

**MANDEVILLE FINANCIAL OVERSIGHT COMMITTEE  
SUBCOMMITTEE OF THE MANDEVILLE CITY COUNCIL  
MINUTES FOR THE MEETING OF MAY 28, 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, Glen Runyon

**ABSENT:** Jerry Coogan

**ALSO:** David deGeneres

**1. Adoption of the February 19, 2014 Minutes and the March 19, 2014 Minutes.**

Mr. Danielson explained that both set of minutes were amended per the recommendations of Mr. Talazac and the amendments were highlighted in yellow. A motion was made by Mrs. Osborne and seconded by Mr. Rohrbough for the approval of the February 19, 2014 and the March 19, 2014 minutes as amended. There being no further corrections, the motion passed 4-0, with Mr. Talazac being temporarily absent.

**2. Updates and Announcements.**

None

**3. City Council Resolution No. 14-28, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MANDEVILLE RECOMMENDING TOPICS TO BE REVIEWED AND RESEARCHED BY THE MANDEVILLE FINANCIAL OVERSIGHT COMMITTEE WITH COMMITTEE RECOMMENDATIONS TO BE CONSIDERED FOR INCORPORATION INTO THE 2014/2015 OPERATING AND CAPITAL BUDGET ORDINANCES**

Mr. Danielson stated that this committee was established to assist in improving the budget process and provide recommendations to the City Council. Budget ordinances will be introduced in June and discussed during July and August with adoption at the second meeting in August. The goal is to prioritize the research topics outlined in Resolution No 14-28 and assign homework. Resolution No. 14-28 discussion items include:

**a) Change the City's Fiscal Year.**

Would the cost of the annual audit increase and be delayed due to the capacity of audit firms working on a calendar year basis?

What is the problem we are trying to solve? Why was the fiscal year set up to run September to August?

Survey BGR to find out what other governmental agencies have adopted.

What are the City's patterns of outflows/spending and revenue inflows? What are other relative data points? What timing would provide a more complete annual audit?

Should an incoming Council be responsible for a budget adopted by the previous Council?

Mr. Ellis and Mr. Rohrbough agreed to provide a report on this topic to the committee by the end of July.

**b) Home Rule Charter, Section 2-08, Independent Audit**

Mr. Talazac stated that, ideally, the annual audit should be in hand (April 1<sup>st</sup>) before the Council goes into the budget process. For the past two years, the public and the Council have not been given the draft of the audit report because it had to go through the legislative audit committee at the state level before it was finalized. Mr. Runyon stated that the independent audit is the Council's responsibility and the Council should be included in the whole process. It was his understanding that the internal audit committee, established in 2008 by ordinance, was given the task to meet with the auditor through the audit process, once contracted by the Council. Mr. Danielson clarified that the Council was able to review a draft of the audit at any time. The audit needed a special second review due to repeat findings. Mr. Talazac recommended including language in the auditor's letter of engagement and/or contract that would spell out the Council's expectations of involvement October through March. Mr. Runyon asked if the state auditor could conduct the City's audit every three or four years. The state auditor is the most familiar with all findings statewide. Mr. Danielson stated that the senate and house were in the process of adopting the maximum required rotation cycle for changing auditors. They are considering every five years. This committee should determine and recommend to the Council an appropriate cycle to change auditors and what requirements to include in the auditor's engagement letter or in an ordinance form. There also needs to be a reporting system and accountability mechanism for the mitigation of findings and repeat findings. One suggestion was to report on audit findings and management's response to the findings every quarter during the monthly finance report on the Council's agenda. There was consensus to add that report to the agenda on a monthly basis. The report could include the finding, action plan to resolve the problem and follow up on the action plan. A motion was made by Mr. Rohrbough and seconded by Mr. Ellis to recommend to the Council that the Council request from the Administration a monthly status report of audit findings, the action plan to resolve the finding and the timeline to complete the action plan. The motion passed 5-0.

Mr. Talazac and Mr. Runyon agreed to provide a report with recommendations on improving the audit process to the committee by the end of July.

**c) Home Rule Charter, Section 2-10(12), Action Requiring an Ordinance, Improve Process to Acquire Immovable Property on Behalf of the City**

Currently, the acquisition of immovable property or the donation of a servitude requires an ordinance of the Council. Mr. Danielson explained that there has been discussion to include all details of the property acquisition in the annual budget and then use the budget ordinance as the authority to acquire property and all related servitudes as needed. Mr. deGeneres stated that his biggest concern was for servitudes that do not require funding on the City's part. If the main project is approved and funded, then the servitudes should be included and authorized without separate ordinances. DPW should not need to come to the Council with every servitude request, it delays the project. If it is

a right-of-way, then the City is buying it and clearly owns it. Mr. Talazac suggested defining the different types of acquisitions. There was consensus to ask the City Attorney for an opinion on Section 2-10(12) "acquire immovable property on behalf of the City". Do acquisitions include donations, right-of-ways and temporary servitudes or access? Mr. Talazac stated that we need to focus on why this procedural rule exists in the first place and also consider how will the Council be notified of property acquisitions by the City; what is proper?

Mr. Danielson stated that he would work with the City attorney to get clarification and work on an efficient procedure.

**d) Home Rule Charter, Section 5-08, Purchasing, Establish Minimum Competitive Procurement and Process Standards for Discretionary Procurements**

Mr. Danielson stated that this was a potential Home Rule Charter Proposition that is up for adoption on June 12<sup>th</sup>. There was consensus to defer the discussion of Section 5-08 until after the final adoption of the Charter amendments.

**e) Surplus & Required Fund Balances, Recommend Required Minimum Balances, Either a Percentage or a Dollar Amount**

Mr. Danielson stated that there were a few definitions of what a balanced budget was. Does it include spending funds that are in surplus? We currently have a surplus in our fund balances that may be spent on high priority issues. Each budget ordinance should establish what can be spent that year. For example, allow the administration to spend up to 4% of surplus on street projects one year and nothing the following year if revenue is headed in the wrong direction. Mr. Runyon stated that there was another element to consider and that was inter-fund transfers. It was his understanding, though not documented, that there was a budget guideline which did not allow money to be taken out of the fund balance until the expense was incurred. As opposed to transferring a budgeted amount to a fund and then it ends up being a surplus in a different fund. It happens every year in the Enterprise Fund. Operating expenses of the enterprise fund have not been covered by user fees. All of the surplus funds that are in the Enterprise Fund are for anticipated projects that for one reason or another never happened. Mr. Runyon recommended that the budget ordinance include the following language "no money can be transferred to the Enterprise Fund until the Enterprise Fund is depleted down to \$xxx or by x%". The dollar amount (or percentage) should be an emergency balance as determined by the Finance Director. Mr. Talazac asked if this was a question of obligated vs. committed funds. Mr. Runyon stated that the Home Rule Charter was very clear about the difference. The difference is the allocation of the specific project money; actually it no longer exists if the project has not started within one year according to the Charter. But the fact of the matter is that the money was already transferred in anticipation of the project. That is how the balance builds in the Enterprise Fund. That is special sales tax money that should be in the special sales tax fund. The balance has been \$2.5 million for over three years. Therefore, some wording needs to be incorporated into the budget ordinance regarding fund balance guidelines. Mr. Runyon added that he has four bullet points he can recommend.

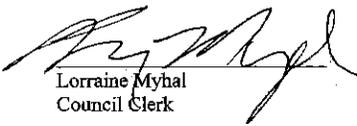
Mr. Runyon and Mrs. Osborne agreed to work on the language for the budget ordinance for a recommendation to the Council.

Mr. Runyon stated that there was one issue that was never followed; it was a recommendation from this committee to the Council to ask the Administration to file a budget amendment to reduce the amount of money that was allocated for reimbursement expenses. He stated that to his knowledge, nothing has ever happened. If we are going to compare budget to budget figures, the budget better be accurate based on actuals. There is a column in the budget that compares budget to actuals, but the verbiage around the letter is always budget to budget. We never see, in the opening letter, that we have reduced the budget by 4% based on actuals. Mr. Rohrbough suggested a budget timeline/deadline for budget amendments. Mr. Danielson suggested that this would be a good topic for one of the June Council meetings. Mr. Talazac asked at what point does the Council provide their budget priorities, in the form of guidance, back to the administration. Mr. Danielson stated April 30<sup>th</sup> or first week of May (for capital items). Mr. Runyon pointed out that what was missing from the Administration's budget timeline, which was recommended by this committee, was revenue forecasting. Mr. Danielson stated that we were supposed to have that conversation about revenue forecasting at our last regular Council meeting, but due to the late hour it was deferred to the next meeting.

4. Next Meeting: June 18, 2014, 6:00 pm

**ADJOURNMENT:**

The meeting adjourned at 7:15 p.m.

  
Lorraine Myhal  
Council Clerk

  
Rick Danielson  
Chairman