**MINUTES**
**Investment Committee Meeting**
**July 24, 2013 – Wednesday – 10:00 a.m.**
**Wayne Gilley Conference Room**

Roll Call:

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| Members Present: | Councilman Doug Wells<br>Pat Henry<br>Brian Henry |
| Others Present: | Rick Endicott, Finance Director<br>Julie Magness, Financial Services Supervisor<br>Kathy Sheppard, Internal Auditor<br>Krystal Urbanski, Accountant<br>Susan N. Schlecht, Recording Secretary |
| Absent: | Jim Russell, Acting Asst. City Manager |

Meeting called to order at 10:04 a.m. by Endicott. Notice of meeting and agenda were posted on the New City Hall notice board as required by law.

**CONSIDER APPROVAL OF MINUTES FOR JANUARY 23, 2013 MEETING.**

**MOTIONED by,** Wells **SECOND by**, Pat Henry to approve the minutes of January 23, 2013. AYE: Pat Henry, Wells, Brian Henry. NAY: None. MOTION CARRIED.

**OLD BUSINESS:**
None Discussed

**NEW BUSINESS**:

**REVIEW 4th QUARTER INVESTMENT INFORMATION (April 2013 to June 2013)**

Urbanski read over the investment charts and figures.

Endicott asked if anyone had any questions or comments. He explained that the same information is broken down in several different ways to suit each of your preferences. If there is another way that you rather have us present this then we would be more than happy to do so. We can see that interest rates went up a smidge. Hopefully we will be able to climb out of the interest revenue hole soon.

Brian Henry asked if the 30 plus percent in the zero to thirty days there because of upcoming needs or is it just short term stuff.

Urbanski answered that is correct. The 0-1 month is being utilized this month and the 1-3 months is for August and September.

There being no more questions or comments Endicott asked for a motion to accept the investment report.

**MOVED by Brian Henry, SECOND by Pat Henry,** to accept the 4th Quarter Investment Report for (April 2013 – June 2013) AYE: Wells, Pat Henry, Brian Henry. NAY: None. MOTION CARRIED.

**DISCUSS 4th QUARTER Financial Report (July 2012-June 2013)**

Endicott asked if the committee would like him to go over the Finance Report in detail.

Wells stated he thinks the Finance Report is a fairly good report and he doesn't understand why other council members cannot read it.

Endicott said that we are going to make another attempt to simplify the report. I really do not know how to simplify it any further. There has been indication that the City needs a finance committee. You all are the finance committee.

Pat Henry disagreed. She said we are not really a finance committee; we are an investment committee if we are going to be true to what our role is here.

Endicott explained what he means is that we are providing finance information to you. By providing these reports to you there are more eyes looking at the reports than just the Finance Department. This finance report quarterly is broken up into three separate sections, Executive Summary, Revenue and Expenditures, and backup information for the first three sections. The City budgets by the year so when we look at reports sometimes it can appear skewed because all of the funds are encumbered early in the fiscal year.

Pat Henry said that she thinks it is great that the funds are encumbered otherwise you might not have it. She asked if there was any ay to have a meeting quarterly with 3 or 4 council members at a time to go over the budget. You can give the council this Finance Report, but unless someone sits down with them and explains it some of those people up there are not going to get it.

Endicott said he is more than happy to do that. He does not know what the desire is. I am waiting on Bryan to let me know. In the past what I have done is go over the Executive Summary and the difference between what we have collected what we have budgeted and what the percentage is.

Pat Henry do you tell them how much this is up and how much this is down?

Endicott stated yes I do.

Pat Henry said she didn't understand why the councilors can't understand it.

Wells stated that what he was hearing is that sales tax is up or sales tax is down or water revenue is up or down. If it is down we are saying something like we are tightening expenses to try to stay within the budget. The information is given out Pat and I do not know how you get the council members to understand what's being said. I just don't know how….

Pat Henry said that as a citizen she was surprised to read that the council is saying that at the end of the council year they did not know that they were short all this money. That to me is either ignorance or nobody really gave it to them along the way.

Wells told Endicott to correct him if he is wrong in saying this. I do not think we were short with the budget year, but we were short money, but we cut expenses and our revenue met our expenditures for the year. Where we are short is when we start the next year's budget because we have cut operations so much and we gave pay increases to police, fire, and other people all those have been accumulating and we haven't raised rates over the last five or six years with any significant amount. All the sudden to make what the departments are saying they need and what is recognized as needed just to support the current operations budget resulted in an eight million dollar short fall.

Endicott said that what is hard to understand is…. What we tried to show is our budget for water is 19 million. Back in January water revenue was down and it didn't look like we would collect more than 16 million. Along the way we would show there was good indication that water revenue was not going to get anywhere close to 19 million. The previous year water revenue was well over 18 million. The reason it was budgeted the way it was is because we have not seen a water revenue decrease in the last ten years. So we budgeted 19 million plus. Because water revenue unexpectedly decreased so much we had a three million dollar shortfall just in water revenue. We had almost one million is sales tax. When you compound that going into the next budget year, you have now lost not just three million in the current year, you have lost that three million that you would have had for the new fiscal year. So right there we are six million dollars short going into the next fiscal year. In addition to what Doug said there were police contracts approved in January based on the potential revenue fund balance if we had collected everything that was originally anticipated to collect. Those anticipated collections did not happen.

Wells said the problem is every executive session we have we were approving a contract like that. One question I always ask is do we have the funds to cover it. The answer is always yes. You really got to rethink that process because if a budget shortfall comes in you are not going to increase water rates you probably don't have the funds to cover that without cutting something else.

Endicott said his answer has always been no because I don't know… the mediator considers fund balance available revenue. That is where legal says if you show a fund balance and they go to arbitration then the arbitrator looks at that and says you have funds available. Tim has always visited with me on that and we talk about that before he goes to executive session. I tell him that fund balance number is just a number it doesn't mean anything until the end of the year so it is a risk.

Pat Henry said it is a budgetary analysis only. Then legally I do not know how you can use the projection of what your carry over is going to be until you actually get there and see what it is.

Wells added even at 30 June you do not know what that is going to be until you have the audit and that doesn't get completed until several months into the new year.

Pat Henry asked if the audit change the numbers significantly. They didn't did they?

Endicott answered the problem with these reports, and we are aware of this, is that they are not audited and do not include depreciation and everything else that an audit would do to come up with a final number. These reports are more cash-basis items. The audits don't necessarily change the numbers substantially but the numbers do change. We have a pretty good indication at a certain point during the year whether or not we are going to make budget or not. But it is challenging. Obviously you do not know what the water revenue is going to do or sales tax for sure.

Wells recommended looking on attachment B summary of expenditures. We projected that we were going to spend 91 million, but only spent 82 because they cut expenditures throughout the year because of the expended revenue. So we only spent about 90% of what we budgeted. But we only raised revenue by about 90% of what we budgeted so the two equaled out. This is good for the current year, but it doesn't help you going into the next budget year.

Pat Henry agreed with Doug and added not unless you take into consideration all of the proposed budget cuts.

Endicott explained that these numbers do change as a result of the audit. The numbers that Doug is looking at. They don't always include all of the accruals and depreciations and all of that. But there is no way we could do a monthly report that includes all these variables.

Magness agreed and said we would have to approve too much revenue and accrue 90 days expenses. There would always be a lag.

Endicott said that the City has operated on a cash basis forever. That is how our budget works. But our audit is done on GAAP which is accruals.

**MOVED by Wells, SECOND by Pat Henry,** to accept the 4th Quarter Financial Report for (July 2012 – June 2013) AYE: Brian Henry, Wells, Pat Henry. NAY: None. MOTION CARRIED.

**OTHER DISCUSSION:**

The committee members had a lengthy discussion about the City auditing process and how auditors have become fewer and requirements have become more substantial. The committee also talked about the benefits provided to City employees and how those benefits are affected by union negotiations.

**ADJOURNMENT:**

There being no other business to discuss the meeting adjourned.

**MOVED by Wells, SECOND by, Pat Henry** to adjourn. AYE: Pat Henry, Wells, Brian Henry. Meeting adjourned at 10:30 a.m.