

BUDGET & FINANCE COMMITTEE MEETING 7-7-2009 SUMMARY

All committee members were present except CM Myers. CM's Feigel and Martin attended as non-voting members. The meeting was called to order at 1:01 pm.

1. Update on Revenues FY2009 and Discussion- O'Mara/ Fister

Mr. O'Mara's presentation was distributed at the committee meeting, which covered preliminary numbers with a disclaimer. He talked about modified accrual basis for CAFR, revenue received in July for the June period, bank reconciliation adjustments, audit adjustments and preliminary numbers at time of year close. He showed preliminary monthly figures for June 2008 & 2009 and YTD. He said the insurance base is not growing, however franchise fees are increasing. He sees a softening of revenues, adding the recession is starting to take effect. He said unemployment rate is 7.7% and they are tracking foreclosures and other leading indicators.

Discussion:

Stinnett asked about a page of information in the budget. O'Mara covered the original numbers in the budget about withholding, net profit and insurance premiums.

Beard asked a question about 2008 numbers and insurance figures. O'Mara explained that is why all July payments are tracked, since they could actually be June payments. He said we look at "slow pay" payments. CM Beard asked if there might be a large sum due to be received. O'Mara talked about a one time accrual.

James asked how the housing market affects insurance premiums. O'Mara said if home prices are not going up, insurance isn't either. When asked about housing rehabilitation, he said that would have the opposite effect. He said insurance companies decide the base. He explained the number of building permits issued is not being used for analysis of insurance premium but rather to help gauge. James also wanted to know how the unemployment rate affected our revenues and how relevant is 7.7%. O'Mara responded it an economic indicator which tells us pressure is on the revenue forecast, adding he felt these trends are relevant.

Lane asked about taking the last quarter of last year and look at downturns. He said he would like to see a projection from the first half of the year straight out to FY10, looking for quarterly numbers. Lane asked for a comparison of the first 6 months of this fiscal year versus the first 6 months of last year.

Gray asked about reporting history of revenue numbers and what about urban service revenues. CM Stinnett said getting reports such as that was a goal of B&F Committee.

Henson was curious about the total of late payments and was told there was no analysis done on that. She asked O'Mara for information on late payments

whenever possible. He clarified late pay, slow pay and no pay and how it is handled revenue-wise. She asked if the projected withholding for FY10 was a little high.

Martin asked about increase total in 2009 and 2010 budgets. He said if revenues hold flat will we face \$13 million deficient? He urged discussion of a contingency plan. He requested O'Mara review during the council break and look at cutting operating expenses, programs, staffing. He added without a contingency plan we could be in serious jeopardy.

Beard asked about adjusted revenue. O'Mara replied LFUCG does not track, the insurance carrier does.

Stinnett noted we are not talking about expenditures today. He referred to a report the council received in the past, saying he was not sure of its name. He asked Mrs. Fister if it was possible to re-initiate receipt of that report for council members.

2. Division of Engineering New Development Section Audit - Sahli

Stinnett reminded the audit results are on-line and a summary is in today's committee packet before Mr. Sahli gave a brief overview.

Blues asked for an example or explanation of what was happening regarding inspections, documentation and requirements and what type of things, such as tools, etc. do inspections require. Sahli responded it depends on what type of inspection is required; sometimes a site inspection will suffice.

Gorton asked referring to the new development section, if some type of reorganization might help the issues addressed about oversight. Sahli went over recommendations about how to handle supervision. He said there is no process for tracking problems from beginning to resolution. She asked how and when corrective actions will be reported back to Internal Auditing. She asked Mike Webb, Commissioner of Public Works about best management practices. He said the section was not accurately recording information about meetings, some inspectors recorded more details than others and they needed a method to make all reports and information. He asked the committee if they had his recommendation in response to the audit. He covered items implemented since the audit, such as follow up, documentation and creating a standard for all inspectors to review issues the same.

James asked for a copy of the checklist asking Webb if best management practices can be incorporated. She referred to a two page check list and was told this was not the same check list used for inspections. She asked Webb if he had adequate staffing for certain aspects of the audit. Webb replied he could enlist a consultant or the environmental quality department to assist with staff training on inspections insuring EPA requirements. James asked about hiring a consultant in the next 6 months. Webb replied he would work with Cheryl Taylor, Commission Environmental Quality about training on issues such as water quality, etc. James asked about oversight of the engineering manual and standard operating procedures. Sahli said there are several manuals with no sign off on who reads them. . She asked about level of expertise in the engineering division, referring to third party consultations. Sahli felt this is a high priority item

and if LFUCG wants to assume responsibility. James asked Sahli to follow up on status of the audit recommendations in 6 months and report progress at a future Budget & Finance Committee meeting.

3. General List of Recommendations from Council Links – Recommendations Schedule II

Stinnett explained the procedure on how he would like to see link recommendations reported out. He suggested the chair of each link might bring them back to Budget & Finance Committee.

Martin asked for clarification on the procedure.

A motion by Lane to approve procedure outlined by Stinnett on how to bring status, progress of link recommendations back to either B&F Committee or Work Session seconded by Martin, passed without dissent.

4. Discussion of Fund Balance for Urban Services District Fund-Summary of Revenue & Appropriations

O'Mara told the committee they are preparing management reports that tie to CAFR which he hopes to have ready to report to council in August.

Gray said he would like part of those discussions to be about water management fee and what's the need for landfill and what makes up those services and any balances.

Gorton said citizens should know since their tax dollars are being paid and added she appreciated O'Mara working on urban services revenue.

James called for caution saying we have not upgraded waste management operations in a few years, citing need to make sure we have the equipment. She said it requires investment in order to get things done adding expenditures should be reviewed before changing anything.

Stinnett added saying we still do not know how much it cost to pick up Herbies, Rosies & Lennys and how much do we take from fund balance. He noted the urban service fund can only be used for what it is designated for. He said it is necessary to get details of fund balance generation. He said this issue would be part of the Budget & Finance Committee meeting in August.

Motion by Blues to adjourn, seconded by Beard, meeting adjourned at 2:36 pm.