BUDGET & FINANCE COMMITTEE
MEETING 3-24-2009
SUMMARY

All committee members were present. The meeting was called to order at 1:03 pm.

1. Financial Reports for February, 2009 and discussion - Fister

Debt Service Savings for FY 2009

Mary Fister distributed a copy of the report and went over highlights with the committee. She said employee withholding were up in February due to a timing issue involving the month end date. She also said insurance premiums are up. She said revenue seems to be coming in relatively strong, but knows even though we will not make budget on revenues we should be extremely close. She said the budget was projected to grown 2.5% but are expecting lots of refund requests in April. She said personnel expenses are tracking on target with last year and talked briefly about efforts to reduce operating expenses. She said the fire department is over budget for overtime expenses and there will be a budget amendment forthcoming to allow for those expenses.

Discussion:

Stinnett asked for specifics regarding the over budget condition with the fire department. He wanted to know how the numbers compare with prior years, adding he would like to see that information before proceeding with a budget amendment. Fister said they are using measurements from prior years and would provide those numbers for comparison. He also asked about business or employer taxes Fister explained that employers pay taxes throughout the year and in many cases refunds are due at the end of the year.

Lane asked about timing of payments referring to information provided in the hand out report.

James also asked about tax refunds and Fister reminded her they are not listed separately on the report. James asked do they have to be paid from FY09. Bill O'Mara replied there is usually an audit to determine the time frame.

Gorton also had a question about business returns. O'Mara explained it would be a refund on their annual net profit return. He gave background on how the process works.

Beard asked about business estimates. O'Mara asked if he was referring to tax managers.

Stinnett asked if franchise fees are tied to usage of a particular percentage or is there a flat fee. O'Mara responded there is not a flat fee; it is based on percentages only. Stinnett also asked about debit service. Fister said allowances were put in FY09 budget and there is $1.6 million which will not drop directly to the bottom line. She gave some examples of items projected that are not going to happen, such as storm water fees and health insurance deficits for this year. He also asked for specifics on $3 million in real property and storm water expenditures.

James asked Ms. Fister for a recommendation on how to better communicate to council on any budget projections we are not meeting, referring to having advance notice when items such as budget amendment to cover a shortfall are coming through the system. Fister suggested looking at quarterly reports. She said her department is constantly monitoring to insure we are on budget.

James said she was not aware that debit service was available for use. Fister added last months report did not include debit service and that those numbers were pulled out this time. She said total debit service was $5.8 million.
Financial report.

2. Proposed Committee of the Whole Budget Meeting FY2010

Jerry Southers, Budget Analyst for the council office went over the "proposed" COW meeting schedule to review the Mayor's Proposed Budget. He highlighted some changes from last year's schedule. He told the committee Mary Fister would be providing an overview and will hold a meeting shortly after the Mayor presents the proposed budget. He said the links meetings will be broken up into two different "report out" phases, however all other COW meetings will be set up as they have been in the past.

James asked Southers if there has ever been a public hearing held on the council budget. The answer was no.

Stinnett commented on the links and COW meetings saying he felt the "proposed" changes to the way links committee's report out would give better definition to the process. He covered how/what/when each link would report out asking for any suggestions on the process.

3. Council Links

Committee Assignments
General Link Questions
Council Link Recommendations Form for FY2010
Example of Link Report Out Form

Stinnett referred to the meeting packet saying it includes a list of committee assignments and a proposed link report out form to help add consistency to the process.

James said item 1 and 2 on the link questioner page might need to be revised. There was discussion on how to revise the form. However, Southers reminded the committee questions on the form were to be used as a starting point for discussion and could be revised based on each circumstance. James said this was a weakness in the links process and agreed that consistent language was necessary for links meetings.

Lane asked the committee members to keep in mind the recommendations from the management audit and consider those during the links and budget process.

Stinnett added the link questions, recommendation and report out forms are an attempt to better consolidate information and perhaps improve the links process.

Gorton added a reminder to insure all links meetings were communicated and published in the event council members who are not on a specific link committee might want to attend others.

James and Stinnett both reminded committee members to forward any questions to Jerry Southers in preparation for links and any initial meetings regarding the budget.

<u>4. Sales & Disposal of Obsolete Property Proceeds- James</u>
<u>November 25, 2008 Letter from Law Dept., David J. Barberie, Attorney Senior</u>

Barberie told the committee Kentucky Constitution (section 180) prohibits taxes levied and collected for one purpose being ever devoted to another purpose; therefore proceeds from the sale of such items should be placed into the account for that particular funding source. He said the confusion may rest in what LFUCG's actual practice is right now.

James explained why this issue was put into committee, saying when she started looking at items purchased with urban service funds, the proceeds from their sale should go back into that fund and not the general fund. Her intent is to bring clarification on how proceeds should be handled. Barbarie and O'Mara both explained they are currently returning proceeds to the account from which the assets were originally purchased.

Gorton said the past practice was up to whoever is making the decisions and she thought that by codifying this in an ordinance would be the best way to insure the current process is maintained in the future.

Lane said he was taking a counter position to Gorton's motion saying the state government decides how proceeds are distributed and he felt the council should also reserve that option.

<u>Motion by Gorton to request the department of law to draft an ordinance to require proceeds from any assets sold from one fund or account are put back into that fund/account, seconded by James, passed with one vote of nay by Ed Lane.</u>

Stinnett turned the floor over to Lane who had a couple of items to introduce. He presented the fiscal report saying each council member would receive a copy and recommended asking the Mayor to bring this report forward. He introduced Warren Rogers, KY Club for Growth, for a presentation.

James had a question about procedure asking if was appropriate to allow a presentation of an item that was not listed on the original, published meeting agenda.

Gorton commented also about procedure, wanting to know if it was allowed for any one to come before the committee without prior notice.

Stinnett explained if it is the consensus of the committee, adding this was his oversight since this item was scheduled to be on the February agenda and was inadvertently omitted. He felt it was pertinent that committee members see the presentation before budget preparations begin.

Mr. Rogers, presented statistics directly related to the Management Audit team findings regarding LFUCG subsidizing golf courses. He distributed a hand out saying tax payers are subsidizing approx. $8.00 every time someone uses an LFUCG sponsored golf course and that raising fees would not solve the deficit. He explained the problem is an over supply of courses. There are fewer golfers; there is an approx. 35% downturn due to over saturation.

Beard commented saying he agreed there was over saturation.

Gorton asked why LFUCG Parks & Recreation were not present, adding she would appreciate scheduling this presentation at another time to allow Parks & Recreation the opportunity to hear the presentation and be part of the discussion.

Stinnett suggested getting with Lane, who is the chair of General Services Link to schedule another presentation.

James again reiterated she did not agree with how this issue was introduced into the committee and why it was brought forward today.

Blues added he would like to have more information on KY Club for Growth and perhaps an expanded version of today's presentation. Adding to proceed with caution being mindful of responsibility to the public before calling for darkening of all public golf courses.

Lane said it would be helpful to make this report available for transparency.

Meeting adjourned 2:55 pm with one motion coming from today's proceedings.