

BUDGET & FINANCE COMMITTEE
February 25, 2014
Summary

Ellinger called the meeting to order at 1:01 PM. All members present. Clark also attended.

I. January 28, Committee Summary

On a motion by Beard second Gorton the summary of the January 28 Budget & Finance Committee meeting was approved unanimously.

II. Monthly Financial Report

Bill O'Mara, Finance Commissioner, Rusty Cook, Revenue and Melissa Lueker Budgeting provided the monthly financial report. O'Mara stated that the unemployment rate and other indicators were heading in a positive direction.

O'Mara also addressed the Code Enforcement abatement collections through January.

Cook stated that actual General Fund revenue was about \$ 2.2 million ahead of the budget through January. Lueker stated that actual expenses were about \$ 5.6 million below budget through January, along with a positive variance in transfers of approximately \$ 840,000 for a positive variance of \$ 8.6 million.

Gorton asked if funded vacant positions were being filled more quickly due to the positive fund balance. In response Lueker stated that there are still several vacancies they are being filled. She stated that she will provide more information to Council about high profile vacancies.

Stinnett discussed the current \$ 8.6 million variance. He stated that doesn't accomplish the mission of LFUCG. He noted that there are numerous needs, including deferred maintenance that is not being addressed.

In response O'Mara stated that he was more conservative by nature. He stated that the positive variance enabled LFUCG to purchase more salt than anticipated. He also noted that other unexpected needs could be met with the variance.

III. Refunding Urban Services Ad Valorem Taxes

Stinnett started the discussion. He stated that we need a policy about refunds and taxing citizens for services that they don't receive.

Charlie Martin stated that going forward LFUCG will not be issuing refunds, but also won't be property on tax rolls until it is certain that it will receive streetlights in that fiscal year.

Martin stated that he met with KU officials about an installation schedule and he is confident that KU can install the 400 street lights that are in the waiting period this year.

In response to a question from Ford, Martin stated that citizens won't be charged for the service until it is provided.

Stinnett asked about the installation schedule. Martin stated that it had not been finalized yet but he noted that some citizens had been on the wait list for some time and he wanted to get to those first.

In response to a question from Clarke, Martin stated that KU waits to install lights until it gets an authorization from LFUCG.

Scutchfield asked that the Council be kept informed as the project continues.

Martin also discussed other Urban Services, street cleaning and Sanitation. He noted that refunds are not offered on those services. He did say that he is investigating the compactor issue and will get back to Council regarding that service.

In response to a question from Henson, Martin stated that street sweeping is on a consistent schedule but will get her more information if warranted.

IV. Police & Fire Pension Update

Stinnett opened up the discussion. He stated that the current unfunded liability needs to be determined in order to manage the fund.

Scott Shapiro provided an update to Council on the pension reform and addressed unfunded liability and annual contributions. He stated that when the actuarial table was first developed after reform, the annual contribution was to be \$ 20 million for a 30-year period.

Shapiro stated that when the 6 month valuation was made the annual contribution rose to between \$ 21.5- \$ 22.5 million. Shapiro stated that the contribution increased due to continued losses in the market, public safety payroll was increased and service and disability retirements rose by almost 150%.

In response to a question from Stinnett, Shapiro stated that the actuarial audit will be conducted annually from now on.

Shapiro stated when the reform was adopted the unfunded liability dropped from \$ 296 million to \$ 161 million but rose to \$ 204 million due to same reasons the annual contribution needed to be raised; continued losses in the market, public safety payroll was increased and service and disability retirements rose by almost 150%.

Shapiro discussed the potential need to adjust the annual contributions based on the CAFR which is released in January-February each year.

Shapiro stated that the reforms have saved \$ 23 million in the first 2 years and reduced the unfunded ability by about \$ 100 million. He did say that the fund needed to be properly managed and funded over the next 30 years; and must manage payroll size and disabilities.

Kay discussed the impact on payroll growth. Shapiro agreed that as payroll grows the LFUCG contribution increases.

Stinnett and Shapiro discussed the cost for each new Police or Fire personnel. Shapiro stated that for budgeting purposes they use \$ 95,000 for each new staff.

Ellinger summarized the annual contribution increase from the \$ 20 million figure to the \$ 22.8 million contribution.

V. Tax Increment Financing Policies and Roles

Kay introduction the issue, stating that there was confusion as to the role of the Council.

Kevin Atkins discussed the process used to identify and evaluate TIFs. He discussed the roles and responsibilities of the developer, LFUCG Administration, the Council and the State Economic Development Finance Authority. He also discussed the Master Development Agreement and the lifecycle of a typical TIF.

In response to a question from Kay, David Barberie stated that the State and local administration are granted most of the powers to administer and direct the process.

In response to a question from Henson, Atkins stated that the State does not cap the amount or number of Tiffs in a given County, but it must be new revenue from outside the area.

VI. FY 15 Links Discussion

Ellinger discussed the FY 15 links process. In response to a question from Gorton, Maynard stated that one if the improvements this year was to have a consistent reporting mechanism for each link.

VII. Items Deferred

On a motion by Kay, second Gorton the TIF was removed by unanimous vote.

On a motion by Kay, second Gorton the Debt Management Policy was removed by unanimous vote.

On a motion by Gorton, second Scutchfield the Parking Fee Increases fee was removed by unanimous vote.

Meeting adjourned at 2:44 PM.

PAS 3/5/14