

**MANDEVILLE FINANCIAL OVERSIGHT COMMITTEE  
SUBCOMMITTEE OF THE MANDEVILLE CITY COUNCIL  
MINUTES FOR THE MEETING OF JUNE 18, 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, Jerry Coogan, Glen Runyon

**ABSENT:** Vince Talazac

**ALSO:** Clay Madden

**1. Adoption of the May 28, 2014 Minutes.**

A motion was made by Mrs. Osborne and seconded by Mr. Rohrbough for the adoption of the May 28, 2014 minutes. The motion passed 4-0.

**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**

Topics which were referred to the Mandeville Financial Oversight Committee, via Resolution No. 14-28, for research and recommendations were divided among committee members at their meeting of May 28, 2014. Research and reports are due back to the committee in July for a final recommendation to the City Council. Each committee member gave a status report of their findings.

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

Mr. Ellis stated that he was researching this topic with the Finance Director. He was researching the cost differences, if two audits were necessary during the initial change, requirements by the Legislative Auditor, why the fiscal year was set up from September-August originally, and concerns and common practices. Mr. Danielson suggested getting a sample of costs for three different time periods; (1) calendar year, (2) March to February, and (3) October to September. He added that the Bureau of Governmental Research (BGR) could provide information on common practices.

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

This committee will determine and recommend to the Council an appropriate cycle to change auditors and requirements to include in the auditor's engagement letter, or in an ordinance form, to keep the Council involved in the process. 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. Mr. Rohrbough asked the committee to take under consideration that the audit team, within a firm, changes every couple of years. Another consideration is to rotate the City audit through the State Legislature's office every three or four years. This option will be explored further. Mr. Coogan asked the committee to confirm if the State has insurance or bonding similar to private audit firms. Mr. Danielson stated that a bill, passed in the last legislative session, mandates that the Louisiana Auditor's Office develop an enhanced audit process, in addition to the annual financial audit, for St. Tammany Parish. That was the primary recommendation of the IG Task Force. Mr. Danielson gave a brief explanation of the forensic audit process to be developed by the Louisiana Legislative Auditors Office. He added that there will be an additional cost for this type of audit.

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

Mr. Danielson stated that he met with the City Attorney and they are in the process of drafting an ordinance to clarify this process. Once drafted, the ordinance will come back to the MFOC before final recommendation to the City Council.

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

Mr. Danielson stated that this proposed charter amendment ordinance failed at the last Council meeting. No one disagreed that this section doesn't need to be improved and definitions refined. It was determined that the process could be further clarified through a separate ordinance or through the budget ordinance. Mr. Deano will draft the initial ordinance and it will be refined by the Council in conjunction with the MFOC. Mr. Runyon clarified that the Council could extend and enhance the procurement process by ordinance as long as it did not conflict with the charter. Mr. Danielson added that the Council could also put contingencies in the budget ordinance and that ordinance would be up for public discussion in the budget work sessions. Examples of different budget ordinances have been requested from Covington, Slidell, and New Iberia for reference.

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

Mrs. Osborne reported that the GFOA recommends a minimum balance of no less than two months of general fund operating revenues or regular general operating expenditures. Baker Norman stated that the general consensus among financial advisors was that there should be a fund balance between 20 to 25% of operating expenditures. These percentages take natural disasters and risk mitigation into consideration.

Mr. Runyon stated that percentages were preferred over dollar amounts when determining minimum balances.

There are a lot of terms that need to be defined, but the most significant recommendation was that there should be a formal fund balance policy. The GFOA stresses that the policy should be formed by the financial officers and vetted through the legislative branch. Mr. Runyon suggested that the MFOC draft the fund balance policy and send the draft through the Administration and the Council. Certain terms will need specific definitions. For example, the different classifications of fund balance: (1) non-spendable, (2) restricted, (3) committed, (4) assigned, and (5) unassigned. The only category that appears to be available is the "unassigned funds". And in our most recent audit we have \$10 million of funds that were labeled "unassigned funds" that are really uncommitted. This is where a policy would be beneficial. Mr. Danielson asked if the GFOA has examples of policies from other municipalities. Mrs. Osborne agreed to get a few samples. Mr. Runyon and Mrs. Osborne agreed to work in conjunction with the Finance Director in drafting the minimum fund balance policy.

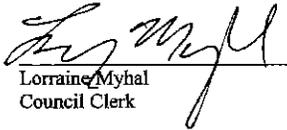
4. Mr. Runyon stated that there has been a recent accounting change approved by the Government Accounting Board that requires post-retirement medical and dental benefits to be carried on balance sheets. Currently it shows as a footnote on our balance sheet as a \$1.6 million dollar accrued liability. The City does not have one penny allocated for any future post-retirement benefits. Once this goes through public comment and the final board, it is expected to pass before the calendar year end. So it would hit the City budget in 2016. If we have to show this on our balance sheet, we need to start setting aside the funds. The only place these funds can come from is the general fund. Our fund balance policy should probably address this development. This could potentially be "assigned monies" because it is committed but not obligated yet. Instead of waiting for the next budget cycle, once it passes, the Council could pass a budget amendment.

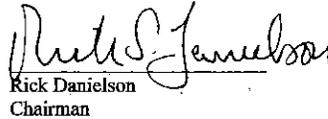
5. Progress reports on audit findings will be included under the monthly finance report on the Council agenda the second Thursday of each month.

6. Next Meeting: Wednesday, July 23, 2014, 6:00 pm

**ADJOURNMENT:**

The meeting adjourned at 6:45 p.m.

  
Lorraine Myhal  
Council Clerk

  
Rick Danielson  
Chairman