

**OFFICE OF THE CITY COUNCIL**

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**SPECIAL BUDGET ANALYSIS COMMITTEE MINUTES**

**February 27, 2014**

**3:00 p.m.**

**City Hall**

**117 W. Duval St., 1st Floor**

**Committee Room B**

**Attendance:** Council Members Clay Yarborough (Chair), Richard Clark, Robin Lumb, Matt Schellenberg, Reggie Brown (3:24pm), Don Redman (3:06pm)**;** Warren Jones

**Also**: Kirk Sherman – Council Auditor’s Office;Carol Owens and Philip Zamarron – Legislative Services Division; Yvonne Mitchell – Council Research

See attached sign-in sheet for additional attendees.

Council Member Yarborough called the meeting to order at 3:05 p.m. He reported the schedule was sent out along with questions departments/divisions to prepare for a review before the committee. He offered a suggestion to adjust the schedule and possibly minimize number of reviews in order to concentrate on specific departments/divisions for efficiencies and savings which will make better use of time.

**Finance Department Report**

Mr. Hansen listed the divisions in Finance Department which are Accounting, Budget office, Office of Director, and Treasury that are general fund; Employee Pension, Risk Management Insured and Risk Management Self Insured are not general fund. He stated that a representative from each area would provide information and answer questions. Mr. Hansen provided an overall review that:

* Revenues for general fund departments are negligible (all about expenditures)
* Approved budget for FY14 is $6.7 million
* Authorized positions is $61 million
* 5120 part time hours
* Largest single category in the service department is personnel (68% dollars spent used for salaries and benefits)
* Great users of internal services including legal time which is about 27%
* Breakdown of budget between divisions – Accounting 56%; Budget Office 14%; Director’s Office 15% and Treasury 15%. The remaining Risk Management and General Employee Fund utilize a separate budget with approximately $43 million (Sub funds 561 and 581)

There was discussion about the internal service charges with Office of General Counsel and details of cost. Mr. Hansen stated cost is contributed to study work associated with pension issues and continuous renewal of bonds. Ms. Sidman reported that the City has engagement letters with each bond council. The letters for bonds include a cap and are contracted on a continuously bases.

**CM Schellenberg requested a cost breakdown of the external and internal law firms associated with pension. Mr. Hansen agreed to submit information.**

Mr. Hansen reported the amount for ITD covers FAMIS system, computer time, maintenance of systems, and creation of an additional financial system. He stated that as DOS becomes smaller in technology field costs will begin to increase to maintain the system due to fewer personnel with particular expertise. The City is in need of a major upgrade. Additionally, Mr. Hansen confirmed that the Finance Department and ITD is actively working on obtaining information about new systems to meet the City’s needs. Funds have been allocated and a group is being established to gather all user needs and produce a recommendation by budget period. He believes that significant savings will be in capital labor substitution. It was stated that the CAFR (Comprehensive Annual Financial Report) report from the closure of 2013 books should be ready at end of March. Mr. Hansen stated the City’s was fortunate to issue at the lowest yield point on a municipal curve. With the City’s good interest rate along with its high quality credit and other factors in government there would not be the same quantity of refinancing opportunities.

Accounting – Mr. Behrendt reported that general accounting division responsible for payroll for approximately 7,000 employees; accounts payable which process 100,000 payments a year; accounts receivables provides fund accounting and financial reporting such as CAFR and A133 single audit. The office has two open positions that are in process of being filled. Ms. Moyer explained the increase of $300,000 in the ITD internal service charges which is result of moving from hosting FAMIS system to Tallahassee increased the cost and was charged 100% to accounting. She explained the billing methodology will change to next year to show accuracy throughout areas. Mr. Behrendt believes that a new system will minimize a lot of paper shuffling and save money; however, there was not much that could be done currently to improve efficiency with existing system. He explained that overtime allocations were based on not being at full staff.

There was some discussion regarding timeliness of payments to vendors. Mr. Hansen shared that some of the delay is based on insufficient support documentation and this must be verified to ensure that accurate payment is made. Ms. Moyer explained that with a better financial system the City will be able to pay vendors without cutting a paper check which will make process quicker with more efficiency. The current system uses ACH for some vendors and wire transfers for an even smaller number.

Further discussion included receivables and how it is tracked which are funds from the state and grants to ensure received timely. Mr. Hansen stated that Fire & Rescue, Parking and Code are not under the auspices of accounting for tracking purposes. He stated each area has its own tracking system as it relates to collections. Ms. Moyer stated there is not a receivables portion in FAMIS and someone from the systems side could explain tracking of fines better. There was some concern about the amount of funds lost from ambulance fees because of tracking issues through third party collection agency.

Budget Office – Mr. Hansen reported the budget office was a lean operation which is all personnel. There are two vacancies and interviews are next week. One position has been vacant since August. Mr. Hansen purposely waited to hire for positions since budget is a seasonal office and believed waiting would save dollars. He shared that after budget season, November to April, to keep personnel actively employed it is intended to develop a methodology where groups of professionals to move from area to area to assist with other operations to minimize cost of finance function. Mr. Hansen explained in detail the process to developing a budget. Mr. Hansen explained the primary responsibilities of the budget office are to follow financial results of previous years and revenue forecasting to include looking at 10 year history and CIP process which is tied to gathering and evaluation.

CM Lumb commented that with such an in-depth process to developing a budget it didn’t add up to the 13.88 % spending cut across the board. He suggested moving forward that this committee make the recommendation that budget hearings are scheduled in order of the City are spending priorities. Mr. Sherman confirmed that this recommendation (Clark-Lumb plan) is appropriate and timely with making adjustments to allow all entities to prepare. He stated that this should be one of the most tangible items from the committee in its report.

CM Yarborough commented that based on the open charge from the Council President the committee is requested to consider a more focused look at specific areas that are more suitable for savings rather a zero based look at all departments. Suggested areas include Parking collections, Fire & Rescue collections, Risk management, procurement, Fleet, Grants & Compliance, EQD, possible privatization of options with medical examiner’s office, libraries, public building (lazy assets), storm water, partnership with JEA, and solid waste. **CM Holt requested published year end numbers with review of each area.**

Office of Director – Mr. Hansen reported budget is for salaries of three personnel.

Treasury – Mr. Stickney reported there are six positions that cover debt investments, banking and custodian relationships, transfers of various payments and other fiscal transactions. The primary function is employee driven due to 75% of budget is human resources and internal services. The remaining 25% of the budget is utilized to manage banking services and debt related management tools (software package for external compliance). The City’s primary bank is Wells Fargo.

Risk Management – Mr. Duckworth provided a thorough overview for Sub funds 561 & 581. The primary functions are to address and mitigate through practices and techniques the liabilities of the City as it pertains to third party, workers compensation and contractual means. The department will be concentrating on preventive versus reaction as a savings methodology. Mr. Duckworth met with the participants of the City’s self-insured program to discuss their highest cost factors. The group will meet quarterly. There was some discussion about SIR claims, the City’s buffer layer and first responder’s. CM Lumb inquired about brick mailboxes being constructed on the right of way.

**CM Yarborough requested that Mr. Duckworth provide information to committee about his meeting about 630-CITY along with submitting progressive reports from self-insured participants group.**

**Auditor’s Office**

Mr. Sherman provided a written report that addressed all of the items on the questionnaire. The function of the office is established by the Charter Section 5.10. He reported that 94% of budget is for salaries. His biggest challenge is not have sufficient number of staff to conduct an appropriate volume of continuous internal auditing with the increase of requests for service from Council. He commented that quality training is essential to maintain a network of support among other professionals. As it relates to technology, the office is getting new computers but not an upgrade on monitors. Mr. Sherman shared that the City needs to revise it policies regarding routine technology and vehicle updates that impact departmental efficiencies and downtime.

**CM Yarborough requested members submit any focus areas suggestions to add to review schedule.**

The next meeting is scheduled for March 6th at 3:00 p.m. There being no further business, the meeting was adjourned at 5:25p.

Yvonne P. Mitchell, Council Research Division (904) 630-1679

Posted 03.06.14

9:00 a.m.