

Minutes of the Work Session meeting of the Syracuse City Council held on January 26, 2010, at 7:55 p.m., in the Council Work Session Room, 1979 West 1900 South, Syracuse City, Davis County, Utah.

Present: Councilmembers: Alan Clark
D. Matthew Kimmel
Douglas Peterson
Larry D. Shingleton

Councilmember Hammond was excused from the meeting.

Mayor Jamie Nagle
City Administrator Rodger Worthen
City Recorder Cassie Z. Brown

City Employees Present:
Finance Director LaMar Holt

The purpose of the Work Session was for the Governing Body to review the General Purpose External Financial Report (Syracuse City Audit) for the Fiscal Year (FY) ended June 30, 2009, and discuss Council Business.

Review General Purpose External Financial Report (Audit) for the Fiscal Year (FY) ended June 30, 2009.

Finance Director Holt distributed a worksheet to be added to the audit report, which each member of the Governing Body had been provided a copy of. He explained that the additional worksheet is a report regarding the City's impact fees and the report is compiled in a State-required format.

Councilmember Kimmel asked if the City's transportation impact fee is determined by a traffic impact study, to which City Administrator Worthen answered yes.

Mr. Holt then explained that the City's financial condition can be summed up in a couple of different ways. He stated that the day-to-day budgetary operations of the City, with the exception of utility funds, are included on page 11 of the audit report within exhibit C. He explained that utility fund assets are capitalized rather than paid for in a lump sum. He stated that is not how assets are charged in the general fund; if the City purchases a new vehicle from the general fund the entire cost is charged to the general fund at once rather than the vehicle being depreciated. He explained if a vehicle is purchased from the utility fund, only 1/20th of the vehicle cost is included in the budget each year. He then stated that at the end of the last fiscal year the general fund balance was \$567,693, which included \$285,444 in unreserved/undesignated funds. He stated the redevelopment fund had a balance of \$75,444; the Municipal Building Authority (MBA) fund had a balance of \$195,161; the Special Improvement District (SID) debt service fund had a balance of \$5,166; the storm water fund had a balance of \$538,762; and the capital improvements fund had a balance of \$494,377. He stated the total governmental funds balance at the end of the last fiscal year was \$1,876,603.

Councilmember Clark stated he thought the City was required to carry a minimum of \$300,000 in its reserve fund. Mr. Holt stated that is correct and the City had to borrow money to increase the fund balance to the required amount. Mr. Holt then reviewed page 13, exhibit E and explained that the exhibit highlights activity throughout the entire fiscal year.

Mayor Nagle inquired as to what intergovernmental revenue is. Mr. Holt explained that grants from other governmental entities can qualify as intergovernmental revenue, as can the money the Davis School District is paying the City for supplying a resource officer in the local schools. He stated that it basically includes any transaction between government entities as opposed to a private vendor or individual. He then added that the exhibit also highlights the general expenditures of the City during the fiscal year. He reiterated that after all revenues and expenditures are accounted for, the City ended with a total fund balance of \$1,876,603. He stated that pages 15 and 16 of the report provide the same information for the utility funds. He pointed out that the City has over \$38 million in total assets and \$2,384,955 in unreserved/unrestricted liquid assets, which include cash or accounts receivable. He stated that during the year the total operating expenses in the utility accounts were \$4,593,307. He explained that utility fees were increased last spring; therefore the revenues in the current fiscal year should be a little higher than in the last fiscal year. Councilmember Clark stated that he believed the goal of the utility fee increase was to increase fees to a level that would ensure that each utility fund would have a positive balance; yet, the sewer fund has a net operating loss. Mr. Holt stated that the fee increase implemented in the spring of 2009 will correct that problem in the current fiscal year. He then reviewed page 34 of the report and explained that this section provides a review of each fund including revenues and expenditures and budgeted amounts versus actual totals. He explained that the general fund contains approximately 20 funds, but the grouping in the audit report referred to as general fund also includes fund 11, fund 12, fund 13, fund 17, fund 18, fund 20, and fund 21.

Councilmember Kimmel inquired as to what Class C Road funds are. Mr. Holt explained that Class A roads are state roads; Class B roads are county roads; and Class C roads are City roads. He stated that the State provides a funding source for those roads generated by the tax paid on fuel and the revenue must be restricted for use only on Class C roads; therefore, the City has a separate fund to provide accounting for the Class C road monies distributed to the City by the State. Councilmember Clark added that it does not matter where in the state someone purchases gas; the calculations of Class C revenues are based on the number of miles of Class C roads any given City may have.

Mayor Nagle asked when the parks maintenance fee was implemented. Mr. Holt stated it was included on the City's utility bill in May of 2009. Mayor Nagle asked how many homes in the City receive a utility bill, to which Mr. Holt responded approximately 6,000. He added that the fee generates roughly \$18,500 per month. Mayor Nagle stated that if that is the case the total revenues in that fund are too low for the last fiscal year. Mr. Holt reminded Mayor Nagle that only two months of revenues would be included in this report since the reporting period for the audit ended June 30, 2009. Mayor Nagle then stated that it is her understanding that none of the money being generated by that fee is being spent. Mr. Holt stated that is incorrect and that there are expenditures charged to the fund each month. Mayor Nagle stated that Mr. Worthen told her that no expenses had been charged to the parks maintenance fund. Mr. Worthen stated he did say that, but he later discovered that the Parks Division of the City has a plan for spending the revenues generated by the fee. Councilmember Clark added that the parks maintenance fund should be operating in a manner similar to that of an enterprise fund in that the revenues generated by the fee should only be used for parks maintenance purposes.

Mr. Holt then began reviewing the findings section of the audit report. Mayor Nagle asked if the same deficiencies identified in this audit report were also identified in the audit report for the previous fiscal year. Mr. Holt stated there are two deficiencies included in this report that were also identified in the report for the previous year. Mayor Nagle asked if the same deficiencies were included in the audit report for 2007. Mr. Holt stated that they probably were. Mayor Nagle inquired as to how significant a significant deficiency is. Mr. Holt stated the answer to that question depends on who answers the question. Mayor Nagle stated that to her a significant deficiency seems pretty serious. Mr. Holt stated that when a deficiency is identified in the audit report it means that the City has an issue to deal with. He stated the question is how that issue should be dealt with; if the organization is large there is more flexibility and it may be easier to solve the problems. He stated that in Syracuse City the practice has been to weigh the risk versus the cost of implementing a solution before moving forward. Mayor Nagle asked who has been involved in the risk weighing discussion in the past. She asked if the Council was responsible for the decision to not address the deficiencies for the past three years. Councilmember Clark stated that the council did discuss finding number two last year, but maybe no follow-up discussion took place and implementation of a solution never happened. Mayor Nagle asked if the Council had a discussion about finding number one and whether it would be necessary to hire someone to solve the deficiency. She stated that a water billing error was discovered this year and as a result of the error the City lost \$160,000; maybe that would have been avoided if a solution to finding number one would have been implemented after it was identified in last year's audit report. Councilmember Clark asked if adhering to the recommendation for solving deficiency number one would have prevented that error; he asked if utility billing entries are completed automatically or manually. Mr. Holt stated that 90 percent of the entries are completed manually. Councilmember Clark stated that when one reviews journal entries they are typically not looking at details. He stated he did not know if a second review of the journal entries would have prevented the water billing error. He stated it would have prevented someone from stealing money from the City. Councilmember Peterson stated that the excuse is often offered that the City is a growing City; ten years ago the City had only a City Manager that was in charge of everything.

Mayor Nagle stated that she has attended most of the Council meetings over the past two years and she remembered Mr. Worthen committing to take on the duties necessary to implement a solution to the deficiency. She stated that her concern is that the same deficiency has been identified for three years; it must be addressed in order to protect the City. Mr. Holt stated that it is necessary to identify someone that can take on the necessary duties to solve the problem. Mr. Worthen stated that he and Mr. Holt have met and identified some people that may be able to take on some additional duties. Mayor Nagle stated that she is concerned that it has taken so long for that discussion to take place between Mr. Holt and Mr. Worthen. She asked when the City received the most recent audit report. Mr. Holt stated the report is dated November 25, 2009, but he and Mr. Worthen were not able to review it until the week of Christmas. Mr. Worthen stated that in the process of discussing ideas for solving the deficiencies, it might be helpful for the City to have Councilmembers Clark's ideas and suggestions. Councilmember Clark stated he would love to offer that assistance. Mayor Nagle stated she would like to set a timeline for having the deficiencies corrected. She stated she is still upset that the same deficiencies have been unresolved for the past three years; it speaks to the integrity of the City's system and the trust that the citizens have in the City. She stated it does not give her much confidence to know that the same deficiencies have been allowed to continue for three years. Councilmember Peterson stated that the same deficiencies have probably been occurring for 100 years. Mayor Nagle stated that the first year the deficiencies were identified they should have been corrected. She stated that there could have been someone 'skimming the books' of the City for the past three years and no one would have known. She then stated that she feels that the deficiencies should be corrected within 30 days. Councilmember Clark stated there some short term solutions that could be implemented quicker than that. He then inquired as to how many checks the City process each month, to which Mr. Holt answered a maximum of 230. Councilmember Clark asked if the City receives a paper copy of the cancelled check, to which Mr. Holt answered no and explained that the City is provided with an electronic picture of the checks.

Mayor Nagle suggested having a temporary solution implemented within 30 days and a permanent solution implemented within 60 days. She added that the necessary duties for solving the deficiencies should be included in someone's job description. Councilmember Shingleton stated he believed that a temporary solution could be implemented within two weeks. Councilmember Clark stated that may be true for finding number two, but not for finding number one.

Mr. Worthen stated he wondered if the City's accounting software, Caselle, could print out journal entries that hit various accounts. He stated that when he worked for Zion's Bank he was able to generate a report with that type of information on it. Councilmember Clark asked if Caselle has the ability to print a general ledger transaction report, to which Mr. Holt answered yes. Mr. Worthen stated it may be possible for each Department Head to review their own general ledger transaction report. Councilmember Clark inquired as to the number of City employees that have access to Caselle. Mr. Holt

stated that six people have access to generate their own department reports, including himself. Councilmember Clark asked if they could all be required to run their own reports and then send a copy of them to Mr. Worthen each month saying they approve all the expenses that cleared their accounts. He stated that could qualify as an additional individual approving journal entries, which is the identified solution for finding number one. Mr. Holt stated that suggestion could be part of the discussion.

Councilmember Shingleton stated that he believes that a temporary solution should be implemented within two weeks and a permanent solution within 45-days. All Councilmembers concurred.

Mr. Holt then reviewed the document including information regarding the City's impact fee accounts. He explained that three of the seven accounts are overdrawn; that is partially due to the fact that growth in the City came to a halt. Councilmember Clark asked if the City will have some money coming in to the park purchase impact fee fund this year. He stated he remembered a discussion recently about the City potentially selling some park ground. Mr. Worthen stated that he is still working on that transaction; the City must obtain an appraisal of the property and any bid submitted for the purchase of the ground must be no lower than the appraisal amount. Mr. Holt added that the bottom line is that the City has some significant 'catching up' to do before impact fee projects can commence. He closed by stating that the last fiscal year was a fairly good year; he was amazed at how much money various departments were able to save in order to assist in balancing the budget. He stated that same practice has been true this year as well.

The meeting adjourned at 8:46 p.m.

Jamie Nagle
Mayor

Cassie Z. Brown, CMC
City Recorder

Date approved: February 23, 2010