

MEMORANDUM

TO: Michael G. Herring, City Administrator

FROM: Jan Hawn, Director of Finance and Administration

DATE: December 27, 2001

SUBJECT: FINANCE AND ADMINISTRATION COMMITTEE MEETING

The Finance and Administration Committee met Thursday, December 20, 2001. Those in attendance included Chairperson Jane Durrell, Ward I, Councilmember Bruce Geiger, Ward II, and Councilmember Mary Brown, Ward IV. Also in attendance was Councilmember Mike Casey, Ward III, Mayor John Nations, City Administrator Mike Herring, Director of Finance and Administration Jan Hawn, and Executive Secretary Shirley Yost.

The meeting was called to order by Chairperson Durrell at 8:00 a.m.

1. Approval of Minutes – November 7, 2001

The Committee decided not to vote to approve the November 7, 2001 meeting minutes, until their next meeting.

2. Year-end Review of Budget and Budgeting Process; Discussion/Planning Regarding other Fiscal Issues

Chairperson Durrell opened by stating that the purpose of the special meeting was to discuss potential budget cuts and whether or not any changes would be recommended to the FY2002 Budget, adopted by City Council on December 3, 2001. Mayor Nations told the Committee that he had recently met with Mr. Herring and Ms. Hawn to discuss concerns he had after the City Council meeting. He stated that after the meeting, he feels the City is in a strong financial position and does not feel that budget cuts are necessary.

Councilmember Geiger stated that he is concerned that, with the cost of the proposed salary adjustments, the City's fund balance is projected, as of 12/31/06, to fall below the 40% policy adopted by Council, using numbers/assumptions contained within the Five-Year Budget.

Ms. Hawn explained to the Committee that the Five-Year Budget is a conservative document that is developed on the premise that all monies budgeted will be spent and revenues will be less than estimated. Mr. Herring noted that historically the City has ended each fiscal year in the "black". So, even though a \$715,000 "shortfall" is projected for 12/31/02, he and Ms. Hawn agree that will, most likely, not occur. Ms. Hawn shared information with the Committee, demonstrating past performance of City budgets and showing how "projected" compared to "actual". Councilmember Geiger requested a

“summary” Five-Year Budget be prepared, for review by the Committee at the next meeting, reflecting no shortfall for 12/31/02 and that future revenues grow by 6% and that future expenditures grow by 4%. Ms. Hawn noted that those percentages were the average actuals experienced historically. With this in mind, Chairperson Durrell asked if a spreadsheet could be provided to the Committee, which would explain how the budget is performing, in terms of revenues vs. expenditures, on a quarterly basis. Ms. Hawn stated that both items would be provided to the Committee.

Councilmember Geiger stated that, to his knowledge, the City Council has never adopted a “priority list of projects”, outside of the annual operating budget. Mr. Herring confirmed this. Mr. Herring further noted that fund balance currently totaled approximately \$11 million. He stated that, after conferring with Ms. Hawn, it appeared possible to lower the amount kept in fund balance. Ms. Hawn suggested that some “percentage” be identified, to guide the decision regarding fund balance, but that the percentage be applied to the entire General Fund budget and not just to operating expenses.

During general discussion, the Committee agreed that, in the future, any changes to the pay plan should be funded within the budget submitted by Staff to City Council and that such expenses not be dealt with separately from the regular budget process. Mr. Herring noted that there remained many “policy” issues regarding updates to the Pay Plan and urged the Committee to discuss these at future meetings.

In summary, Mr. Herring noted that Staff would like direction from the Committee regarding the following items: Five-Year Budget process (assumptions and timing); Pay Plan – how often should it be amended and should “compression” be addressed; fund balance levels – Should the current levels be reduced? If so, how should the excess funds be spent?

Following additional discussion, Councilmember Brown made a motion to make no changes to the FY2002 Budget approved by City Council 12/3/01. Chairperson Durrell seconded the motion. The motion was approved 2-1, with Councilmember Geiger voting “no”.

3. Other – Next Meeting

The next meeting of the Finance and Administration Committee will be held on February 27, 2002 at 5:30 p.m.

Councilmember Geiger made a motion to adjourn. Councilmember Brown seconded the motion. The motion was approved 3-0. The meeting adjourned at 9:00 a.m.