we did last year, seeing where the priority was. All seven council members agreed that debt reduction was top priority. If we continue on the way we are, we could have our current building paid off in six years. The downside to this is that we have new debt, debt on the fire station and police. Ms. Chavarria stated that some of the debts are monthly payments, and some payments will be one payment per year.

2014 CIP Review: Ms. Chavarria (see attached handout Year-to-Date CIP Review) stated the spreadsheet is set up like the Debt Review handout, Description of the Project, fund, 2014 Budget cost, year-to-date payments, encumbrances which is still in a purchase order, that will give you a total amount of payments, and the variance column. This is not all of the capital improvements projects; she just picked the significant ones. First set is

the pavement maintenance which is going on right now, so we have not started paying on it yet. The tanker, we purchased as a lease we are still constructing the tanker and projection is at the end of the year when we will put it into service. Additional parking that just went through council a few weeks ago to purchase 222 South Main Street and demolish it and put a parking lot in. Pedestrian Bridge is on going, which we have not made any payments yet, and lastly Fifth Street which will start in the fall.

Mr. Reams inquired about the traffic light at Coleman's Crossing. Ms. Chavarria stated that is where the Meijers and Wal-Mart is. Mr. Emery stated the light will go where HondaMarysville and Wal-Mart connect. Mr. Reams stated that he sees part of the light is paid by TIF and other half by Streets. Ms. Chavarria stated that is because Meijer gave us the money, (\$170,000.00).

Review/Update Financial Policies: Ms. Chavarria stated that she likes to review the Financial Policies, right before the budget process starts.

Reserve policy which is new, we would like to start developing some reserve policies and funds. Based on her experience and other communities, a couple of the reserve funds that they have established listed as equipment replacement reserve, put high dollar items in this fund and you would save the amortization cost on that every year. Then, when it is time to buy to new fire truck, you just take the cash from the fund and pay for it. To get this fund started and play catch up we would need to deposit over 4 million dollars. Fire and Streets are the big ones. She has the initial funding which would be 1 million dollars for the first four years; it is around 600,000 transfer. Another idea is instead of moving 1 million dollars over to the general fund into the replacement fund we could precede through this year. When it becomes January and February and we see what the excess is and we move it over into that fund for the next three or four years, so it is not breaking the bank, so to speak. This is a fund that is strictly supported by the general fund. This is just equipment, if we have a matching grant it would still need to come from the general fund. It can be borrowed against, if the fund is ever rescinded the money will go back to where it came from. Need to start marking money in the fund, so that if we see something coming down in the next couple years we can start saving to match grants.

Mr. Reams stated that our reserve levels are low according to Moodys, and if our reserves were better we could have a higher rating. We are at 5 million and potentially add 4 million, are 9 million what they are looking for? Ms. Chavarria stated it is one factor. Mr. Reams asked what is the number what we are shooting for? Ms. Chavarria stated they will not say but that is one factor, another is they look at what our debt is, so if we can raise our reserve and lower our debt. Mr. Ream states that he thinks it's too aggressive, if we build it up to 4 million over the next four years. It could go up or down. He doesn't think we need to plan for something 5 years from now that costs \$12,000.00. She stated a good amount to start with would be \$30,000.00.

Mr. Berbee asked do you want to move forward with the million dollars or wait until the beginning of the year to see what is left? Ms. Chavarria stated she was going to wait until the first of the year to see what is left, that way it doesn't affect the year's budget.

Ms. Chavarria asked is there a dollar amount that should be matched for the grants? Mr. Berbee stated that he thinks it should be close to \$500,000.00. Mr. Reams stated that he thinks we should just see what is projected and then match that. She stated she will look at what the departments submit and see what our matching contribution will be for the next five years. She is thinking that \$500,000.00 will be close. Mr. Berbee stated that will be a good fund for the City. Mr. Rausch stated that we have a good strategy for the equipment, now that we are matching the money to the equipment policy.

The Accrued Reserve Fund is one that is established for the purpose if anyone leaves service with the City of Marysville, they have the availability to have their accumulated sick and vacation leave paid out to them. Right now, there is no reserve fund for that. Some of our employees are reaching retirement age so the City is going to have those expenses coming to the City. This fund is a way to save the money that is coming from the City, that way it does not affect our day to day costs and the City will have these funds set aside. Ms. Chavarria was thinking of initial funding of \$100,000.00 for this year, and then \$65,000.00 every year thereafter. Annual appropriation \$50,000.00 to start with, if someone informs the City they are retiring then it can be budgeted appropriately.

Mr. Reams stated that over a ten year period of time the savings would be close to a quarter of a million dollars. Is the City expecting that kind of expense?

Mr. Emery stated we can wait from year to year, and if we get it built up to a satisfactory level, we can decide to hold the fund there and do not have to fund it a certain year, we can do that.

Ms. Chavarria stated we can have the flexibility to choose when we cannot fund it, once we get an amount in the certain time.

She said that she will add these two funds on to the 2015 budget, and she will not budget anything in for the Capital Improvement Fund.

JEDD Update: Mr. Emery stated that there is no update for the JEDD. It has been a slow process, but one area that we are looking into is the ultimate effect a JEDD would have on the water and sewer agreements in Union County. We want to make sure we evaluate all those documents, and so the language contained will fit into a JEDD. We have an amended draft to the Asset Purchase Agreement stated Mr. Aslaner.

Next agenda items: Credit card processing update and utility update review.

The meeting was adjourned at 5:25pm.

**Year-to-Date Debt Review
Finance Committee
July 17, 2014**

Description of Debt	Fund	2014			Variance
		Budgeted Payment	Jan 1 - July 11 Payment	July 12 - Dec 31 Payment	
Fire Facility Notes Principal	General	50,000		150,000	(100,000)
MSC Notes Principal	General	100,000		600,000	(500,000)
Sewer Acquisition GO Note Principal	Sewer	120,000	120,000	120,000	0
Sewer Improvement Revenue BAN Principal	Sewer	220,000	250,000	250,000	(30,000)
Coleman's & City Gate* Principal	TIF	400,000		400,000	0
Various Purpose GO Principal	General	590,000		590,000	0
Various Purpose Facility GO Principal	General	565,000		565,000	0
Water Revenue Reservoir Principal	Water	140,000	89,091	50,908	1
OPWC Loan Principal	Water	29,568	29,568	29,568	0
OPWC Loan Principal	Sewer	2,984	2,984	2,984	0
Wastewater Improvement Bonds Principal	Sewer	1,030,000	600,833	429,167	0
Wastewater Improvement Bonds Principal	Sewer	340,000	198,333	141,667	0
TOTAL PRINCIPAL		3,587,552	1,290,809	2,926,742	(629,999)

**Year-to-Date CIP Review
Finance Committee
July 17, 2014**

Description of Project	Fund	2014		2014		Variance
		Budgeted Cost	YTD Payments	Encumbrance	Payments	
2014 Pavement Maintenance Program						
7th Street Paving	Street	75,000		75,000	75,000	0
Annual Street	Street	375,000		375,000	375,000	0
CDBG	CDBG	75,000		75,000	75,000	0
Additional paving	Street	251,000		251,000	251,000	0
Cemetery Expansion	General	25,000		25,000	25,000	0
Wheeled Loader	Street	66,000	67,400		67,400	(1,400)
Wheeled Loader	Sanitation	66,000	66,000		66,000	0
Dump Truck	Street	89,600		63,800	63,800	25,800
3/4 ton Truck	Street	38,000	30,115		30,115	7,885
Traffic Light @ Coleman's Crossing	Street	170,590		170,590	170,590	0
Traffic Light @ Coleman's Crossing	TIF	104,410		104,410	104,410	0
2 Cruisers	Police	70,000	51,913	1,350	53,263	16,737
MARCS Radio Replacement	Police	97,000	94,638		94,638	2,362
Replacing Laptops in Cruisers	Police	46,300	46,777		46,777	(477)
MARCS Radio Replacement	Fire	35,100	36,173	1,523	37,696	(2,596)
2 Defibulator Units	Fire	56,000	48,978	2,066	51,044	4,956
Car 272	Fire	39,000	41,173		41,173	(2,173)
Tanker	Fire	310,000	0	310,000	310,000	0
Playground Equip @ American Legion	Parkland	65,000	26,412	42,445	68,857	(3,857)
Cemetery Expansion	General	25,000	3,497		3,497	21,503
Scanner for Engineering	General	25,000	22,356	2,644	25,000	0
Dump Truck	General	62,000	38,128	23,952	62,080	(80)
Partner's Park	General	1,200,000	76,860	1,123,140	1,200,000	0
Additional Parking	General	410,000	191,630		191,630	218,370
Gator for P&G	General	23,950	20,163		20,163	3,787
Pedestrian Bridge	General/Grant	1,666,000		1,666,000	1,666,000	0
5th Street Replacing Sidewalk	Grant	168,500	0	168,500	168,500	0
TOTAL CIP		5,634,450	862,213	4,481,420	5,343,633	290,817