



COMMITTEE of the WHOLE

CITY COUNCIL

MINUTES
September 15, 2014
5:00 P.M.

COUNCIL MEMBERS PRESENT:

D. Sterner, S. Marmarou, D. Reed, J. Waltman

OTHERS PRESENT:

L. Kelleher, S. Katzenmoyer, D. Cituk, C. Snyder, F. Denbowski, M. Bembenick, D. Goss, D. Vind, C. Turtell, L. Himeback, C. Younger, C. Zale, D. Pottiger

The Committee of the Whole meeting was called to order at 5:06 pm by Ms. Reed.

I. Debt Refinancing

Mr. Vind distributed a chart showing the savings to the City if the 2008 C and 2008 D bonds are refinanced from variable rate to fixed rate. He stated that it would be a total of \$2.2 million savings over the term of the bond. He stated that it also reduces the City's risk.

Mr. Vind explained that the savings calculation is based on the current market rates and that the refinancing has been reviewed with PFM and the Administration. Both approve of the transaction.

Ms. Snyder questioned if this refinancing also eliminates the balloon payments. Mr. Vind stated that it does.

Mr. Vind recommended that Council introduce the ordinance to refinance these bonds at their September 22 meeting. He stated that he is available to attend the September 22 Committee of the Whole meeting if there are additional questions.

Mr. Waltman asked for clarification of what bonds would be refinanced. Mr. Vind stated that it would be the 2008 C and 2008 D bonds.

Mr. Spencer arrived at this time.

Mr. Waltman questioned if this extended the debt beyond 2033. Mr. Vind stated that it did not.

Mr. Waltman suggested that extending the debt be considered an option for Council in the future to decompress the payments. He reminded all that the non-callable RAWA debt was problematic. Mr. Vind stated that these bonds are all callable and more flexible.

Council agreed to add the debt refinancing for introduction to the September 22 meeting agenda.

Mr. Vind requested that Council send any questions or concerns to Ms. Kelleher to forward to him.

Mr. Vind left the meeting at this time.

II. Review Draft 2013 External Audit

Mr. Cituk introduced Mr. Turtell and Ms. Himeback from Herbein. He stated that the formal presentation of the audit will occur at the September 22 Council meeting.

Ms. Himeback stated that the City's audit is a group audit and includes the Water Authority, the Redevelopment Authority and the Parking Authority. She stated that the City's audit cannot be issued until it can include the other entities and delays result. She stated that the Redevelopment Authority has still not submitted a final audit.

Ms. Himeback stated that she and Mr. Turtell met with the Administration to review the findings on August 26.

Ms. Reed questioned why the Redevelopment Authority has not yet submitted their final audit. Ms. Snyder stated that she did not know. Ms. Kelleher stated that when she questioned the delay she was told that it was due to the Bookbindery project.

Ms. Himeback stated that the City's audit must be submitted to the federal government by September 30. Ms. Snyder stated that she was not aware of this deadline.

Mr. Pottiger questioned if a draft was provided. Mr. Turtell stated that it was and that the information is included but that it cannot be dated until the draft is finalized.

Mr. Waltman stated that all authorities are using public funds and that deadlines must be met. Mr. Cituk agreed and stated that the City audit should be complete by the end of June.

Mr. Marmarou questioned if the federal deadline can be extended. Ms. Himeback stated that the audit can be submitted prior to September 30 and revisions can be submitted at a later

date. She stated that this issue will continue in future years and that if additional authorities are created, the timely submission of final authority audits must be considered and resolved.

Mr. Acosta arrived at this time.

Mr. Turtell stated that the City has received an unqualified opinion and that this is the cleanest rating.

Mr. Mukerji arrived at this time.

Ms. Snyder asked Mr. Mukerji for a status report on the audit of the Redevelopment Authority. Mr. Mukerji stated that the draft audit was given to the City. He stated that he requested some additional footnotes to the audit but that the financial information remains the same.

Mr. Waltman stated that there seems to be confusion about the Redevelopment Authority audit. He noted the need for clearer communication. Mr. Mukerji stated that he believed he was clear when he submitted the audit to the City.

Mr. Waltman questioned when the Redevelopment Authority audit will be final. Mr. Mukerji stated that he was not aware that the City needed the final audit if the financial information was not changing. He stated that he is a team player. He apologized and stated that he will contact the auditor in the morning and have the final audit to Herbein tomorrow.

Mr. Turtell questioned when the Redevelopment Authority board would accept the audit. Mr. Mukerji stated that it has already been accepted with the exception of the additional footnotes.

Mr. Waltman suggested that the auditors work together.

Mr. Mukerji left the meeting at this time.

Mr. Turtell stated that the Management Letter is being updated and will be distributed when it is complete.

Mr. Turtell reviewed the Statement of Net Position. He stated that the City is currently carrying more debt than assets at this time.

Mr. Waltman questioned if this statement included the Water Authority debt. Mr. Turtell stated that it does. Ms. Himeback stated that it includes all the group positions. She stated that this is a full accrual and that in 2015 the pension obligation will also be added.

Mr. Waltman stated that unfunded debt is always changing. He stated that financial statements show depreciation but not appreciation. He stated that this would be an interesting

equation. Ms. Himeback stated that there has been no conversation about adding appreciation to governmental audits.

Mr. Turtell reviewed the Schedule of Revenues and Other Financing Sources – Budgetary Basis – General Fund Statement. He stated that this is a review of budget versus actual. He stated that the Act 511 Taxes exceeded budget by \$4.1 million due to increased collection of Earned Income Tax and the Real Estate Transfer Tax. He stated that expenses exceeded budget by \$3.8 million. He stated that this leaves the City with a \$20 million fund balance.

Mr. Waltman stated that the \$20 million fund balance will be part of the discussions of the 2015 budget. Ms. Himeback asked that Council keep in mind that the City spends approximately \$2 million per payroll and that at least two payrolls should be kept in reserve.

Mr. Waltman agreed with the need to protect the reserve. He thanked Herbein for their excellent presentation.

Ms. Snyder questioned the items included in the “Other” category of the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds statement. Ms. Himeback stated that it is operating expenses. She stated that a summary of the expenses can be included. Mr. Turtell agreed and stated that the summary can be added as an additional schedule.

Mr. Cituk stated that the sewer fund in the same statement shows the \$3 million annual transfer to the City per the consent decree. He stated that the rest is the meter reading costs which are shared by the City and Water Authority. He suggested that the City approach the Department of Justice to have this amount adjusted.

Mr. Waltman agreed and stated that this \$3 million cap has huge financial implications for the City. He stated that it has cost the City \$20 million over the ten years that the consent decree has been in effect.

Mr. Cituk suggested requesting access to these funds before jobs are cut or taxes increased in 2015.

Mr. Turtell suggested that Council review the entire audit report and contact him with any questions.

Mr. Turtell reviewed the Schedule of Findings and Questioned Costs statement. He stated that the City received an unmodified rating. He stated that he is willing to attend upcoming Audit Committee meetings to review the findings in detail.

Mr. Turtell reviewed several findings of the audit report including:

- Account Reconciliations/Material Adjustments Posted as a Result of the Audit

Mr. Turtell stated that there have been improvements in this area. He stated that part of the issue is timing and indirect cost allocations. He noted the need for continued diligence and improvement.

- Pension Reporting

Mr. Turtell stated that State Act 385 is the basis for State aid with pension costs. He stated that 2013 was the first full year working with ADP. He stated that there has been personnel turnover in the pension office and that cross training and standard operating procedures are needed. He stated that the pension compliance finding has been removed since the City no longer offers pension benefits beyond the State recommendation.

Mr. Waltman stated that there are firms who work solely with pension projections. He stated that he is not suggesting the work be outsourced but stated that this is an option.

Ms. Goodman-Hinnershitz arrived at this time.

- Monitoring State Grants

Mr. Turtell stated that these are grants that are not through the Community Development Department. He stated that the finding is based on one grant which was received prior to the Grants Coordinator taking control of all grant funding. He stated that the Grants Coordinator has created standard operating procedures. He stated that not following procedure could risk other grant funding.

Mr. Waltman suggested that the grants process be computerized. He suggested that the City look for software to handle the processing of grants. He stated that the City is doing better but continues to struggle in this area. He stated that the software may also assist in finding new grants and assisting in their preparation.

Ms. Goodman-Hinnershitz stated that grant recipients are automatically notified if they are lacking in follow up. She stated that generally the funder sends reminders and that funding will be suspending if paperwork is incomplete.

Mr. Turtell stated that many departments apply for grants individually and do not include the Grants Coordinator. Mr. Bembenick stated that this has changed and that grants will not be processed if they are not reviewed by the grants coordinator.

Ms. Goodman-Hinnershitz questioned who signs grant applications. Mr. Bembenick stated that it is the Grants Coordinator, a Department Director or the Managing Director.

Mr. Waltman suggested assigning each grant an internal number for processing. Mr. Pottiger stated that this has been discussed.

Mr. Waltman stated that the bank reconciliation continues to be an issue. He suggested it be computerized. Mr. Turtell stated that the Finance Division has worked hard on this. Mr. Bembenick stated that Mr. Pottiger and his team have been working hard. He suggested that the finding should drop soon. He stated that he will look into a consultant to computerize the process.

- Grant Cash Management

Mr. Turtell stated that draw downs are done before the funds are spent and there is a delay in spending. He stated that the Community Development Department uses Accounts Payable forms for all expenses. He stated that the signatures needed on the Accounts Payable forms causes the delays in spending. He stated that a new procedure has been implemented and that Community Development now does the draw down when the Accounts Payable form has been approved and the check can be sent.

Ms. Goodman-Hinnershitz requested a comparison of findings. Mr. Cituk stated that this has been done and has been provided. He stated that there are a few new findings and several which remain. He stated that the Audit Committee will be meeting to follow up on the findings.

Mr. Turtell stated that he will distribute the Management Letter when it is complete. He stated that there are many other items in the findings report. He noted the need for standard operating procedures and cross training for personnel turnover. He stated that a consultant has begun working in the finance area to move this forward.

Mr. Waltman stated that this is also great for intranet processes to link items.

Mr. Turtell informed Council that the State escheat process has changed and that the deadline has been reduced to three years. He noted the need for the City to capture all it can through this process.

Mr. Waltman stated that much progress has been made. He noted the need for standard operating procedures and financial controls. He stated that this infrastructure will continue to move the City forward.

Mr. Marmarou questioned why certain pension buy backs were specified and others were not. Mr. Turtell stated that all are included. Mr. Cituk explained that the types of time that were bought are specified in the Pension Board meeting minutes. Mr. Turtell agreed.

Mr. Marmarou stated that this is the second time that the State escheat timeframe has been changed.

Ms. Reed thanked Herbein and Mr. Cituk for their work on the audit.

The meeting adjourned at approximately 6:19 pm.

*Respectfully Submitted by
Linda A. Kelleher, CMC, City Clerk*