

MEMORANDUM

TO: Finance and Administration Committee of City Council
FROM: Libbey Malberg, Acting Director of Finance and Administration
DATE: August 15, 2007
SUBJECT: Finance and Administration Committee Meeting

The Finance and Administration Committee met at 5:30 p.m. on Wednesday, August 15, 2007. Those in attendance included Chairperson Bruce Geiger, Ward II; Councilmember Dan Hurt, Ward III; Councilmember Connie Fults, Ward IV; Councilmember Mike Casey, Ward III; and Acting Director of Finance and Administration Libbey Malberg. Also in attendance were Mike Williams and Donna Wallace, Hochschild, Bloom & Company LLP; Lori Helle, the City's new incoming Director of Finance & Administration, and Executive Secretary Caroline McDowell. The meeting was called to order by Chairperson Geiger at 5:30 p.m.

1. Approval of Minutes—June 19, 2007

Councilmember Fults motioned to approve the minutes from June 19, 2007. Councilmember Geiger seconded and the motion passed 3-0.

2. Discussion of Annual Audit

Mr. Williams began with highlights of the annual audit of the fiscal year ended December 31, 2006:

- The City received the Certificate of Achievement from the Government Finance Officer Association for the 17th year, which helps to maintain and improve bond ratings;
- The audit includes an independent auditor's report, which indicated a clean opinion;
- Reserves were increasing in 2006;
- Assets were up and liabilities were down, a positive position for a City to be in;
- 2006 information indicated that both cash and debt will decrease in 2007;
- Currently, debt is \$111 million, including the TIF, which will be scheduled to be paid off in 2008.

He also discussed the recommendations in the letter to Council, noting that the City has no deficiencies in material compliance:

- Recommendation 1-The City spent more money than budgeted; most instances were in debt service payments. It is recommended that the budget be amended to reflect these expenditures.
- Recommendation 2-The City's current investments should have additional review and be reinvested for the best interest rate.
- Recommendation 3-The City maintains a list of capital assets, but should also conduct a physical inventory for accuracy.
- Recommendation 4-The City has revenue and expenditure funds for the same capital improvement account, which could be combined for efficient function.
- Recommendation 5-The TIF bonds fund has more expenditures than revenues budgeted as a result of how funds were appropriated. The budget should reflect appropriations, so expenditures are no more than revenues and fund balance.

Ms. Wallace also noted that the TDD in Chesterfield Valley was an influence in the collection for and acceleration of the TIF payoff. By law, half of the TDD sales tax (or any new tax) is captured by the TIF, but does not negatively impact the TDD and its planned projects because the TDD will exist longer than the TIF. Mr. Hurt requested that the amount that was captured by the TIF be sent to the committee and Ms. Malberg agreed that she would e-mail the committee this information.

The Councilmembers thanked Mr. Williams and Ms. Wallace for the recommendations and discussion. Chairperson Geiger made a motion to ask Mr. Herring to address the auditors' recommendations at the next meeting of the F&A committee. Councilmember Fults seconded and the motion passed 3-0.

3. Fund Reserve Policy

Chairperson Geiger began discussion by agreeing with the GFOA fund reserves suggestion of having two components, catastrophe and economic downturn; Councilmember Fults also agreed. Councilmember Hurt said that his biggest concern is having enough in reserves to staff the City for six months should a catastrophe occur. All Councilmembers agreed that though their justifications of how the funds should be reserved are different, they all arrive at roughly the same percentage for what fund reserves should be.

[Mr. Herring arrived at the meeting at this point.]

Mr. Herring stated that at this point, the F&A committee should determine the fund reserves percentage and forward it to Council to update the current policy to a new percentage. From there, the committee can then review the list of potential projects that has been prepared by staff, Council and City committees and then prioritize the projects based on funds reserves available and importance/impact.

Chairperson Geiger noted that according to policy, the fund reserves calculation is currently 40% of the general fund. He motioned to set fund reserves at 50% of the general fund, currently \$18.7 million, which includes transfers out. Councilmember Hurt seconded and the motion passed 2-1 (Fults).

Chairperson Geiger asked Mr. Herring to follow up with Councilmember Erickson about the PRACAC possible projects list for excess fund reserves. Additionally, the Committee gave Mr. Herring the directive to begin looking at capital projects within the Parks funds. It is likely that many of the potential projects suggested for fund reserves may be first addressed with Parks funding and would not impact the fund reserves.

4. Financial Update

Ms. Malberg noted that expenditures are down 10% as a result of pending Police Department overtime, Public Works purchases that are budgeted but not yet paid in-full, and the financial software that is also budgeted but not yet paid in-full. She explained that revenues are up 4%, due in-part to business license renewal fees that were collected in July instead of June.

5. Adjournment

The meeting was adjourned at 7:05 p.m.