

**Minutes
Finance Committee
January 7, 2018
6:00 PM
3rd committee meeting**

Members present were Chairwoman Carol King, Committee members Dale Black and Terry Merritt. Finance Director Holly Abercrombie, HR Director Mark Putnam and City Administrator Brandon Madden were also present.

1. Call to order- Chairwoman King
2. Public comment- None
3. Reading and approval of minutes- December 3, 2018
Councilman Merritt made a motion to approve the minutes with Councilman Black seconding. The vote was unanimous (3-0).
4. Reports or communications from city officers
 - a. Budget Review- Brandon said the budgets are where they should be. Holly said property taxes are coming in now weekly until the end of the month.
 - b. Department report
Mark reported insurance open enrollment is complete and went well. An enrollment company came in and this helped the employees see what would be deducted from their checks and what the city pays for their benefits. Chairwoman King asked if the employees had ample time to get their questions answered and if the process took longer than usual. Mark answered that some employees took a little longer to get enrolled.
5. Unfinished business- None
6. New business
 - a. Discussion on fiscal policy change- Chairwoman King said what triggered this item is that during the inclement weather we had about a month ago, the City's salt spreader malfunctioned and needed to be replaced. When looking at purchasing a new spreader, staff noticed there would not be a budget deficit, but there was an overage within the capital fund with which to fund the purchase. A departmental line shift would be required, but there is no authorization included in the code for the administrator to make such a

budget shift. The proposed action tonight would add wording to Section 2-104 that authorizes shifts in funds or departmental budgets by the city administrator.

Councilman Merritt asked Brandon his opinion on items 16 and 17 and how they fit.

(16) Authorize shifts in fund or departmental budget line items; provided that overall fund or departmental budget appropriations do not change.

(17) Authorize shifts in fund or departmental budgets; provided that overall budget appropriations do not change without the approval of the city council.

Brandon answered he now has the authority to move budget line items as long as it doesn't trigger a budget deficit in a department's line item. For example, if HR has a supply line item and a furniture line item, money could be moved within those lines as long as it doesn't change the budget council approved. The proposed change would allow for the same authority for line items within the capital equipment fund. This is a minor difference in not only dealing with department lines, but fund lines. Council would be made aware of any budget changes.

Councilman Merritt said item 17 says departmental transfers. Would the administrator think that means taking money from one department such as HR and giving it to another department such as Public Works? Brandon said he looks at it as the general fund. As long as it doesn't go over what council approved, he would have the authority to move money between HR and Public Works or any other department if it is needed. This change would be between funds. So from capital fund to another fund.

Councilman Merritt said if council approves this, Brandon would have the authority to move money from the capital fund to, say, the police department. Brandon answered theoretically, yes, but that wouldn't be fiscally supported. He wouldn't move money from project funds to a fund supported by the general fund. Councilman Merritt said item 17 allows money to be

transferred between departments and the departments are part of fund 100, general fund. Brandon said he thinks the mix-up is with the word fund. The only reason this came up is because capital equipment for departments is not included in the general fund, it is in a capital projects fund.

Councilman Merritt said the city attorney has advised him in the past that it may be the intent of the policy, but you can't legislate intent, it must be spelled out. If council approves the capital budget and you are going to spend \$100,000 in PW Street, and if Mark needs a heavier duty chair, by inserting the word fund from capital fund, you could take money and move it to another department, which was not council's intent. This would allow money to be moved from the capital fund to a department, and that is not what council wanted during the budget process. Councilman Merritt said he believes the intent is to transfer through line items within one department.

Councilman Black agrees. He doesn't have a problem transferring money within a department, but thinks a transfer between departments or funds should come to council.

Chairwoman King said the administrator doesn't currently have the authority to transfer an excess from one line item to another in the capital projects funds. So it can't be moved from Capital Fund Sanitation to Capital Fund Streets. Councilman Merritt said he wants to understand council's intent. He understands changing this to make it more clear, but the wording now is bothersome to him. Brandon said just adding item 16 would accomplish what is needed. 17 was added just to ensure consistency. Holly said she is torn. The way she sees it is when you say department budget lines, that is one department. You can move within one department. The capital fund is a little different. It is a line item, but the different departments are line items. She considers them a department which is addressed in item 17.

Chairwoman King suggested leave item 16 as is, and change 17 to read authorize capital project funds or departmental budgets. Councilman Black

asked about emergency purchases. What does it say? Chairwoman King said that is later on the agenda.

Councilman Merritt said you can't interpret intent. Only a judge can do this. He said he has no lack of trust in the administrator. Holly said authorize shifts in departmental line items within a fund is what she thinks it should say.

Brandon asked to hold this ordinance change in committee and send to council a recommendation of approval for this one transfer of \$18,000 for the purchase of the spreader. This way it is a one time change with council approval.

Councilman Black asked why we waited to the point we needed it to check to make sure it was operational. Chief Turner said the salt spreader was able to be used until mid-day on Saturday. Some salt was applied before on the same day and then at noon the clutch went out on the unit. There was no fix. The unit is older and replacing the clutch would be expensive. The unit had wear and tear. Councilman Black had the impression that when they went to use it, the machine broke. Chief Turner said that was incorrect. It was working earlier in the day.

Bids were collected. \$9150 is the total cost for the spreader. Delivery time is two weeks. Councilman Black said he doesn't have a problem approving a one time budget transfer from Sanitation capital to Street capital for this equipment.

Councilman Merritt said he doesn't believe the committee can forward this item because a budget transfer is not on the committee agenda. Brandon said this is a one time approval of funds transfer by council. Chairwoman King said the easiest way would be to advise the PW chair of the purchase and put it on the council agenda for transfer of funds and purchase of equipment under committee of the whole.

Councilman Merritt asked if the city attorney could look at this proposed wording in the meantime.

- b. Discussion on Heely Brown lease- This item has a request from staff that the lease for 15 Jenkins Street be renewed for one year with a 2.13% rent increase. There are three staff recommendations to be added to the lease. The second recommendation states either party can cancel the lease with 120 days' notice to the other. After a year, the lease can stay in effect on a month to month basis. Chairwoman King said this is the first time she can recall this lease coming before council or committee. Councilman Black asked when was the last time this was renewed. Chairwoman King answered December of last year. Councilman Black asked if it came through council. Chairwoman King said that is what she stated- it has not come through council as long as she has been a member. Councilman Black asked how the renewal was done without council approval.

Councilman Merritt said our new website only goes back six months with minutes. He called and talked with Cindy about looking back in minutes going back to 2016. Cindy could not find an agenda item regarding this lease going back to 2016. Councilman Merritt said he doesn't understand how this legally can be done without council approval. Councilman Black said only council can approve a contract.

Chairwoman King said what is before us tonight is a lease for 2019. She says she doesn't have a problem with the lease. A current lease is needed for these tenants. Councilman Black asked if the tenant is aware of the rent increase. Brandon said they are aware that a lease is being sent through council for presentation to them after. \$1038.64 will be the increase. Holly said she believes the rent has increased a little every year.

Councilman Merritt asked if we had copies of the past leases with rent amounts. Holly said Cindy would have them. Councilman Black said we really don't know what is going on.

Councilman Black made a motion to send this item to council for discussion. He would like to see the past leases. Chairwoman King asked what the past leases have to do with the current lease. There is a tenant in a city building that needs a renewed contract. She said the current lease can be addressed in conjunction with this other issue. Councilman Merritt said he would like to see a new contract with time periods and money and have a special called council meeting to consider this prior to January 14th to vote on lease renewal. He also would like the city attorney to go over the lease. He doesn't want to grant an extension on a lease that potentially has legal issues. Brandon said he thinks a full payment will be made for the month of January, but it is up to council whether they want to have a special called meeting.

Chairwoman King asked under the whereas, what information needs to be added? Councilman Merritt said he is suggesting a brand new lease. Brandon asked for clarification that Councilman Merritt means for the current

lease to expire and a new lease start. Councilman Merritt said that was correct. A new contract will be developed. No action was taken.

- c. Procurement policy revision- This is to amend and update the city's procurement policy to add a definition of emergency purchase.

Councilman Merritt is concerned this definition is wide open to interpretation. He has no problem with the integrity of the administrator, but council has been burned before. On the bottom where it says a full report will be given to council, should there be a time frame in which the report is given? Chairwoman King asked if the preference would be 10 days, 15 days, a month? Councilman Merritt said the communication with council now is very good. Chairwoman King asked that the amendment be made that a report on the emergency purchase be given to council within 10 calendar days.

Councilman Merritt made a motion to send this amendment to the purchasing policy with the addition of the wording that a report will be given to council within 10 calendar days of the emergency. Councilman Black seconded the motion and the vote was unanimous (3-0).

7. Public comment

A resident asked if there was an emergency fund. Even he has a homeowner has a fund in case an emergency arises. Chairwoman King said the City does not have an emergency fund.

Mayor Raines: I would challenge Mr. Madden that there is probably a master lease agreement from 2010 or 2010 that lays out all the extensions and more than likely the cost increase of the years that probably runs through the current lease period. That is typical of a commercial lease.

8. Committee concerns- None

- 9. Adjournment- Chairwoman King adjourned the meeting.

Respectfully Submitted,

Cindy Miller

Municipal Clerk

NOTICE: A majority or quorum of City Council may attend a committee meeting.