

Lorain Port and Finance Authority
Board of Directors
Financial Planning & Audit Committee Meeting
Tuesday, June 14, 2021, at 4:30 p.m.
Port Office

Committee: Ms. Bonilla; Messrs. Kuszniir and Scott

Board Members: None

Staff: Tom Brown, Executive Director
Tiffany McClelland, Assistant Director
Yvonne Smith, Accountant
Kelsey Leyva-Smith, Office Manager

Guests: None

I. Roll Call

- A. The committee meeting was called to order at 4:32 p.m. by Chairman Matthew Kuszniir with a roll call indicating a quorum present.

II. Report of Chairman

- A. Budgetary Processes: Mr. Kuszniir turned the floor over to Mrs. Smith. She said feel free to ask questions as they come up. The port authority operates through fund accounting and currently has a general fund, a special revenue fund and capital project fund. The general fund is basically all your operations that don't require their own fund. A special revenue fund is usually a grant or any money to be spent for a specific purpose. Capital projects are either to buy equipment or land or construct a building. The board sets and approves tax rates, levies, legal level of control, how much control is given to the staff and executive director. The board also approves annual and temporary budgets. Staff prepares resolutions and supplementals, which is a budget amendment. Mr. Scott asked if the slides Mrs. Smith was showing were available online? Mrs. Smith said she can send it in an email. She continued on about tax budget hearings. Our budget must be passed by July 15th and submitted to the county by July 20. Since our July meeting is on July 13, Mrs.

Smith will advertise our budget is ready for public review by July 2. Mr. Brown said the July budget is a really educated guess, for lack of a better term. When we submit the budget, we can't count our carryover amount, so that's why we back out some expenses to just the bare minimum. Then in November or December the bylaws committee and financial committee would meet to discuss employee compensation and plug that into the budget. The financial committee will pass a permanent budget in January or February, which is the detailed, best guess version. Mr. Brown said even that is a living document that can change periodically. For example, if Ms. McClelland were to get a financing deal and collect a fee we weren't anticipating, we would need to amend the budget. He just wanted to stress that the July budget is an educated guess. Mrs. Smith said the state auditors have a rule in place. Even though we have a pretty good idea of what our carryover will be, we can't count it initially and our expenditures cannot exceed our revenues. That rule is a main reason why we cut some expenditures that are low priority to balance it out. Once we close the year and have our exact carryover amount, then we can plug it back in and reappropriate those items. Mr. Brown said this is an interesting year to be a new board member because due to Ms. McClelland project with Kelley's Island Ferry Boat Line, we're garnishing a large fee, so the 2021 budget will look better than it has historically. In 2022, the budget will be more of an average year. Mr. Scott asked how we got the KIFBL project? Mr. Brown explained the KIFBL received the federal funding almost a decade ago and needed a public partner. They struggled with agencies in their area for years. Then they went to the Vermilion Port Authority and had some legal issues and personality issues, so Vermilion reached out to us for help. Vermilion was ultimately cut out of the deal. Ms. McClelland said staffing was a huge issue for them. You need a full-time staff to do a project of this magnitude. ODOT is very strict in their requirements, and they eventually got fed up making exceptions for Vermilion. Ms. McClelland explained we've worked through a project like this before, and when ODOT learned we were stepping in, we had some credibility behind us.

Mrs. Smith said we built the Jet Express boat in the same manner. Moving on, Mrs. Smith said she sends in the year-end balance to the county at the end of December when she's closing in January. That typically takes a few weeks because she's waiting for outside information. Mr. Brown has the authority to make budget amendments except if they deal with personnel salaries. Mr. Brown said he also has to come before the board for anything over \$10,000. Mrs. Smith said the temporary appropriations can be in place until April, but typically February is when the permanent budget is set. Even though something may be budgeted, that doesn't necessarily mean you have the cash in hand. Levy funding usually comes in twice a year, once around mid-March and again around October. We still have to watch the cash flow. Once the board passes a budget, Mrs. Smith then submits it to the county auditors. They're very quick about getting back to us. With government accounting, when we want to buy something, we have to open purchase orders. If an emergency does come up, we can handle it at the time, but the next business day a then and now purchase order would have to be opened. That basically means we had the money when it happened (then) and we are able to cover it (now). Transfers are a permanent movement of money. An example is a grant match. Advances are basically loans between funds. Mrs. Smith said each account is self-balancing and has to be in the black. An example would be the Paddle Enhancement Grant. Because it is a reimbursable grant, we advance the full amount from our general fund and are then repaid by ODNR when the project is complete. Mr. Brown said he's pretty sure we're going to get a Coastal Management Grant and it would be the same situation. We applied for \$100,000, so in theory ODNR would give us the \$50,000 match. We applied in conjunction with the Lorain County Metro Parks. If that comes through, the new board members will see the process from beginning to end. At the end we would submit our bills and get paid back. Mr. Scott asked how many outstanding grants we normally have at one time? Mr. Brown said we generally don't have more than two or three that we're managing at a time, but it all depends on luck and what's out there.

Black River Landing and the Mile-Long Pier were large grant projects. Ms. McClelland said our brownfield assessments are through grant dollars. Mrs. Smith said the Marine Patrol is grant funded, too.

B. Review of May 2021 Financials: Mrs. Smith said you start in the top left with the fund number and work your way down. Listed are the General Fund, Paddle Enhancement Grant, USEPA, Marine Patrol and KIFBL. She said not to worry about the unencumbered balance. It's only because we have outstanding purchase orders related to a reimbursable project. Ms. Bonilla asked why there was \$.04 left in KIFBL? Mrs. Smith said it's a rounding error. Some of the contractors are paid directly. Typically, Ms. McClelland approves it, Mrs. Smith sends it to ODOT, they approve and send it to accounting, and this was a rounding difference. Mrs. Smith said it will come out in the end. When a contractor is paid directly, she is notified and then enters that payment into the accounting system, but the money doesn't actually go through us. Mrs. Smith said there are three levels of detail in the financials. The first is the fund level. It gives a snapshot of the entire agency on one page. To drill down into each line item a little bit more, the next page is the revenue summary. You can see how much was taxes, intergovernmental, charges for services, etc. Transfers and advances are kept separate so they can be tracked. The third level is the revenue status report which breaks it down even further. It shows for the KIFBL project we've already collected \$151,000 this year in fees. You can do this with each fund, and it does all tie back. It's the same for appropriations, too. Mr. Brown said if we have a project come up, we can't touch personnel accounts, but we can supplement from another account that has available funds we don't anticipate needing. Mr. Scott asked where the funding was going to come from for the new stage? He doesn't see much wiggle room in the budget as it stands. Mr. Brown said funding could come from a grant, but that's why he tried to taper expectations after we saw The Ribbon. We've considered the fact we spend \$15,000 a year in maintenance and storage of the stage top, and Mr. Bob Early spends \$6,000 a night on sound/lighting installation. If we had a permanent sound

guy, Mr. Early would spend far less on that and we could then renegotiate the contract. We're trying to amortize what we think we can save by making the improvement. Creatively, can we get a sponsorship fee, or garner a grant or finance the project? Ms. McClelland said we do not have \$1 million ready for a stage. Mr. Brown said even if we averaged a \$1.2 million budget the next five years, we can't afford to put 30% of that budget toward something we use 30 days of the year. Realistically, we want to get to a budget point that we think is achievable. He said the key to the Mentor trip is it will show us hypothetically what \$2 million get you. Mr. Brown said he thinks we can have an iconic, eye-appealing stage without spending \$10 million to do it. The budget will depend on grants and sponsorships. Mr. Kuszniir said he reviews the financials with Mrs. Smith each month. He picks a few receipts to pull and double check and makes sure the fund balances match. Mrs. Smith said it's essentially a mini audit. She said Mr. Kuszniir reviews the list of payments, and he signs off on the bank reconciliation, too. The auditors look for that kind of checks and balances to be in place. Mr. Brown said even purchase orders are typically opened by Mrs. Smith or Mrs. Leyva-Smith and then approved by himself or Ms. McClelland.

- C. 2022 Budget: Mrs. Smith said this was sent out in the board packet. The carryover is \$635,000. She said you'll see some red marks in the corners of a few pages and those are just notes. The first note is that \$149,000 is set aside from that carryover for economic development. The next item down is \$25,000 for entry fees. That breaks down to \$15,000 for River Tours and \$10,000 for the Jet Express. Then when you see economic development with \$10,000 going across, that is from Ariel on Broadway for each year through our agreement. Moving on to expenditures, under 2022, the second grouping is all \$0. But then you see figures in 2023 and 2024. Mrs. Smith said that is to show the expenditures will be added back following the year-end close when the carryover is added in. Mr. Brown said it will make more sense in January/February. Mr. Scott said he understands and sees the work that goes into doing it this way. Mr. Brown said when he was a board member the July

budget used to be based on the carryover, but acceptable practices changed in recent years. Mrs. Smith said it was three or four years ago that it changed. We back out the shuttle boat expenses, engineering and usually capital. Mr. Kuznir asked for an explanation of the items highlighted in yellow. Mrs. Smith said those are items named in the resolution as expenditures that can be charged against economic development revenues, which are in green. Mr. Brown explained this is a way to track our growth. Mrs. Smith said we typically budget out the length of our levy. Once we close 2021, 2022 will change to the actual figures. Mr. Brown said economic development related items are hard to track because almost everything we do drives it, so this setup may change in the future. It actually adds confusion. All of our tracking is internal. Mrs. Smith said she's always available for questions. Mr. Kuznir moved to recommend approval of the 2022 budget appropriations to the full board. Second by Mr. Scott. Motion carried.

III. Other Business

- A. Mr. Scott asked about the stage project and if we get a design or funding first? Mr. Brown said he has \$20-25,000 airmarked for planning this year to engage an architect for nice renditions. The idea is to have a conceptual design and budget to go out for sponsorships. Ms. McClelland said there are grants and different funding avenues but fundamentally you have to have something to give to them. When we're going for these grants, they ask you to plan out the entire things and almost be shovel ready before considering giving you grant dollars. We're trying to get there. In 2020, we wrote in for state capital money and it was a complete stab in the dark. Mr. Brown said if we apply next year, we should have this nice packet to attach. Mr. Scott asked what happens if Mr. Earley retires? Ms. McClelland said we're thinking about that already. Mr. Brown said with this stage, we want to attract different promoters here, but you have to take proposals with a grain of salt. We want to host. Rockin' on the River is an economic development driver. Ms. McClelland said Black River

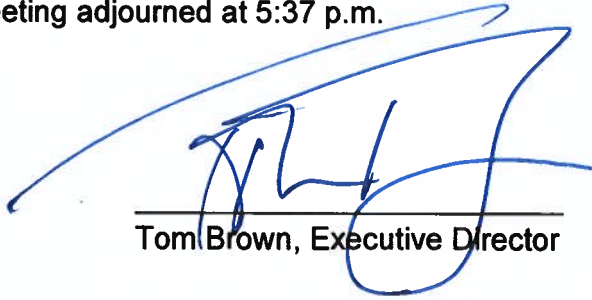
Landing would still have events even if for some reason RORT weren't here. We want more exposure with plays and musical theatre.

IV. Adjournment

- A.** There being no further business to come before the Financial Planning and Audit Committee, Mr. Scott moved to adjourn. Ms. Bonilla seconded. The motion carried and the meeting adjourned at 5:37 p.m.



Matthew Kuszniir, Chairman



Tom Brown, Executive Director