

Lorain Port Authority

Board of Directors

Financial Planning & Audit Committee Meeting

Tuesday, February 4, 2020, at 6:00 p.m.

Committee: Mrs. Cook; Messrs. Bansek, Davila, (Messrs. Kusznr and Nielsen were absent.)

Board Members: Messrs. Mullins, Sommers, Zellers and Zgonc

Staff: Tom Brown, Executive Director

Yvonne Smith, Accountant

Tiffany McClelland, Economic Development Specialist

Kelsey Leyva, Office Manager

Lil, Goose Dog

Guests: Melissa Barnhart, Lorain Mayor's Office

I. Roll Call

A. The committee meeting was called to order at 6:00 p.m. by Chairman Roberto Davila with a roll call indicating a quorum present.

II. Disposition of Meeting Minutes

A. **February 27, 2019, Financial Planning & Audit Committee Meeting:** Mrs. Cook moved to approve the meeting minutes without question. Mr. Bansek seconded. Motion carried.

III. Report of Chairman

A. 2020-2024 Budget Work Session: Mr. Davila turned the floor over to Mrs. Smith. She said under general property taxes, if you're on a computer, you can see the notes she added to specific line items. Mrs. Smith said she wanted to point out the real estate taxes are put in the budget separately by the county auditor. A portion of that is Homestead and rollback and is reimbursed from the state. The state auditor requires that be a separate line item. If you add \$96,919.59 plus \$723,202.25, it comes up to the \$820,121 and some change. Mrs. Smith and the staff went through the budget together. Under revenues, the TIFF line item is projected to receive \$47,918 this year

and the following years are then projected out through the life of our levy. Mr. Zellers asked why there is a temporary budget column. Mrs. Smith said she is required to submit a temporary budget in July of the prior year. It's more like a placeholder. Setting a temporary budget allows us to work in the interim while we finalize the budget. The 2020 column is the proposed permanent budget and what we're working on. The spreadsheet also includes forecasting for the years of our levy. Mr. Mullins asked about the projected numbers and if we expected additional revenues. Mrs. Smith said she is hopeful for additional revenues, but the tax amounts stay stable because we have no idea what to expect from year to year. Mr. Brown said most of the figures on the revenue side are conservative, but we can adjust moving forward. He pointed out the line item called "other charges for services in economic development." We were at \$32,600 last year and we only have \$10,000 there this year. We wanted to remain conservative. It will go up at some point due to Ariel on Broadway and the tax savings on the hotel. The budget is a living document, so we could always come back to the board and adjust in future if needed. Mr. Brown said we're also being very conservative on the Kelleys Island Ferry Boat Line project. He said Ms. McClelland is nearing the finish line. Ideally, we'd like to put the fee we charge for our services in an economic development fund as mentioned in the strategic plan. Mrs. Smith mentioned line item 1000-590-0100, which is the lease with Oasis Marinas that replaced the Spitzer Marina lease. Previously, we received \$37,500 through the Spitzer lease and starting in 2020 with Oasis that increases to \$50,000 with a three percent increase each consecutive year. Mrs. Smith confirmed that was the only fee, but we do have additional savings with new lease. Mrs. Smith said the line item named "Other Miscellaneous (Rockin' on the River)" is the \$10,000 from Mr. Bob Earley. The revenues total is \$1,028,543. The next page starts expenditures. A lot have been reduced. Mrs. Smith said the first line item, 1000-190-349-0000, was reduced by \$1,000. Next item down is the boat revenue from the contract with Grumpy. That goes away now that we have a new lease with Oasis Marinas. She said we did program more into the

shuttle boats line item to repair the teak and maybe the canvas tops. We're trying to catch up on maintenance. Staff salaries is at \$238,300. Mrs. Smith said there is an anomaly this year because the last paycheck is on January 1. Our policy is if it's a bank holiday, payroll is a day early and that throws it into 2020 instead of 2021. She programmed that into the amount. Mr. Zellers asked if utilities includes the marina. Mrs. Smith said no. Oasis Marinas is also taking over electric, phone and internet at the Black River Wharf, too. We paid for that in the past. Mr. Brown said they're also picking up the property taxes. Mr. Mullins asked about salary increases. Mrs. Smith said she didn't want to assume there would be raises every year. Mr. Mullins suggested maybe a cost of living increase. He also wants to think about the possibility of adding staff members as we grow. Mr. Brown agreed with programming in cost of living increases. Mrs. Cook asked about why we're billed for water and sewer when we're part of the city. Mr. Brown said everyone pays and we are technically our own entity. Mr. Zellers asked if electricity went down after the LED upgrade. Mr. Brown said yes. It's been more than a year of savings. Every month has been better since the first month after the install. Mrs. Smith said the benefits are a percentage of each person's salary, so they'll change. We also had an increase in health insurance and Ms. Leyva will switch from a single to a family plan when she gets married in September. Under rents and leases, that is decreasing because we are getting rid of the postage machine and switching to stamps. We used to mail more than we do now. Mrs. Smith said we will have auditing fees this year. She programmed in \$12,000. This happens every other year and two years are audited. Under election expenses, 1000-735-345-0000, Mrs. Smith guesstimated at \$20,000 and received confirmation today the amount is \$27,364.24. She explained that when you win a levy, the first year you start drawing on that levy you have to pay your share of election expenses. Mr. Brown said there are two changes this year to the liability insurance. One change is that we're adding Victory Park to the policy. The second is we changed the structure concerning the buildings at the marina. We're taking on some of that, and worst case is about

a \$5,000 increase for us. Mrs. Cook asked if we had to pay anything to insure the Caboose. Mr. Brown said it is insured by the Lorain Growth Corporation. Mrs. Smith said office supplies and materials has went down a lot since Mr. Rick Novak retired. Mr. Mullins asked about any capital projects this year. Mr. Brown said the parking lot at Oasis Marinas is one, and that was in the lease. Then we have the stipend for the gangplank replacement that was also worked into the Oasis deal. That was our year one exposure. Other possibilities include sidewalk issues at Black Rive Landing and extending concrete pad in front of stage. Mr. Brown thinks this line item will change moving forward. In maintenance and repairs, we have the steel component painting at Black River Landing for \$39,500. The agreement was approved in 2019 to lock in the price. Mr. Zellers asked if we received proposals for the marina parking lot. Mr. Brown said not yet. Mr. Mullins thinks the marina lot may be more than \$100,000. Mr. Brown said he asked Oasis if they are thinking about removing some of the lot, so they're considering that now. We need to know ahead of time to get accurate quotes. It is a decent sized project. Mr. Zellers asked if that would be a capital project. Mr. Brown said yes. We can adjust the budget if the cost comes in higher. Mrs. Smith said transfers out is for the Marine Patrol Program. Even though we plan to use in-kind first, we still need to put in an amount as a place holder. She said we will have the budget ready for the February 11, 2020, Regular Board Meeting. Mr. Davila said in the proposed budget, the expenses exceed the revenues by about \$93,000. This isn't including carryover. Mr. Brown said he thinks we're very conservative on our revenues and sometimes planning for worst-case scenarios for expenses. It's better to have more revenue and less expenses than anticipated, and the 2019 budget did just that. We could do a budget where we have every expense and revenue match to the penny, but we would have no flexibility. Mr. Zellers asked why we don't do that? Mrs. Smith explained we would need a lot of budget amendments and would have to hold bills in some cases. Mr. Zellers said under economic development revenues, last year we totaled \$32,600. We're only projecting \$10,000 this year. He said

he hopes it turns out to be much more. Mrs. Smith said we don't include amounts until we have a signed term sheet. Mr. Zellers said he thinks \$10,000 is extremely conservative. Over the next five years, he wants us to plan for more coming in under economic development and he wants the budget to reflect it. Mrs. Smith said it's hard to reflect with government accounting. The revenue needs to be in the process of being collected to be factored into the budget. Mr. Mullins clarified that Mr. Zellers is talking about expenses. Mr. Zellers said he expects both revenue and expenses to go up. Mr. Brown said it's hard to predict when you're going to close a deal. Ms. McClelland said we changed the structure of our fee schedule and the new schedule asks for fees over five years. Without a signed term sheet, we can't program in the dollars. Mr. Zellers said he wants some type of forecasting for economic development, even if it's not in the budget. Ms. McClelland said she can create that separately. Mr. Davila asked for clarification on what we need board approval to change. Mr. Brown said if we sign a term sheet for \$50,000, we have to come to the board for a budget amendment. Mrs. Smith said money can be moved within the general fund with the exception of personnel items. Mrs. Cook moved to take the 2020 budget to the full board. Second by Mr. Davila. Motion carried.

IV. Other Business

- A.** Mr. Davila welcomed the Mayor's Chief of Staff Melissa Barnhart.
- B.** Mrs. Cook asked about when the hotel would be officially complete? Mr. Brown said the Grand Opening Ribbon Cutting is being scheduled on March 3, and they will open for business March 6.

V. Adjournment

- A. There being no further business to come before the Financial Planning and Audit Committee, Mrs. Cook moved to adjourn. Mr. Bansek seconded the motion. The motion carried and the meeting adjourned at 6:42 p.m.



Roberto Davila, Chairman



Tom Brown, Executive Director