



CITY OF TWINSBURG, OHIO

Finance Committee Mtg.

April 24, 2018

5:30 PM

1. CALL TO ORDER

Mr. Scaffide called the meeting to order at 5:30PM.

Roll Call:

Finance Committee Members: Scott Barr, Sam Scaffide,

Other Council Members Present: Jo-Ann McFearin, Maureen Stauffer, Brian Steele, Greg Bellan, Bill Furey

Also Present: Finance Director: Sarah Buccigross

Mayor Yates

Law Director: David Maistros

Director of Banquet Operations: Abby Fechter

Director of Restaurant Operations: James Hayden

2. AUDIENCE PARTICIPATION - None

3. APPROVAL OF THE MARCH 27, 2018 MINUTES - approved as written

4. 1st Quarter 2018 Budget Highlights

Ms. Buccigross distributes a budget update for the first quarter. Income tax revenue is up 5.65% over last year. Property tax revenue is up 11% due mostly to valuation.

Ms. Buccigross mentions having further discussion regarding a potential millage increase proposal for 2018 to council. Ms. Stauffer, Mr. Furey and Mr. Scaffide all stated being opposed to further discussion on increasing millage.

Ms. Buccigross explains that she has reached out to Solon for information on how they handle usage with regards to sewer billing. There is discussion between members on usage vs. flat rates, and residential vs. commercial. There has been discussion in the past on having commercial properties go to usage based billing and leaving residential as flat rates.

Mayor Yates explains that he has had discussions with Cleveland Water on doing an analysis on the 700+ businesses to see what would be the best option going forward.

On the expense side, the overtime expenses are at 66% of the total budget for the year already. Mayor Yates and Ms. Buccigross have a meeting with department heads next week to determine which areas have the most overtime and to determine how it can be addressed. Mr. Furey questions how TwinsDays impacts our overtime. Mayor Yates is currently in negotiations with TwinsDays to better cover our costs. Ms. Buccigross explains that the overtime incurred from TwinsDays is not a significant factor in the overall overtime budget. Mayor Yates explains that in 2015, the cities overtime was \$640,000. We have taken steps to decrease that in 2016 & 2017, but we are trending in the wrong direction to date in 2018.

Ms. Buccigross also points to retirement pension payouts that are currently at 60% of the budgeted amount for 2018, and explains that as we have more potential retirements later in the year, she may need to come to council to amend those appropriations.

Committee members are directed to the handout detailing the general fund transfers to date for the Fitness Center and the Golf Course. There was 1.2 million budgeted. We have used 98% of this to date.

5. CLUBHOUSE UPDATE – Presentation by Mayor Yates, Abby Fechter, James Hayden

Mayor Yates directs committee and council members to several handouts. The first sheet that he discusses details what has been budgeted, which items have been paid for and, which items are still needed for the ClubHouse project.

Mayor discusses the furniture, fixtures and equipment items that are still needed, totaling approximately \$338,800. He expects this number to come down somewhat in the next couple of weeks, to approximately \$300,000 – \$325,000.

On the operational side of the budget, the mayor explains that in government finances, regardless of the revenue, every item needs to be included in the expense budget. It is very different than in the private sector.

The \$7+ million dollar project includes the building, the parking lot, the landscaping, etc. Mayor explains that when purchasing supplies, they are going out to multiple vendors for pricing and if necessary are splitting items up and purchasing from vendors that have the best costs. (Plates, glasses, silverware, etc are purchased from several different vendors if needed)

Ms. McFearin asks for clarification on the request for \$338,800. Mayor explains that we will need the additional money in order to get the facility operational. Mr. Furey states that we will need an ordinance taking money from the general fund and allocating it to the Golf project. Ms. Stauffer asks why there are some items that have been paid for included in the total that was requested. Mayor explains that those items had been purchased. Golf carts have also been purchased.

Mr. Scaffide asks what amount has been spent to date, including change orders. Mayor states \$6,785,900, plus \$28,000 for plates & silverware, \$9,980 for glassware, and \$404,152 has been spent. (Total \$7,228,032)

Mayor Yates directs committee members to his handouts that break down fixed costs for each facility (Golf Maintenance, Golf Course, Restaurant, and Banquet Center). The purpose of the sheet is to show an allocation of the fixed costs to the different profit centers. Golf Course operations will absorb maintenance + 20% of the annual fixed costs. The restaurant (based on square footage) will absorb 25%, and the Banquet Center will absorb 55%. These numbers are broken down to daily and annual amounts.

Mayor Yates then discusses the expected revenue and expense breakdowns for each center. Sarah Cargill is introduced as the restaurants Front of House manager. She previously worked at Doogan's and Sysco. Ms Cargill has assisted the Mayor with determining the numbers provided on the breakdown sheet.

- The restaurant projections are broken down by potential number of people for lunch / dinner, and potential food /alcohol sales. Expenses were calculated based on the potential sales. Food is calculated at approximately 30% from sales, and 20% from alcohol. Mr. Steele feels that the projected daily numbers being used are very optimistic.
- The banquet center projections are conservative estimates. Projections are based on booking only four events per month and on using caterers.
- Ms. Stauffer asks for clarification on the use of caterers. Mayor Yates explains that there are four specific caterers that can be used when events are booked. Caterers are charged a per person fee to use our plates, silverware, etc. We also will receive 15% of the amount of per person food charge. (If the food charged for an event is \$10,000, we will make \$1,500. When we switch to doing our own catering, our profit will be \$7,500)

- Mr. Bellan asks if Gleneagles Banquet Center makes an annual profit of \$187,939 and the restaurant, operating at the lowest projection level makes an annual profit of \$16,536, and the golf course operates at an annual loss of (\$152,018) that his projections of a \$52,400 annual profit are accurate. Mayor Yates confirms that Mr. Bellan's numbers are correct. If we make the golf course self proficient, this will be a successful venture. Several council members thank Mayor Yates for providing them with the information they need to properly answer questions and concerns from residents.
- Mayor Yates states that the projected open date is the end of July.
- Mr. Bellan asks if our current liquor license will transfer. It is explained that we will need to upgrade our current license. Mr. Maistros explains that the upgraded license is needed to operate on Sundays and to operate full service. The new upgraded license will be \$2,700 annually. The state determines where we have to buy from. It has yet to be determined if we will be able to obtain wholesale prices. Ms. Cargill says that the closest location for the state to allow us to buy from is in Aurora. Nothing has been determined yet. Ms. Stauffer asks if we can use a Twinsburg business. Mayor Yates says the Aurora location and the Twinsburg location are the same owner. We do not have the ability to pick and choose. The state dictates to us where we can buy from.
- Ms. Stauffer asks at what point catering will be brought in house. Ms. Fechter explains that golf outings will be catered in house. Other events will be using their choice of one of the four vendors we have contracted with. Ms. Fechter says that we are booking events out as far as 2020. She hopes that by mid 2019 we should be able to determine when we can bring catering completely in house. Ms. Fechter states that for 2018 we currently have \$110,000 booked for the Banquet Center from August through December.
- A council member asks if all golf outings will be required to use our caterers or if they can choose their own. Ms. Fechter explains that some who have been coming for years will be allowed to use their own (for example Winking Lizard). Ms. Fechter is hoping that most outings will be catered in house.
- Ms. Stauffer asks if there are any opportunities to bring in additional revenue with golf lessons. Mayor Yates explains that there may be some sponsorship / naming rights opportunities in the future. He is looking into that possibility and will have a presentation for council at a later date. Mayor Yates explains that currently lessons are a part of Mr. Mineard's agreement. After 2018, we will look at current rate structures on the golf course side.
- Ms. Stauffer indicates that she had thought the cost of the new golf carts were included as part of the original bid package. There is discussion amongst council members regarding golf cart maintenance and city ownership of the carts.

Ms. Buccigross discusses the operating costs (salaries, food & liquor costs, etc) that will need to be included on the Appropriation Amendment in order to get us through the end of 2018 for the Golf Course.

A worksheet is provided that shows the related expense accounts that will need to be adjusted based on \$300,000 in sales. The numbers provided are based on a September 1st open date for the restaurant. New accounting codes will be set up for the banquet center and the restaurant so that each center can control their own budgets. We will need approximately \$530,000 to get us through the end of the year. \$103,000 of this has already been accounted for in the original budget. She discusses credit card tips and how we will need to handle tipped employees. Tipped employees will take cash tips home and record them at the POS system in the restaurant. Credit card tips will be held by the city and paid to employees with their hourly rate in their regular paychecks, so that we can properly withhold taxes. The city needs to withhold taxes from both cash and credit card tips.

The banquet side operating expense sheet is also reviewed. There are no questions from council members. There is a wage breakdown sheet also provided. Ms. Buccigross explains start up costs, restaurant operating costs, and banquet center operating costs.

The total amendment that will come before council is approximately \$916,000. (This includes the furniture, fixtures, equipment and the operating costs through the end of 2018).

- Ms. McFearin asks if we can capitalize on pop ups or other things to start bringing in some income prior to August.
- There is discussion on possibly doing an open house or grand opening for the residents.
- Mr. Scaffide and Ms. Stauffer ask Ms. Buccigross what the actual number is for the additional amount that council is being asked for. Ms. Buccigross states that \$916,880.79 is the amount on the Appropriation Amendment. This includes the furniture, fixtures, and equipment costs, as well as operating and set up costs.
- Mr. Steele questions the \$73,318 in salary & wages on the banquet expense sheet. Ms. Buccigross directs him to the last page of the packet which breaks down in detail the individual positions. The number in question includes the Banquet Director, a part time assistant and all event staff through the end of 2018.
- Mr. Steele asks Mr. Hayden how far along the menu is. Mr. Hayden is working on finalizing it.

6. COMMENTS / QUESTIONS: NO ADDITIONAL

7. MISCELLANEOUS:

Mayor Yates will be consulting with our auditors on which items will need to go out to public bid- (kitchen items, furniture & fixtures, etc). He asks that council make a motion at the council meeting to add this to the bid list. These are not new expenses. Ms. Stauffer asks Mayor Yates if any of the items that make up the almost one million dollars being asked for in the amendment can be postponed until we start bringing in revenue. She asks if the patio could potentially be postponed. Mayor Yates explains that there is an event in November that would like to use the outdoor patio. Ms. Stauffer would like to know if there is anything, whether it is a patio, employees, or any other costs that could be held off on until things are up and running. Mayor Yates explains that the amendment being proposed is to cover expenses. He explains that many of the items on the expense side are being budgeted to cover when we have revenue. We need to amend the budget to allow expenses. There is also \$350,000 in revenue being budgeted. A municipality is required to budget for every expense, no matter what the revenue is. It works differently than private sector businesses. Ms. Buccigross explains that things look lopsided due to the fact that we are showing expenses for a full year and revenues for only a third of a year. The items being asked for in the amendment are needed to get the doors open as soon as possible, so that we can start bringing in the revenue to offset some of the expenses.

8. NEXT MEETING: May 22, 2018

9. ADJOURNMENT: 6:56 PM