

**MANDEVILLE FINANCIAL OVERSIGHT COMMITTEE
SUBCOMMITTEE OF THE MANDEVILLE CITY COUNCIL
MINUTES FOR THE MEETING OF FEBRUARY 19, 2014**

The meeting of the Financial Oversight Committee was called to order by Councilman Rick Danielson at 6:00 p.m.

PRESENT: Rick Danielson, David Ellis, Leonard Rohrbough, Marilyn Osborne, Vince Talazac, Jerry Coogan, Glen Runyon

ABSENT: None

ALSO: Clay Madden

1. Adoption of the January 15, 2014 Minutes

A motion was made by Mr. Ellis and seconded by Mr. Rohrbough for the adoption of the November 20, 2013 meeting minutes. The motion passed 4-0, with Ms. Osborne temporarily absent.

2. Rededication of Special Sales Tax

Mr. Danielson stated that the sub-committee of Mr. Ellis, Mr. Talazac, and Mr. Runyon met since the last meeting to work on this issue and consider different options. At the November meeting of the MFOC there was discussion to rededicate 100% of the special sales tax and earmark 20% for a dedicated purpose through the annual budgeting process. Mr. Ellis stated that he requested the audit information from the Administration and was told that we are awaiting approval from the Legislative Auditor before the document can be made public. There was further discussion on the timing and release of the audit. Mr. Danielson stated that the audit is due to the State on February 28, 2014. Mr. Talazac asked if the audit could begin before the fiscal year ends. Mr. Danielson stated that the State Auditor sets the guidelines and this would be a question for our external auditor. Mr. Runyon stated that the City Council commissions and controls the audit and is therefore entitled to review a draft of the audit and/or direct the MFOC to use the audit draft as a working tool. Mr. Runyon presented his long term forecast of special sales tax fund balances for the current tax (100% restricted) and for rededication tax option #1 (50% restricted and 50% to the general fund). Beginning fund balance figures were taken from the 2014 budget, capital expenditures were projected to escalate by 2%, and revenue escalation was estimated at .5%. Expenditures under drainage/capital projects included an estimated \$5 million for flood protection. Mr. Runyon recommended including language in the rededication of the 50% restricted tax to include not only drainage (water out) but flood protection (water in) and exclude language for operating and/or maintenance and salaries. He added that we should make the language "here to for" so that it states the existing fund balance can be used for flood protection. If we leave the 1% sales tax as is, the model shows that the fund balance will continue to grow to \$14 million by 2025. We all can agree that the balance has built up beyond the needs of our infrastructure. If the tax is rededicated 50% to the general fund and 50% to restricted projects, shown as option one on the attached forecast, the fund balance is estimated to drop to negative \$2 million by 2016. Also, if we rededicate 50% to restricted projects and 50% to the general fund (for all City purposes), then the City will have to look to other sources (i.e. state grants) for major capital projects in the future. He added that he thought the original intent of the tax, which was for streets, drainage, water and sewer, should be maintained in the rededication. Mr. Runyon provided his long term forecast of the special sales tax fund balances through 2025 and is attached as exhibit "A".

Mr. Coogan recommended dedicating restricted funding each year through the budgeting process depending on the City's capital needs. He maintained that the Council should have the flexibility to determine the priority of capital projects and use the funding where they see fit. They can direct money back into a dedicated fund each year as needed. Mr. Coogan provided his long term forecast of the special sales tax fund balances through 2025 and is attached as exhibit "B".

Mr. Talazac asked if the proposition could address increasing revenue or reducing operating costs. For example, could we dedicate some of the special sales tax for special purposes such as economic development, a City wide energy audit, a sinking fund for cost saving capital projects, or an internal employee incentive program to reward employees for cost saving ideas? Mr. Danielson stated that these concepts could be introduced through the budgeting process. In theory these ideas would be funded by the Council through the general fund. The Council could set some direction, but it would be up to the Administration to implement the ideas. He added that the Council can set the direction within the language of the operating budget ordinance.

A motion was made by Mr. Danielson and seconded by Mr. Rohrbough to recommend to the Council to rededicate the 1% special sales tax for the purpose of (1) 50% use in the General Fund and (2) 50% for the existing dedicated purpose. A motion was made by Ms. Osborne and seconded by Mr. Danielson to amend the original motion by modifying the 50% restricted proposition language to exclude "operating and/or maintenance" and "payment of salaries" and include flood protection. The motion to amend passed 5-0. The original motion passed, as amended, 4-1, with Mr. Talazac voting against. Mr. Talazac stated that he was against adding money to the general fund.

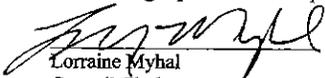
A motion was made by Mr. Danielson and seconded by Mr. Talazac to continue the 1% sales tax for 10 years rather than make it a permanent tax. The motion passed 5-0.

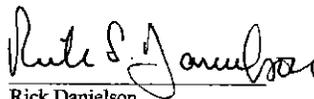
A motion was made by Mrs. Osborne and seconded by Mr. Ellis to present the MFOC recommendation to the City Council at their regular meeting of March 13th and review the proposition language at a meeting of the MFOC to be held on March 19, 2014. The motion passed 5-0.

3. Next Meeting: March 19, 2014, 6:00 pm

ADJOURNMENT:

The meeting adjourned at 7:25 p.m.


Lorraine Myhal
Council Clerk


Rick Danielson
Chairman