

FINANCE COMMITTEE MINUTES

October 16, 2014

The meeting was called to order by Chairman Berbee at 4:00 p.m.

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

Others Present: Jenny Chavarria, Nancy Myers, Brian Ravencraft, Robert Buckley, Ryan Horns, Tim Aslaner, Terry Emery, Mark Leibold

Approval of Minutes: The minutes for the meeting on September 18, 2014 were approved as presented.

AGENDA:

Income Tax- Requiring Federal Return: Mrs. Myers spoke about this agenda item. Mrs. Myers said with the non-filers and those that the City sends numerous non-filing letters to, the City's records are not in good shape. Residents will bring in one W-2 and we have on record that they should have more than one W-2, which means they are being reported on. She said when requesting copies of the federal returns, they found more income than what was being given to the City's staff.

The Finance Department researched and reviewed what other cities require when filing income tax returns. Sidney requires a copy of the residents' Federal Income tax return. Mrs. Myers passed out information from the Dayton Area Tax Administrator's Association and the Greater Ohio Tax Administrators, which sent out questions to surrounding communities. (See attached handout labeled "Question: Whether to Require a Federal Return with a City Return"). Mrs. Myers said when we receive income tax forms prepared by local companies there is no discrepancy. It is those who choose not to file or that do file and you can tell their records are scattered.

Mr. Berbee asked how many filings does the City receive on an annual basis? Mrs. Myers said we have approximately 9,000 individual accounts, but we have had 1,700 non-file accounts this year. Mr. Berbee asked how many people use the online file option? Mrs. Myers said in 2013 we had 194 total complete their filings electronically. There were 1,393 that entered information and used it as a print out.

Mr. Berbee asked what would make your job easier, just the first page or the whole federal return? Mrs. Myers said the whole federal return is what we tell them.

Mr. Aslaner gave his legal opinion as to whether we can require residents to provide copies of their Federal Income tax returns. He said we can adopt an ordinance requiring residents to submit their federal returns when filing their city returns. When it comes to enforcing, there is some case law out there that states, if we have someone who files it, we cannot force them to give us a copy of their Federal Income tax returns. Mr. Aslaner

said if we get this far, we will probably be in litigation and there would be ways to get that information whether we subpoena the accountant.

Mrs. Myers said this will be a learning process, just like we did with estimated taxes. She will get with Mrs. Krutowskis to get information out to the media outlets.

Mr. Rausch asked are we going to be able to get on the federal database? Mrs. Myers said no, we do not have access. She thinks it is just Columbus, Cleveland and Cincinnati that have access to that database. Mr. Rausch commented the State has access. Mrs. Myers said we do get a State database but it is almost a year late.

Mr. Reams asked if we could take a look at that database from two years ago, and do a comparison to see what we have and if there is any discrepancies. Mrs. Myers said we usually use the State database for new residents that haven't filed or for address changes. Mr. Reams asked if we could do a sampling. Mrs. Myers said she thinks it would create more work for the staff because you are going backwards. He said he is not wanting to do it long term but he would like to do a snapshot from about two years ago, for about 100 returns. This is what they reported to us and this is what they reported to the State, and then in general we might see a 5% difference. He is not suggesting that we do this forever, but just to see what the magnitude this change might cause. She said the staff is beginning to notice a change.

Ms. Chavarria asked if we can make a provision that states the Tax Administrator can ask for the Federal return, but it is not required. Mr. Aslaner answered yes, we kind of have that provision in there now. Ms. Chavarria said can we just make it a little stronger? Mr. Aslaner said yes.

Ms. Chavarria said that we look into doing a sample of what is reported to us and what is reported on the Federal return to see if there is any percentage of discrepancies. It will take a couple of months to come up with this information.

Monthly Budget Review and Accept September Financials: Mr. Berbee asked if there was any questions on the September financials that Ms. Chavarria sent to everyone. Ms. Chavarria said water and sewer charges for service are still running higher than last year. Income tax, we are running a little higher than this time last year it will probably be 100,000-300,000 more than last year total receipts. However, she cautioned income tax maybe higher but we are also less in property tax and governmental receipts.

Mr. Berbee asked if there are any unexpected things that might come down? Ms. Chavarria answered no, she did not anticipate any additional major appropriations that might come before Council. Normally, she brings additional modifications to the appropriations in November/December, which is to clean up everything.

Mr. Berbee moved to accept the September's financials, seconded by Mr. Rausch. The financials approved.

Bulk Water Rates: Ms. Chavarria handed out information about bulk water rates for a period of January to September. Mr. Reams said he recalls we were going to have a small steady increase each year, instead of waiting 4 to 5 years for a big one. The Committee agreed that ten cents per thousand gallons is agreeable for the increased rate.

Average Monthly Expenses for 2015 as Part of the Budget Book: Mr. Berbee said that he has learned what the average monthly expenses are. The reason we have a rainy day fund, is so we have a number of months covered in case of a calamity. Council members need to be informed what our average monthly expenses are. Ms. Chavarria passed out a worksheet showing monthly funds. (see attached) Ms. Chavarria said that she will email the handout to all Council Members.

Amending Disconnection Process Fee: Ms. Chavarria handed out a copy of the Ordinance that is before Council at the October 23, 2014 meeting. They have had great response to the disconnection fee. We have people who pay their bill and might be \$4.00-\$5.00 left on the account, and according to what we just passed, we would have to charge those people the \$25.00 disconnection fee. This Ordinance will fix that problem. It states that for any unpaid balance over \$30.00, a \$25.00 disconnection fee will be applied. Mr. Berbee asked if there is a balance less than \$30.00 what will happen to it? Ms. Chavarria stated that the balance will be placed on the next bill.

For the agenda next month the Investment Advisor will be here to give an update.

The meeting was adjourned at 5:00pm.