



## **Budget, Finance & Economic Development**

October 27, 2015

### **Summary and Motions**

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Chair Stinnett called the meeting to order at 1:01 p.m. Committee Members Kay, Lamb, Farmer, Scutchfield, F. Brown, Mossotti, Bledsoe, and Hensley were in attendance. Committee Member Moloney was absent. Council Members Evans, J. Brown and Gibbs were also in attendance.

#### **I. September 22, 2015 Committee Summary**

A motion was made by Farmer to approve the September 22, 2015 Budget, Finance & Economic Development Committee, second by F. Brown. The motion passed without dissent.

#### **II. September Financials General Fund**

Commissioner Bill O'Mara gave a presentation of the September General Fund. Rusty Cook, Director of Revenue, gave a presentation of the top four revenue streams.

Kay inquired about an increase in Revenue from September to October and Cook replied that he will report an answer back to Council.

Melissa Lueker gave an update of Revenue.

Mossotti inquired about the negative \$504,069 variance in Franchise Fees. Cook replied they increased their budget, and noted they are seeing benefit from the electric rate fee increase and that the other utilities are flat. Mossotti inquired if the City is meeting its goals for the franchise fees and Cook replied that they are, but they had more aggressive plan for 2015.

Bledsoe inquired about the increase in property sales. Lueker stated it is difficult to budget for this item because they never know what they may sell in a given year. Bledsoe stated she would like to know what items had been sold and Lueker stated she will send this information to her.

#### **III. Monthly Budget Report Other Funds**

There was no discussion on the item.

#### **IV. Contingency Fund**

Tyler Scott, from Finance, gave a presentation of the Contingency Fund.

Farmer inquired if it is unusual to cap these funds. Scott stated their research shows it is split 50%-50% and noted a cap of around 10% is common. Farmer also inquired why FY 2010 data

was used. Scott stated it was the year in which the funds were considered for use. Farmer inquired about the “reasonable adjustment of the budget” requirement. Scott stated it is a provision to identify areas of the budget to be adjusted before using the Contingency Fund.

F. Brown inquired about the \$4.6M and if this is a recommendation from Administration. Scott stated it is and that the number would bring the fund to its 10% goal within the current fiscal year. O’Mara informed that their research shows that the current terms were too restrictive and stated they would like for Council to revisit the ordinance. F. Brown stated he disagrees with the recommendation and believes a new ordinance is needed.

Stinnett inquired about the difference in interest rates for AAA and an AA1 rating. O’Mara stated the difference between AA and AA+ it is about a half of a percentage difference.

Bledsoe inquired what it takes to move from an AA to an AAA rating. O’Mara replied that those discussions are not public, but noted that several factors are considered including pension obligations.

Farmer stated he would like to see additional language added to the ordinance that would provide a rolling General Fund balance as a 10% minimum and to change the methodology for calculating the contribution based on a 10% minimum.

F. Brown stated he feels the intention of the motion is good, but it is a “piecemeal” approach. He stated the discussion should be placed into Committee and there needs to be conversation about other areas of need, such as paving and infrastructure, that do not have dedicated funding.

Kay stated he would like to see the cap at 10% as a maximum and does not support the motion.

Hensley stated he would support a motion to cap at a 10% minimum, noting he feels the amount is not proportionate compared to the state’s contingency fund.

Mossotti stated she would like to see consistency in the yearly contribution and feels this will need to be discussed at some point going forward.

Scutchfield asked for clarification about the 10% number in the motion. Farmer stated they can decide at a later point to add to the fund.

In response to a question from Bledsoe, O’Mara stated the bonding agencies look at a City’s goal, and if there is movement towards that goal, in addition to total liquidity and the overall growth of cash flow.

Kay reiterated that the General Funds are much larger than the Contingency Fund and that bond rating agencies look at all funds as a whole, noting the size of the Contingency Fund is not as significant, in that case.

A motion was made by Farmer to add additional language to the ordinance that would provide a rolling General Fund balance of a 10% minimum and to change the methodology for figuring the contribution based on the 10%, seconded by F. Brown. The motion failed by a 8-1 vote. (Nay: Bledsoe, F. Brown, Kay, Mossotti, Stinnett, Scutchfield, Lamb, and Hensley Yay: Farmer)

A motion was made by Farmer to have language drafted that would change the access requirement from a calculation test to Council approval, seconded by Hensley. The motion passed without dissent.

## **V. FY 15 Fund Balance**

Bill O'Mara, Commissioner of Finance, gave a presentation of the FY 15 Fund Balance.

In response to a question about the CAFR from Stinnett, O'Mara replied they would like to proceed by Council's wishes.

F. Brown inquired about the Qualified Energy Bond and O'Mara informed it is a required reserve. There was discussion about the line for the 27th Payroll and O'Mara informed that it occurs every 7 years. In addition, F. Brown stated he is not supportive of the Additional 2015 Calculation for the Contingency Fund. At F. Brown's inquiry, O'Mara stated the Health Insurance total was recommended by advisors for unexpected expenses. There was further discussion about the Unassigned Fund Balance.

Bledsoe inquired if there is a target for the Litigation Fund. O'Mara stated it is a discussion each year and is dependent on the number of current suits.

Stinnett requested clarification of the intention for the Unassigned Fund Balance amount. O'Mara stated he has recommended the Unassigned Fund Balance be sufficient to cover whatever the budgeted Fund Balance is, noting \$2.5M rolled purchase orders and \$500,000 for unanticipated expenses, noting it is very similar to last year.

Lamb inquired if the \$4.6 M is approved if they still intend to have monthly increases to the Contingency Fund. O'Mara stated the current ordinance requires them to add \$50,000 per month and they will continue to do that unless Council amends the ordinance.

Farmer inquired if Council were to remove the \$4.6 M if it would become part of the Non-Recurring uses Assignments, which Stinnett affirmed.

Stinnett stated he is not in support of the amendment to the motion, and that he feels it is important to reach the 10% goal they have worked towards and have discussion about the ordinance.

Mossotti stated once the \$4.6M is spent it is gone and noted concerns that it cannot be used as the Contingency Fund is currently set up. Stinnett noted the upcoming discussion to change the trigger for use of the fund in December.

F. Brown stated his agreement with Mossotti's comment.

Kay stated changing the use of the fund does not mean it will have to be spent.

F. Brown read some prepared remarks in favor of a plan to fund paving and his reasons for not supporting the Recommended Additional Contingency Fund.

Mossotti inquired about the \$11.5M for Litigation Reserve and there was discussion. David Barberie, from Law, stated they could provide more information during a Closed Session.

Lamb inquired about the additional 2015 Calculation and if this is in the ordinance. O'Mara stated that by Ordinance they track the changes to the Fund Balance.

A motion was made by Kay to Approve As Amended accept all items as recommended by the administration for Fund Balance consideration as follows: 1) Additional 2015 Calculation to Economic Contingency fund \$1,052,932, 2) Recommended additional contingency \$2,300,000, 3) Litigation Reserve \$11,500,000, 4) Health Insurance Reserve \$3 million, 5) Unassigned fund balance \$4,273,341 and 6) non-recurring uses and assignments \$4,700,000., seconded by Bledsoe. The motion passed with a 8 - 1 vote. (Yay: Bledsoe, Kay, Mossotti, Stinnett, Scutchfield, Farmer, Lamb, Hensley Nay: F. Brown)

A motion was made by Kay to amend to delete the additional \$4.6 Million addition to Economic Contingency fund, seconded by F. Brown. The motion failed with a 4 - 5 vote. (Yay: F. Brown, Kay, Mossotti, Farmer Nay: Bledsoe, Stinnett, Scutchfield, Lamb, Hensley)

A motion was made by Lamb to amend half of the \$4.6 M (\$2.3M), seconded by Farmer. The motion passed with a 5-4 vote. (Yay: Kay, Mossotti, Scutchfield, Farmer, Lamb Nay: Bledsoe, F. Brown, Stinnett, Hensley)

A motion was made by Farmer to approve report out the Fund Balance portion at Work Session today, seconded by Bledsoe. The motion passed with an 8 - 1 vote. (Yay: Bledsoe, Kay, Mossotti, Stinnett, Scutchfield, Farmer, Lamb, Hensley Nay: F. Brown)

## **VI. Items Referred**

A motion was made by F. Brown to remove Solid Waste User Fee Structure from Committee, seconded by Farmer. The motion passed without dissent.

A motion was made by F. Brown to remove the Quarterly Development Reports from Committee, seconded by Lamb. The motion passed without dissent.

A motion was made by Bledsoe to remove World Trade Center: Data on Business Assisted/Others from Committee, seconded by Farmer. The motion passed without dissent.

A motion was made by F. Brown to adjourn, seconded by Bledsoe. The motion passed without dissent.

The meeting was adjourned at 2:35 p.m.

D.S. 10.27.2015