Board of Finance
6/16/2014

Board of Finance (Monday, June 16, 2014)

Generated by Amy Bovee on Monday, June 23, 2014

Members present
Sharon Bushor, Jane Knodell, Joan Shannon, Miro Weinberger; Karen Paul (phone); CAO Bob Rusten

Also present: ACAOs Rich Goodwin and Scott Schrader; City Attorney Eileen Blackwood; Brian Lowe, Mike Kanarick, Mayor's Office; Chapin Spencer, Norm Baldwin, DPW; Peter Owens, Karen Vastine, Darlene Kehoe, Marcy Krumbine, CEDO

Meeting called to order at 5:08 PM

1. Agenda

Action: 1.01 Approve/Amend the Agenda

Councilor Paul requested more detailed minutes. CAO Rusten suggested she provide an explanation of what they feel is missing from the minutes.

Move to adopt the agenda with the amendment to postpone action on item 3.01 until the next meeting

Motion by Sharon Bushor, second by Jane Knodell.

Final Resolution: Motion Passes

Aye: Sharon Bushor, Jane Knodell, Karen Paul, Miro Weinberger

2. Public Forum

Procedural: 2.01 Public Forum

No one came forward to speak.

3. Approval of the Board of Finance Minutes

Action, Minutes: 3.01 May 19, 2014

The Board postponed action on this item.

4. For Approval and Recommendation to the City Council

Action, Resolution: 4.01 FY15 Budget Presentation

Mayor Weinberger noted that they will discuss the local agreement tax rate.

Councilor Knodell stated she is prepared to vote for the budget tonight, but would like some clarifying information. She inquired what the ten new positions will be. CAO Rusten stated there will be a net of ten new positions. There will be a central purchaser, a capital project accountant, and a new payroll employee within the Clerk/Treasurer's Office, a net of two new positions in IT, a new position in the Police Department, a position in the Attorney's Office, and maintenance, parking, and electrician positions within Parks and Recreation. Councilor Knodell inquired if the 1% COLA is for employees who are not included in collective bargaining units. CAO Rusten stated that is correct. Councilor Knodell inquired what is included for an increase for employees in unions. CAO Rusten stated the FY 15 budget includes a 1% COLA.. They sign multiple year bargaining contracts. They are also looking at reducing health insurance costs by using a different provider, or by modifying their agreement with their current provider. They will also looking about retirement contributions. Councilor Knodell stated the Mayor's memo states there will be a growth in expenditures of 2.6%. The total spending that appears on the general fund spreadsheet shows that it is going down. CAO Rusten stated this is because in FY14, there were inter-fund transfers. They will be limiting that practice in FY15. After adjusting for that, the growth in expenditures is about 2.6%. Councilor Knodell stated one way they are balancing the budget is with the growth in Gross Receipts. They are budgeting that increase to be about $500,000. CAO Rusten stated that is a conservative number based on the actual increase they have seen this year. In FY13 they brought in $2.9 million when they budgeted $2.8 million. They have been tracking it monthly and there has been a 13-16% increase each month over last year. He has used this information to anticipate where they will end up in FY15. Councilor Knodell inquired where they will end for FY14. CAO Rusten stated they have collected about $2.7 million so far, which does not include May or June payments. Councilor Knodell stated the appropriation resolution talks about some of the internal control measures. There is a resolved clause stating the CEDO budget will only be approved contingent upon them finding additional revenue or cutting expenses by $181,903. She inquired what they will do if they do not achieve that requirement. CAO Rusten stated that means that they will not be allowed to overspend their budget without corresponding revenue to address that problem. Once they get to that deficit, an action will need to be taken to address that. Councilor Knodell inquired if they will share gross receipts revenue if it comes in above the budgeted amount. CAO Rusten stated they will share 50% of that amount. If the amount is greater than $181,903, it will be placed in a reserve account and they will seek authorization to spend it. Councilor Knodell inquired why they do not budget to receive more gross receipts and then put that revenue in the general fund allocation. CAO Rusten stated he believes it is better to highlight the fact that they do not know for sure if they will receive that revenue. Doing it this way shows that there is an operational issue that they have to address.

Councilor Bushor stated she has some issues with the proposed funding solution, but she does value CEDO's mission. In the past, when they have had a shortfall they have used the unanticipated dollars from the rooms and meals tax to bridge the gap. She is concerned that some of this money will potentially go to CEDO. She requested that the Board of Finance be included in discussions about ways to fund CEDO and what options they have. She would hope that they could find a more guaranteed funding source. CAO Rusten stated they will be having conversations about long-term funding for CEDO. They have spent time trying to understand the current funding. This proposal is a way to address their funding in the short-term, and they will continue to have conversations about the long-term funding sources. Councilor Bushor stated having information about the cost-drivers and ways they are addressed in the budget was very helpful. She suggested including this in the annual report. She inquired about a portion of the Mayor's Letter that stated they have scrutinized allocations and reset them when necessary. Mayor Weinberger stated that relates to allocations in the General Fund. The CAO's Office has led efforts in determining if allocations needed to be changed or not. Councilor Bushor inquired if someone at the top of the pay scale would receive the 1% COLA. Mayor Weinberger stated they would. Councilor Bushor thanked them for creating an Information Technology Department and is glad that it will be a standalone Department. The Director of Information Technology requires a person with expertise and suggested they look at appointment terms longer than one year. They do not want to have a revolving door on that position and they will need continuity for success. She also suggested that they include a help-desk function in their list of goals. She suggested that they look at the allocation of money in the tax assessment. It does not resonate well that the tax for trees and greenways is only slightly lower than the amount dedicated to safety services. She also suggested they look at the amount dedicated for the Housing Trust Fund. It is time to look at their priorities and ensure they are spending their money the way they really want to. They have not had a thoughtful evaluation of their dedicated taxes. She stated after a winter like the past one, she wondered if they should shifts more money into paving and pothole repair. The roads are in bad shape and she is concerned about it. Mayor Weinberger stated the paving budget has received additional resources from the CIP budget to allow them to do as much as possible this year. Norm Baldwin, DPW, stated they moved about $240,000 to pave Appletree Point Rd. Winter was tough on the roads and they will continue with their twenty year plan. He would be happy to review the paving plan with Councilors. Councilor Bushor stated she is specifically concerned about streets in her own ward. Mayor Weinberger stated they did additional bonding for paving in 2009. DPW is looking at making sure they are repairing streets more quickly than they are deteriorating. It is important to remember that dedicated taxes do not paint a full picture of how they spend money.

Councilor Paul stated she is glad that the budget is fair, factual, and forward looking, as all budgets should be. There have been many times when budgets were not all three of these things, but she believes this one is. It has been an open and inclusive process. They are all in agreement that CEDO funding is in crisis and appreciates the way that they have approached it. She is glad to hear that this is a work in progress and that they are working on a long-term plan. She requested that they receive a report about additional revenues that CEDO collects so they can understand where they are at before the end of the fiscal year. She understands the financial realities of eliminating an economic development position, but it is troubling to her. She would like to try to figure out a way to get that position back as soon as possible.

City Council President Shannon stated this year's budget was difficult to understand because of changes in practices. The supplemental information that was provided was very helpful in understanding the budget. She inquired if the increase in debt service listed as a cost driver related to the fiscal stability bond. CAO Rusten stated this is the first year they will make a principal payment on the fiscal stability bond and a full year with capital improvement bond payments. City Council President Shannon inquired if that is the reason they are seeing an increase in the debt service portion of the property tax rate. CAO Rusten stated the debt service rate is a pass through charge. Voters authorized issuance of the bond itself, including the debt service. City Council President Shannon inquired if this is separated on the tax bill. CAO Rusten stated it is not. They have provided Councilors with a breakdown of both Charter authorized and voter approved tax rates.

CAO Rusten stated they have come across an issue with the tax rates. There is an exemption of up to $10,000 for Veterans. Unless the State has approved a tax exemption, it is up to the municipality to pay the education taxes to the State. They are required to show any separate local agreement tax rates on the tax bill to indicate that tax rate was set to raise the revenues for properties they approved exemptions for. In years past, they have been paying the difference of about $140,000. There is nothing in the budget listed as a revenue or expenditure to transfer this money to the State. In order to be fair and factual, he has included this rate which specifically states these are separate payments needed to raise that money. It will be a new item on the tax bill to raise revenue due to the State.

Councilor Knodell inquired if that will be part of the General City Tax Rate. CAO Rusten stated it will not be because there is nothing in the budget where they can identify that as part of the General City Tax Rate. When they do a true up with the State Education Fund, they base this on the education tax rate and the grand list. In the past, the State has agreed to increase the education grand list so they have to transfer more money to them.

Councilor Bushor inquired where this will be inserted. CAO Rusten stated it is included in the tax resolution. Councilor Bushor inquired if it will appear on property tax bills. CAO Rusten stated it will be. Councilor Bushor inquired if they will be including an insert with tax bills to let people know what this tax is. CAO Rusten stated they have not determined that yet.

Councilor Knodell inquired if they need to make a reduction somewhere. CAO Rusten stated they do not because this will be raising additional funds. Mayor Weinberger stated he does not see any other good option to address this problem within this budget.

Councilor Bushor requested additional information about the State raising the education grand list. Mayor Weinberger stated they have been paying this through an adjustment that the State made. They will not be making and adjustment and will pay it directly.

Approve Budget and all applicable Resolutions and Recommend City Council Approval

Motion by Karen Paul, second by Jane Knodell.

Final Resolution: Motion Passes

Aye: Sharon Bushor, Jane Knodell, Karen Paul, Joan Shannon, Miro Weinberger

Communication, Discussion, Information: 4.02 Internal Financial Controls - C/T

CAO Rusten stated there is a Charter Requirement that prior to June 30, the CAO is to submit a signed checklist that the auditor of accounts has provided. The checklist does not go to the auditor, but is provided to the Council. The Assistant CAOs and the Senior Accountant helped prepare the checklist. They found that there was one non-City entity that had put money in a City bank account and they have corrected this. There are a lot of questions that are not on the checklist that address the complexity of their financial controls. They have begun to look at what the Auditor recommended as a more complex financial control model.

ACAO Goodwin stated there was a recommendation in the Management Letter that they implement the COSO model. The COSO Model is designed to strengthen internal controls and improve overall monitoring of financial data. He spent time designing the framework that is required for this model. They looked at numerous models used in other municipalities. He created a graph on the COSO process, which should begin to satisfy the auditors. He shared the model with their auditors and they believe it is in good standing. They have done a thorough review of their practices and account structures over the past year. They suggested using a system called posipay to reduce fraud and errors. This allows them to submit a file to the bank of the checks they have issued. When an individual submits a check to the bank that is not on that listing, the check would not be cashed.

Councilor Bushor inquired if this system will reduce the number of hours they have to spend on internal controls. She inquired what this will cost and what it will save him. ACAO Goodwin stated the only cost so far is staff time. He has spent time drafting the model and looking at ways to reduce fraud. They are looking for a commitment from the Mayor's Office and City Council to embrace this model. It will be a cultural change that will change the way they are doing business. CAO Rusten stated that having a clear system in place is important in preventing fraud. Councilor Bushor inquired if there will be auditing and monitoring activities on a calendar that will need to be done regularly. Councilor Bushor stated this is consistent with the Auditor's report.

CAO Rusten stated no action is needed, but they will be sending this to the City Council.

Councilor Paul thanked them for their work on this and stated this is hugely important.

Councilor Paul left the meeting.

Action, Resolution: 4.03 Resolution Delegation of Authority for Budget-Neutral Amendments within City Departments' Individual Budgets - C/T

CAO Rusten stated the last time this was approved allowed them authority through the end of FY14. They are proposing eliminating the end date and there are no other changes to the resolution.

Councilor Bushor stated this is a good process, keeps the Council informed and gives the administration flexibility.

Approve and Recommend City Council Approval

Motion by Sharon Bushor, second by Jane Knodell.

Final Resolution: Motion Passes

Aye: Sharon Bushor, Jane Knodell, Joan Shannon, Miro Weinberger

Action, Resolution: 4.04 Authorization to Award Contract for FY15 Street Reconstruction Program - DPW

The Board addressed an item to allow the Department of Public Works to award a contract to Pike Industries for the FY15 paving plan, repaving of Leddy Park Road, and repaving of Appletree Point Rd.

Approve and Recommend City Council Approval

Motion by Sharon Bushor, second by Jane Knodell.

Final Resolution: Motion Passes

Aye: Sharon Bushor, Jane Knodell, Joan Shannon, Miro Weinberger

5. For Board Action

Action: 5.01 Allocation of FY14 Special Projects - Emerging Needs Funds - Mayor

Mayor Weinberger stated they are requesting allocating money from the emerging needs fund to two different projects.

Councilor Bushor inquired if they already give money to CATMA. Mayor Weinberger stated this year they joined CATMA as a member, which is new. This is separate from where they pay for CCTA. Councilor Bushor inquired who is aware of this fund. She is supportive of the recommendation, but there are a number of organizations with need. She is concerned that only the "in-crowd" knows about this. Mayor Weinberger stated they allocate out the Regional Programs budget to a variety of different groups. They have perpetuated the system that is in place for the past few budgets. Going forward, they will be having discussions about whether this fund should be used more strategically or in a more competitive way. The Board of Finance is the most aware of this fund. He does think it is valuable to have the ability to help with small needs. Councilor Bushor stated she would like to find a way to identify need.

Motion to approve the allocation.

Motion by Sharon Bushor, second by Jane Knodell.

Final Resolution: Motion Passes

Aye: Sharon Bushor, Jane Knodell, Joan Shannon, Miro Weinberger

6. Adjournment

Procedural: 6.01 Adjournment

Without objection, Mayor Weinberger adjourned the Board of Finance meeting at 6:16pm.