

MEMORANDUM

TO: Finance and Administration Committee of City Council
FROM: Jeremy Craig, Director of Finance and Administration
DATE: March 8, 2006
SUBJECT: **Finance and Administration Committee Meeting**

The Finance and Administration Committee met on Wednesday, March 8, 2006. Those in attendance included: Chairperson Jane Durrell, Ward I, Councilmember Bruce Geiger, Ward II, Councilmember Mary Brown, Ward IV, City Administrator Mike Herring, Assistant City Administrator for Economic and Community Development Libbey Simpson, and Director of Finance and Administration Jeremy Craig. Also in attendance were Councilmember Mike Casey, Ward III, Hochschild Bloom Auditors Mike Williams and Donna Wallace, MIS CAC Chair Lorenzo Squellati and Vice-Chair Scott Berlinger, and Executive Secretary Caroline McDowell. The meeting was called to order by Chairperson Durrell at 5:35 p.m.

1. Approval of Minutes—January 9, 2006

Councilmember Brown motioned to approve the minutes from January 9, 2006 and Councilmember Geiger seconded. The minutes were approved 3-0.

2. Discussion of 2005 Audit

Mr. Williams and Ms. Wallace introduced themselves and gave a brief overview of how the audit will take place during the week of March 13, 2006. Mr. Williams explained that they will review investments, debt, payroll, fund allocations, fixed assets, budget, policy and procedure changes, compliance issues and internal controls, among other things. Two new areas where Hochschild Bloom will pay close attention are cross-over refunding for debt and the Parks Sales Tax. The budget allocation for the 2005 audit is \$27,000, which includes \$20,000 for the City audit and \$7,000 for a single audit of the Pathway on the Parkway project.

In response to Councilmember Geiger's question about an audit of CCDC, Mr. Williams replied that an audit is only necessary if the City requires a professional opinion of the organization's numbers and for any GFOA award applications. The total cost to audit CCDC in previous years was \$4,500. Mr. Craig will discuss an audit of CCDC with its board.

Mr. Craig noted that Hochschild Bloom is a great resource of insights and examples for the City, especially for new City programs such as concession operations. When asked, Mr. Williams indicated that a comprehensive financial software system can increase and tighten internal controls which is a positive improvement for the audit process.

3. Review/Recommendation of Funding for Enterprise Resource Planning (ERP) Software

Mr. Craig introduced Mr. Squellati and Mr. Berlinger of the MIS CAC and commended that committee for its dedication to the process of seeking a new ERP system for the City. He explained that an RFP was issued in January, responses were submitted in February, the MIS CAC reviewed and discussed submitted systems and platforms, and finalists were narrowed to

two vendors. To continue the process, the MIS CAC feels it is important that the City commits funding, which will not exceed \$475,000 for either finalist's system.

Councilmember Brown noted that a vendor was usually identified prior to committing funding for any project. Mr. Squellati and Mr. Berlinger explained that at this stage in the RFP process, vendors will actually come in and perform demonstrations and testing with their products and City information. Therefore, a vendor would not be identified prior to awarding the contract, but this step is necessary to know how the software will fit with the City's needs. They also noted that the \$475,000 includes ancillary hardware in addition to software, so the price is mostly accurate.

Councilmember Geiger expressed his concern about committing unbudgeted money in such a great amount and wanting to postpone the purchase until it can be incorporated in the 2007 budget. Mr. Craig explained that the RFP contract prices are only good for 100 days after the RFP submission. If the City were to wait for the 2007 budget, the entire process must be restarted from scratch.

The contract award would not happen until July or August; therefore, no payments would be made until then. Typically, software is paid for up front, and service and training are paid for as they occur, so most of the expense would extend into 2007. The City may also include acceptance criteria in the contact, stating that software items may be implemented and billed, but the City will not submit payment until certain criteria are met and accepted.

Mr. Berlinger explained that software, like other City assets, needs maintenance and, eventually, replacement. At this point, the IS division has patched and maintained the current system as much as possible; it is imperative to now provide a replacement. Mr. Squellati added that this software is an integral part of the City's infrastructure, and to preserve and maintain operational efficiencies, a new system should be put in place. Not only will a new system integrate all of the City's separate and unconnected programs and functions, it will also save staff time, and reduce the risks for error and fraud.

Councilmember Geiger requested that the MIS CAC provide a presentation for the entire Council, outlining the City's current system, the proposed new system and why the City needs it. This presentation will be scheduled for a Council work session on Monday, April 17, 2006, prior to the regular Council meeting.

Councilmember Brown motioned to recommend to City Council to proceed with the ERP system process and appropriate up to \$475,000 from fund reserves. Chairperson Durrell seconded. The motion was approved 2-1.

4. Update on Business Retention/Expansion Program

Ms. Simpson handed out a finalized list of the Chesterfield Development Advisory Council (CDAC). The council's first meeting will be April 25, 2006 to discuss the City's business attraction and marketing.

As part of the business retention program, Ms. Simpson will continue meeting with business owners one-on-one to get their feedback on the City's economy, atmosphere, etc. New software for the Economic and Development Division will keep track of this information.

5. **Discussion of Fund Reserves Expenditure Recommendation**
6. **Discussion of \$400,000 Transfer From General Fund to Capital Fund**
7. **Discussion of the Budget Process for 2007**

Councilmember Geiger motioned to suspend agenda items 5-7 until the next F&A Committee meeting. Councilmember Brown seconded. The motion was approved 3-0.

8. **Adjournment/Next Meeting**

The next meeting will be at 5:30 p.m. on Wednesday, May 17, 2006.

The meeting was adjourned at 7:50 p.m.