

**MANDEVILLE FINANCIAL OVERSIGHT COMMITTEE
SUBCOMMITTEE OF THE MANDEVILLE CITY COUNCIL
MINUTES FOR THE MEETING OF JULY 23, 2014**

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

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

1. Adoption of the June 18, 2014 Minutes.

A motion was made by Mr. Rohrbough and seconded by Ms. Osborne for the adoption of the June 18, 2014 minutes. Mr. Coogan stated that the discussion on an item regarding the public records request to the Council and MFOC members continued after the meeting was adjourned. Since there was a quorum of the Council present and the discussed item was not advertised, there was a possible violation of the sunshine law. Mr. Danielson stated that the meeting was advertised as a public meeting and allows for public comment. Mr. Coogan argued that the meeting was adjourned and was therefore not open for public comment. He added that for transparency, the discussion should be included in the minutes. Mr. Madden recommended that the digital recording of the meeting be reviewed to determine if the meeting was adjourned, when it was adjourned and at what point was the recorder turned off. There was consensus that the meeting was adjourned. Mr. Coogan stated that he heard Mr. Runyon confirm the adjournment prior to starting the discussion on the public records request. Mr. Runyon stated that there were public emails from the City Attorney's office giving out definitions of public records and that is what the discussion was about – the definition of a public record and what constitutes a public record per the City Attorney's interpretation. We talked about the Attorney General's opinion about those definitions. Mr. Runyon stated that he discussed the AG opinions he found that cast doubt on whether every communication is a public record. Mr. Danielson stated that if we are going to include something in the minutes, we need to know what exactly was said. He added that to his recollection, it was a general question. We did not discuss what we (Council members) may or may not vote on. Mr. Coogan disagreed. He stated that Mr. Madden stated that an AG opinion should be requested which is exactly what you are doing through Councilman Burguières. The Council did make a statement about the direction you were going to take. Mr. Madden stated that he would like an opinion from the City Attorney on whether the discussion was considered City business. Mr. Danielson stated that there was a meeting prior to the June 18, 2014 meeting with himself, Mr. Madden, the Mayor and the Assistant City Attorney on how to proceed with the public records request. Mr. Rohrbough stated that minutes should reflect what is on the tape recorder and if there is nothing there, the clerk has nothing to add and the minutes should stand as is. If there is recorded discussion, it should be added to the June 18th minutes and recirculated for review prior to approval. There was consensus to postpone the adoption of the minutes so the clerk could verify the recording. A motion was made by Mr. Rohrbough and seconded by Ms. Osborne to defer the adoption of the June 18, 2014 minutes. The motion to defer passed 4-0.

2. Change the City's Fiscal Year

Mr. Rohrbough stated that he was waiting on additional information from the Finance Director regarding the cost of completing two audits in the transition year. Would two audits be required or could we start with a 14month cycle, if we extend the fiscal year a couple of months? The Legislative Auditor's Office wanted to know why we were investigating a change; was it a fiscal or logistics reason? Mr. Ellis stated that he has discussed this idea with the Mayor who was not in favor of adding the cost to the budget just to gain two months of additional review time for new council members. Mr. Danielson stated that the question does come up from time to time and the committee was asked to find the cost for three fiscal year scenarios (September 1, calendar year, and February 1) Mr. Runyon stated that we need cost protections and then a cost/benefit analysis. What is the cost and is there an offsetting benefit? Mr. Danielson recommended asking LMA or BGR for an opinion. Mr. Madden recommended starting the fiscal year July 1st when a new council would take office and the administration presents the proposed budget. The problem is cutting the budget between two different councils. There was consensus to seek advice from the City's current auditor on the cost (transition cost and costs moving forward) of using the current fiscal year vs. the calendar year.

3. Home Rule Charter, Section 2-08, Independent Audit

Mr. Runyon stated that this committee discussed having the State Legislative Auditor rotate in and complete the City's annual audit. The Legislative Auditor also provides additional forensic type audits. It would be up to the Council to set up a rotation schedule of additional audits. Mr. Danielson added that the State will tell the municipalities and all other governmental organizations what enhanced audits to conduct. Outside of normal items that are audited each year, the Legislative Auditor will determine a set (3, 7, 10 determined by revenue received) of additional items to audit (i.e. credit cards, travel expenses, or computer costs). The additional items will change each year. The State Auditor's Office is currently developing that process that will be mandated down to all organizations that receive tax dollars above \$50,000. Mr. Runyon stated that it would be best to follow what the Legislative Auditor does rather than create something of our own.

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

Mr. Danielson stated that the budget process will clarify and define this practice. The City Attorney is currently

working on this process.

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

Mr. Madden mentioned that there are amendments being offered in this budget cycle that will address procurement. Mr. Danielson stated that this item was deferred by this committee because, at that time, it was a possible charter amendment. That particular charter amendment failed to go forward to the voters in November. This will be partially addressed through the budget process and also by ordinance. There will be more work on this and a rough draft on section 5-08, purchasing, that this committee can review. There are amendments that will be discussed at tomorrow's regular council meeting that were sent to everyone last week. These amendments, for both operational and capital budgets, are guidelines that can be adjusted each year and will assist in administering and managing the budget. Mr. Danielson stated that in his research he compared Mandeville's budget ordinances with four other municipalities (New Iberia, Slidell, Covington, and Hammond).

A motion was made by Mr. Rohrbough and seconded by Ms. Osborne to close and remove from the agenda, the following topics: (1) Section 2-08, Independent Audit; (2) Section 2-10(12), Action Requiring an Ordinance, Improve Process to Acquire Immovable Property on Behalf of the City; and (3) Section 5-08, Purchasing, Establish Minimum Competitive Procurement and Process Standards for Discretionary Procurements. The motion passed 4-0.

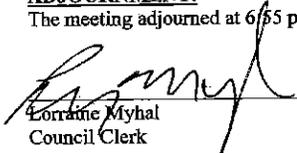
6. Surplus & Required Fund Balances, Recommend Required Minimum Balances, Either a Percentage or a Dollar Amount

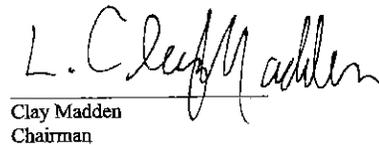
Ms. Osborne stated that Mr. Runyon researched examples of policies from different municipalities to create a draft. The policy contains a glossary and a date to measure the fund balance. The draft was forwarded to the Finance Director and the Finance Director replied with a sample of his monthly reports showing a running protected balance; a 20% policy. Mr. Runyon stated that, based on best practices, 25% would be good for credit worthiness and give the City additional risk avoidance. Our drafted policy states three months, which is 25%. Instead of revenues we used three months of actual operating expenses. The purposes of a reserve would be to cover the operating expenses. Even though the GFOA states that we can use revenue or expenses, it recommends picking the one that is more reliably consistent. The proposed reserve would be 25% of the budgeted operating expenses. The City currently uses 20% of current revenue. This draft would constitute what creates the reserve and requires the discipline of a five year forecast. So if the forecast states that we are going to have a problem in year #4, then the City can take action now. We currently do not have that statement of policy for the City. In addition, this proposed policy states how the fund balance can be used. Again, we currently do not have that statement/policy. Currently if we dip into a fund balance it comes up in the annual budget process. There is no guidance, from the Council, on what that can be used for. It usually comes back as a budget adjustment. The definitions clarify unassigned vs. uncommitted funds. This policy draft has clear definitions. The reserve is only on the unassigned portion of the fund. Overall, the draft provides clarity on what constitutes a reserve and what it can be used for. Mr. Danielson clarified that his proposed amendments (that he will recommend tomorrow) addresses budget preparation and Mr. Runyon's policy addresses the maintenance of a reserve balance. There was further discussion on the MFOC's role in developing a specific policy (procedures, definitions, and reporting cycle) beyond what the City is currently implementing. Should all this information be included in the budget document or should this be a free standing policy that covers fund balance uses, replenishment, forecasting, etc.? Mr. Danielson stated that the budget document could change every year, but policy does not change. There was consensus to continue the discussion at the next MFOC in order to allow for the review of the policy draft Mr. Runyon sent out by email on Monday. A motion was made by Ms. Osborne and seconded by Mr. Rohrbough to defer the topic to the August MFOC meeting. The motion passed 4-0.

7. Next Meeting: Wednesday, August 20, 2014, 6:00 pm

ADJOURNMENT:

The meeting adjourned at 6:55 p.m.


Lorraine Myhal
Council Clerk


Clay Madden
Chairman