

BUDGET & FINANCE COMMITTEE

March 19, 2013

Summary

Ellinger called the meeting to order at 1:02 PM. All committee members were in attendance. Clarke and Akers were also present.

I. **2.19.13 Committee Meeting Summary**

A motion by Stinnett, second Beard to approve the February 19, 2013 Committee summary passed unanimously.

II. **Monthly Financial Report**

Bill O'Mara, Acting Finance Commissioner provided the monthly financial report. He discussed several economic indicators. He stated that the unemployment rate was in a positive position.

O'Mara reported that in the major revenue categories the actual General Fund revenue is lagging behind the budgeted revenue by slightly over \$ 1 million through February.

Stinnett asked if the \$ 2.5 million transferred from the fund balance was included in the franchise revenue. In response O'Mara stated no.

O'Mara also addressed the Code Enforcement abatement collections.

Melissa Lueker, Acting Budget Director discussed revenue and expenditures in greater detail. She stated that year to date the total actual revenue collections are approximately \$ 2.7 million ahead of budget primarily due to increases in the services and ad valorem categories. She did state that the net profits category was approximately \$ 2.5 million below budget year to date.

Lueker also stated that actual expenses are approximately \$ 6.6 million below the budgeted expenses year to date. She stated that this was primarily due to diligent management of personnel accounts. She also stated that operating expenses are about \$ 1.8 million less than budgeted year to date.

O'Mara discussed the FY 13 projected revenue statement. He stated that due to an anticipated downturn in economic indicators they are now forecasting general fund revenue at \$ 283 million compared to the \$ 289.4 million in the original budget. He stated that the net profits category is forecasted to be \$ 5 million below budget; the franchise fee is forecast to be \$ 2.5 million below budget; while employee withholding is forecast to be \$ 600,000 above budget.

In response to a question from Stinnett, O'Mara stated that the Administration is planning on managing expenditures rather than utilizing the Fund Balance to balance the FY 13 budget.

III. FY 12 Fund Balance Review

Ellinger called on O'Mara to discuss the FY 12 fund balance. O'Mara stated that this is response to concerns from the rating agencies about the size of the General Fund balance and a comparison to other AA bond rated local governments.

Stinnett asked for the total fund balance figures for all of the major funds not just the unreserved fund balance. In response O'Mara stated that he would forward those figures to the Council.

O'Mara stated that the total FY 12 General Fund fund balance was \$ 44.3 million. Of this total there are several legal reserve including \$ 1.5 million in non spendable accounts; \$ 18.5 million in the Economic Contingency account; \$ 4.5 million in the 27th payroll; and \$ 200,000 in the energy efficient reinvestment account, leaving a sub total fund balance of \$ 19.6 million.

O'Mara stated that there is also \$ 5 million in contingent liabilities including the litigation reserve, health fund reserve, refunds and a HOME match reserve, leaving a sub total of \$ 14.6 million.

O'Mara discussed several proposals that the Administration has for the remaining fund balance including \$ 5.7 million for capital projects; \$ 1 million for fleet replacement; \$ 2.5 million for the streetlight transfer; and \$ 2 million for an economic development job creation reserve; leaving an unassigned fund balance of \$ 3.3 million. O'Mara stated that all proposed actions will need Council budget approval before they can be enacted.

O'Mara discussed several other immediate needs identified by the Administration including \$ 640,000 in Fire overtime; \$ 700,000 in grant match; \$ 750,000 for a Fire ladder truck which was approved by Council in Dec 2012; \$ 250,000 for a replacement for Fire Engine # 8 which was involved in an accident and destroyed; \$ 1.6 million for Police radios; and a renovation to the 2nd floor at \$ 45,000.

Ellinger asked for more information on the radio project. In response Clay Mason stated that the infrastructure needs have changed for the radio project.

Mayor Gray spoke about the proposed financial management assignments. He stated that it was an example of prudent investments in the community.

Farmer asked for a brief summary of the other local governments that O'Mara cited regarding their fund balance figures. He also asked for historical fund balance data for Lexington. O'Mara agreed to provide the fund balance history and would contact other like sized communities regarding their respective fund balances and bonding ratings.

Stinnett discussed the contingent liabilities; the litigation reserve, the health fund reserve; refunds and the Home Match. Stinnett stated that he was concerned that the auditors had opined that the contingent liabilities were reasonable without discussing this with Council who has the authority to allocate those funds.

Stinnett stated that Council has not voted on any of the proposed reserve categories. He suggested that the Council have additional discussions on this subject at the future date.

Farmer asked for a copy of the auditor's opinion regarding the contingent liabilities. O'Mara agreed to forward that opine to Council. Farmer also agreed that the Council should schedule further discussions on this matter.

Gorton asked about the fire training tower and the Administration's attempt to raise the funds privately. In response Mason stated that they are still working on private investment in the tower and it has taken longer than originally anticipated.

Gorton asked about the contingent liabilities category. She asked about the HOME match. In response Lueker stated that originally this was spent from the UDAG funds but those funds were spent on other activities, including a \$ 1 million investment in the 21c development.

Gorton stated that the match should be regularly budgeted on an annual basis because HOME match is an annually recurring expenditure and it should not come out of the fund balance every year.

Gorton discussed the litigation reserve and asked for historical data on those reserves. O'Mara agreed to provide an historical review of those reserve balances for the last five (5) years.

Akers asked about the economic development reserve. She asked what it would consist of and how it would it be managed and directed.

In response Gray indicated that they are still in the early stages of development of the program. He stated that it became attractive after conversations with Councilmembers and other members of the community. He stated that it was a job creation and retention plan.

Mossotti spoke about the proposed economic development reserve. She stated that it should be viewed as providing seed funds for investment. She asked if interest would be assessed to the potential applicants for those funds. In response Gray stated that several communities charge similar fees and/or interest on loans.

IV. Temporarily Suspending Fire Equipment from Services

Mossotti called on Chief Jackson to present the Division of Fire's "Service & Personnel Adjustment Elimination Proposal".

Jackson stated that no more than 3 engine companies are taken out of service each day due to staffing shortages. He stated that the engines are taken out on a rotating basis. He stated that Ladder companies and emergency care units (ECU) are exempt from the plan.

Jackson stated that the key to eliminating brownouts is in authorized strength, not in overtime.

He stated that the Fire needs an authorized strength of 545 staff to meet minimum staffing needs. Jackson stated that the proposed hiring plan increases authorized strength to 557 to provide personnel to ECU 11 in FY 14.

Jackson stated that the plan includes a recruit class of 35 in May, and another recruit class of 30 to start in July. He stated that the budgetary impact will be \$ 1.1 million for FY 13 and \$ 1.5 million for FY 14.

He stated that this proposal would save over \$ 800,000 over the FY 13 & FY 14 period compared to eliminating brownouts through use of overtime.

Kay and Ford spoke in favor of the accelerated hiring plan.

A motion by Mossotti, second Scutchfield to allocate \$ 637,000 for overtime expenses to eliminate brownouts passed unanimously.

V. Items Referred to Committee

Staff reviewed the items in Committee.

The meeting adjourned at 3:05 PM.