

## MEMORANDUM

**TO:** Finance and Administration Committee of City Council

**FROM:** Jeremy Craig, CPA, Director of Finance and Administration

**DATE:** February 26, 2004

**SUBJECT: FINANCE AND ADMINISTRATION COMMITTEE MEETING**

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The Finance and Administration Committee met Wednesday, February 26, 2004. Those in attendance included: Chairperson Jane Durrell, Ward I, Councilmember Bruce Geiger, Ward II, Councilmember Connie Fults, Ward IV, Mayor John Nations, City Administrator Mike Herring, and Director of Finance and Administration Jeremy Craig. Also in attendance were Councilmember Mike Casey, Ward III, and Mr. Brian Calderwood. The meeting was called to order by Chairperson Durrell at 5:30 p.m.

**1. Approval of Minutes – October 22, 2003**

Councilmember Fults made a motion to approve the minutes from October 22, 2003 and Councilmember Geiger seconded the motion. The motion was approved 3-0.

*[NOTE: Councilmember Dan Hurt, Ward III, arrived at 5:40 p.m..]*

**2. Review of Retirement Study Proposal**

There was general discussion on the retirement plan study proposal. Below is a brief summary of major points, as expressed by members of the committee:

Chairperson Durrell began the discussion by explaining that the policy of Finance and Administration was to review all items that would require additional appropriations from the Council to complete. The focus should be to review the cost of the complete proposal and to discuss the impacts of the funding to the total budget.

Mayor Nations commented that he was happy to see this process move forward. The proposal submitted by Staff appears to be reasonably priced, based upon the large scope of work to be performed.

There were several questions regarding the “phases” of the study, itemized in the proposal submitted by CBIZ. Mr. Craig noted that the proposal was broken down and priced, by “phases”, solely due to the direction provided by the Finance and Administration Committee. Members of the Finance and Administration Committee had asked that the consultant break out the cost of doing a comparative analysis of the retirement plans provided by other cities. Staff and the consultants

viewed the proposal as one study, with multiple tasks occurring simultaneously, and the phasing was for illustrative purposes only.

Councilmember Geiger noted there was a degree of sticker shock because at the October Finance and Administration Committee meeting the discussion was that a study like this may cost \$20,000 - \$30,000. Mr. Herring reminded the Committee that Staff had always maintained that there was no way to accurately estimate the total cost. For that reason, there were no funds included in the FY2004 budget. The reference to "\$20,000 - \$30,000" was meant to suggest that this would not be an inexpensive study and was not intended to explicitly express a cost. Councilmember Fults noted that if the fiduciary component of the study, which will total approximately \$25,000, were subtracted, the total amount would be \$32,000 and closer to the number previously mentioned.

Noting his on-going objection to hiring a consultant to undertake a comparative analysis of the retirement plans in other cities, Councilmember Hurt asked that Council be allowed to vote on that specific component, which is estimated to cost approximately \$15,000. Mayor Nations noted Councilmember Hurt could make such a motion when the matter was discussed at the Council meeting.

Chairperson Durrell thanked everyone for a productive discussion and noted that the item needed no motion from the Committee, as the item was already on the Council agenda for the Monday, March 1, 2004 meeting.

### **3. Review of City Hall Refunding**

Mr. Herring noted that Staff has been studying the possibility of refinancing the debt for City Hall, which was originally issued in 2000. He reminded the Committee of the Mayor/Council's challenge to aggressively look for creative ways to reduce the deficit. If recommended by this Committee and approved by City Council, such a refinancing could reduce expenditures by as much as \$500,000 per year. He introduced Michelle Bock, the City's financial advisor, from the firm of Piper Jaffray, who arrived at the meeting around 6:00 p.m. He asked that Mr. Craig and Ms. Bock explain this proposed refinancing.

Mr. Craig noted that the City was now in a situation to refinance the 2000 City Hall debt and there were two options presented for the Committee's review. Ms. Bock noted that in one scenario the City would refinance the current debt and achieve lower interest rates for the remainder of the debt term. This proposal would reduce the City's annual payment by approximately \$25,000 - \$30,000, for the term of the debt and would not add any length to the current debt repayment schedule. The second scenario takes advantage of the interest savings, extends the debt for four additional years and results in \$500,000 savings in each of the first five years of the new debt and then returns to smaller annual savings for the remainder of the debt, until the four years of extension kick-in.

Councilmember Hurt asked why these two scenarios were chosen out of all possible scenarios. Mr. Craig noted the first was the standard refinancing scenario and the second was determined, with the help of Ms. Bock, with the goal in mind of maximizing cash flow in the first years. Councilmember Hurt asked if two additional scenarios could be performed, with annual savings of \$250,000 and \$100,000 in the first five years. Ms. Bock said that she would have those forwarded to Mr. Craig as soon as possible.

Mr. Herring noted that, from Staff's perspective, the strength of the second scenario is its ability to maximize savings right now and still net to no additional net present value cost, long term. While it is true that the first option would generate savings, in terms of net present value, it would not have the same measurable impact upon reducing cash outflow, during the first five years and, as a result, would not impact the City's current budget deficit. Ms. Bock noted that, once a plan is adopted by Council, the annual payment schedule is FIXED and will not change, even if interest rates increase over time.

Councilmember Hurt made a motion for the committee to request the two additional scenarios (see above) be prepared. Chairperson Durrell seconded the motion. Motion passed 4-0. Councilmember Geiger motioned to forward this recommendation for a "refinancing" of the current City Hall debt, to City Council, for consideration at the March 15<sup>th</sup> meeting. At that time, City Council will need to select the preferred option for this refinancing. Motion passed 4-0.

#### **4. Discussion of President Pro-Tem Selection Process**

*[Note: At this point, both Ms. Bock and Mr. Craig left the meeting – approximately 6:50 p.m.]*

With regard to the process to be used by City Council, for selection of a President Pro Tem, a motion was made by Councilmember Geiger, seconded by Councilmember Hurt, that paper ballots be used and that each Councilmember's vote be "private". City Attorney Beach is to count the ballots, on the dais, and announce the results publicly. It was understood, as part of this motion, that a simple motion and second were all that would be needed, to place someone's name on the ballot. The motion passed 3-1, with Councilmember Fults voting "no". Mr. Herring is to ask City Attorney Beach to review this recommendation and determine its legality. On a motion by Councilmember Hurt, seconded by Councilmember Fults, the Committee voted 4-0 to approve forwarding this matter to City Council for discussion, if City Attorney Beach were to determine the selection process approved above is not appropriate.

#### **5. Chairperson Durrell adjourned the meeting at 7:00 pm.**