CITY OF BURTON

FINANCE COMMITTEE MEETING

FEBRUARY 10, 2016

AGENDA

Council Chambers	Regular Meeting	3:00 PM

4303 S. CENTER ROAD
BURTON, MI 48519

A. ROLL CALL

B. STAFF PRESENT

C. MINUTES APPROVAL

1. Finance Committee - Regular Meeting - Jan 27, 2016 5:30 PM

D. AUDIENCE PARTICIPATION

Now is the time set-aside for members of the audience to address the Finance Committee. I would ask each individual to give their name and address for the record and to limit their comments to five (5) minutes and to speak on the topics germane to City business.

E. COMMITTEE DISCUSSION ON THE FOLLOWING ITEMS:

A. Budget Amendment 145-147, 2015-2016: Recommendation to increase 1001-1071-719.0000 General Fund Mayor Benefits by $4,900; to increase 1001-2023-719.0000 General Fund Controller Benefits by $2,500; to increase 1001-0000-699.0000 Contingency by $7,400.

B. Budget Amendment 148-149, 2015-2016: Recommendation to increase major streets surface maintenance benefits by $8,500; to decrease 2002-4063-818.0000 major streets surface maintenance contractual service by $8,500.

C. Budget Amendment 150-151, 2015-2016: Recommendation to increase 2003-4063-719.0000 local streets surface maintenance benefits by $11,600: to decrease 2003-4063-818.0000 local streets surface maintenance contractual service by $11,600.

D. Budget Amendment 152-153, 2015-2016: Recommendation to increase 2007-2007-719.0000 police benefits by $5,000; to increase 2007-0000-699.0000 police contingency by $5,000.

E. Budget Amendment 154-155, 2015-2016: Recommendation to increase 2049-2061-719.0000 building benefits by $1,500; to decrease 2049-2061-959.0000 Condemned housing by $1,500.

F. Budget Amendment 156-157, 2015-2016: Recommendation to increase 2069-2069-719.0000 Senior Citizen's benefits by $300; to increase 2069-0000-699.0000 contingency by $300.

G. Budget Amendment 158-159, 2015-2016: Recommendation to increase 5090-5090-719.0000 sewer benefits by $8,800; to increase 5090-0000-699.0000 contingency by $8,800.

H. Budget Amendment 160-161, 2015-2016: Recommendation to increase 5091-5091-719.0000 water benefits by $2,500; to decrease 5091-5091-957.0000 contingency by 2,500.

I. Budget Amendment 162-163, 2015-2016: Recommendation to increase 6061-6061-719.0000 motor pool benefits by $300 and increase 6061-0000-699.0000 contingency by $300.

J. Budget Amendment 164-166, 2015-2016: Recommendation to increase 1001-2071-922.0001 General Fund Public Service Gilkey Creek Principal by $39,000; to increase 1001-2071-922.0002 General Fund Pubilc Service Gilkey Creek Interest by $7,700 and decrease 1001-2071-922.0000 General Fund Public Service Drains at Large by $46,700.

K. Capitalization of Assets Policy To approve and authorize the City of Burton Capitalization of Assets policy whereby assets purchased which are equal to or greater than $5,000 will be capitalized.

L. ICMA 401 Plan document adoption To approve and authorize a resolution to adopt the ICMA 401 plan document.

CITY OF BURTON

FINANCE COMMITTEE MEETING

JANUARY 27, 2016

MINUTES

Council Chambers | **Regular Meeting** | **5:30 PM**

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by Chairman Vaughn Smith at 5:36 PM.

A. ROLL CALL

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Present	
Dennis O'Keefe	Councilman	Present	
Vaughn Smith	Chairman	Present	

B. STAFF PRESENT

Paula Zelenko, Mayor
Teresa Karsney, Clerk
Ginger Burke-Miller, Controller
Rik Hayman, Chief of Staff

C. AUDIENCE PARTICIPATION

None

D. MINUTES APPROVAL

None

E. COMMITTEE DISCUSSION AND ACTION

Mr. O'Keefe feels that Budget Amendment should be discussed with a full Council and not just the Finance Committee.

Mr. Smith stated this is the committee protocol.

Mayor Zelenko stated that this is how the committee process works. We have no Council has given us no guidelines to follow.

Mr. Martinbianco stated that on item number #2 the auditors didn't say a word about how we were doing the banking fees and feels this is not necessary.

Mr. Smith feels and Council of Whole would be a better place for this items so Mrs. Burke-Miller doesn't have to explain it twice.

Mr. Martinbianco stated that the auditors didn't state at any time we need to break out the banking fees and doesn't feel it is necessary to do this. This is just adding more work for the Controller office.

Mr. O'Keefe also thought that breaking out the banking fees would be extra work for the controller office. He doesn't like when the Finance Committee gets them on the same night as the Council. He feels they don't have time to check into them when they are both agenda's at the same time.

Minutes Acceptance: Minutes of Jan 27, 2016 5:30 PM (Minutes Approval)

1. Motion to reject recommending these items to City Council.

RESULT:	**CARRIED [UNANIMOUS]**
MOVER:	Tom Martinbianco, Councilman
SECONDER:	Dennis O'Keefe, Councilman
AYES:	Martinbianco, O'Keefe, Smith

2. Banking Supplies GL number To approve and authorize the creation of a new GL number 1001-2053-956.3000 Banking Supplies within General Fund - Treasurer's Department.

3. Banking Fees GL Line Items To approve and authorize the creation of the following GL line items: 1001-2053-956.4000 General Fund Treasurer Banking Fees 2002-4082-956.4000 Major Streets Administration Banking Fees 2003-4082-956.4000 Local Streets Administration Banking Fees 2006-2006-956.4000 Fire Department Banking Fees 2007-2007-956.4000 Police Department Banking Fees 2044-0000-956.4000 Economic Development Banking Fees 2049-0000-956.4000 Building Department Banking Fees 2065-0000-956.4000 Drug Law Enforcement Banking Fees 2067-0000-956.4000 Police K9 Banking Fees 2069-0000-956.4000 Senior Citizens Center Banking Fees 2071-0000-956.4000 Burton Youth League Banking Fees 2072-0000-956.4000 Police Fire Sculpture Banking Fees 2073-0000-956.4000 Veteran's Memorial Park Banking Fees 2074-0000-956.4000 Cancer Survivor Park Banking Fees 3026-0000-956.4000 Major Street Debt Fund Banking Fees 5013-0000-956.4000 DDA Fund Banking Fees 5090-0000-956.4000 Sewer Fund Banking Fees 5091-0000-956.4000 Water Fund Banking Fees 6036-0000-956.4000 Information Technology Banking Fees 6061-0000-956.4000 Motor Pool Fund Banking Fees 6077-0000-956.4000 7036-0000-956.4000

4. Budget Amendment 93-94 To approve and authorize the following 2015-2016 budget amendment: To increase 1001-2053-956.3000 Treasurer's Department Banking Supplies by $500 and decrease 1001-2053-984.0000 Treasurer's Department Office Equipment by $500.

5. Budget Amendment 95-99 To approve and authorize the following 2015-2016 budget amendment: To increase 1001-0000-450.0000 All Permits & License Fees By $16,000; To increase 1001-0000-573.0000 Local Community Stabilization Share Appropriation by $43,000; To increase 1001-0000-666.0000 Interest Income by $19,500; To increase 1001-0000-690.2000 Veteran's Honor Race by $350; To decrease 1001-0000-699.0000 contingency by $78,850.

6. Budget Amendment 100-101 To approve and authorize the following 2015-2016 budget amendment: To increase 1001-2071-959.7660 Holiday Decoration and Labor Cost by $5,500 and increase 1001-0000-699.0000 Contingency by $5,500.

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7. Budget Amendment 102-106 To approve and authorize the following 2015-2016 budget amendment: To increase 2002-0000-574.0001 Other State Revenue Sources by $100,000; To increase 2002-0000-649.0000 Material Sales by $2,0000; to decrease 2002-0000-574.0665 Federal/State Construction Match by $70,000; To decrease 2002-0000-574.0000 51 Gas and Weight Tax by $20,000; and decrease 2002-0000-694.0000 Miscellaneous Revenue by $12,000.

8. Budget Amendment 107-109 To approve and authorize the following 2015-2016 budget amendment: To increase 2002-4051-802.7562 I_69 Reconstruction/Repairs by $3,000; to increase 2002-4051-802.7588 Atherton (Dort_Center) by $1,500 and decrease 2002-4051-802.7589 Bristol Rd Bridge by $4,500.

9. Budget Amendment 110-114 To approve and authorize the following 2015-2016 budget amendment: To increase 2006-0000-573.0000 Local Community Stabilization by $10,000; To increase 2006-0000-630.0000 Fire Recovery Fees by $5,000; to increase 2006-0000-633.0000 Site Plan Review by $1,200; to increase 2006-0000-678.0000 Reimbursement Income by $4,000 and decrease 2006-0000-699.0000 Contingency by $20,200.

10. Budget Amendment 115-117 To approve and authorize the following 2015-2016 budget amendment: To increase 2007-0000-573.0000 Local Community Stabilization Share Allocation by $78,000; to increase 2007-0000-678.0000 Reimbursement Income by $10,000 and decrease 2007-0000-699.0000 Contingency by $88,000.

11. Budget Amendment 118-119 To approve and authorize the following 2015-2016 budget amendment: To increase 2007-2007-811.7815 OCDEFT Point Blank Expenditure by $2,500 and increase 2007-0000-629.7815 OCDEFT Point Blank Revenue by $2,500.

12. Budget Amendment 120-122 To approve and authorize the following 2015-2016 budget amendment: To increase 2049-0000-450.0000 Permits & license fees by $25,000; to increase 2049-0000-664.0000 Soil Erosion Services by $3,000 and decrease 2049-0000-699.0000 Contingency by $28,000.

13. Budget Amendment 123-124 To approve and authorize the following 2015-2016 budget amendment: To increase 2072-0000-666.0000 Interest income by $10.00 And Decrease 2072-0000-690.2005 Patriot Day Hero Race Proceeds by $10.00

14. Budget Amendment 125-129 To approve and authorize the following 2015-2016 budget amendment: To increase 5090-0000-610.0000 Tap In Fees by $18,000; increase 5090-000-649.0000 Material Sales by $300; increase 5090-0000-667.0000 Tap In Interest Contracts by $500; Increase 5090-0000-694.0000 Miscellaneous Revenue by $100 and decrease 5090-0000-662.0000 Penalties by $18,900.

15. Budget Amendment 130-131 To approve and authorize the following 2015-2016 budget amendment: To increase 5090-5090-956.2014 SAW Grant Expenditure by $430,000 and increase Contingency by $430,000.

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16. Budget Amendment 132-137 To approve and authorize the following 2015-2016 budget amendment: To increase 5091-0000-610.0000 City Tap In Fees by $110,000; to increase 5091-0000-610.0625 Front Foot Fee Revenue by $8,500; to increase 5091-0000-625.0000 Inspection and approval fees by $10,000; to increase 5091-0000-649.0000 Materials, repairs and maintenance by $7,500; to increase 5091-5091-957.0000 Contingency by $86,000 and increase 5091-5091-818.0000 Contractual Services by $50,000.

17. Budget Amendment 138-139 To approve and authorize the following 2015-2016 budget amendment: To increase 6036-0000-675.0000 Refunds and Rebates by $8,000 and increase 6036-6036-818.0000 Contractual Services by $8,000.

18. Budget Amendment 140-144 To approve and authorize the following 2015-2016 budget amendment: To increase 6061-0000-669.0682 Sewer Equipment Rental by $8,000; to increase 6061-0000-669.0684 General Fund Equipment Rental by $3,500; to increase 6061-0000-673.0000 Sale of Assets by $18,000; to increase 6061-0000-678.0000 Reimbursement Income by $2,500 and decrease 6061-0000-699.0000 Contingency by $32,000.

Meeting was adjourned at 6:06 PM.

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AGENDA ITEM (ID # 2133)

DOC ID: 2133

Capitalization of Assets Policy To approve and authorize the City of Burton Capitalization of Assets policy whereby assets purchased which are equal to or greater than $5,000 will be capitalized.

ATTACHMENTS:

- GFOA Capitalization info (PDF)
- Burton Policy per GFOA guidelines (DOCX)

Government Finance Officers Association

GFOA Best Practice

Establishing Capitalization Thresholds for Capital Assets

Background. The term *capital assets* is used to describe assets that are used in operations and that have initial lives extending beyond a single reporting period. Capital assets may be either intangible (e.g., easements, water (rights) or tangible (e.g., land, buildings, building improvements, vehicles, machinery, equipment and infrastructure). It is incumbent upon public-sector managers to maintain adequate control over all of a government's resources, including capital assets, to minimize the risk of loss or misuse.

As a practical application of the materiality principle, not all tangible capital-type items with useful lives extending beyond a single reporting period are required to be reported in a government's statement of position. Items with extremely short useful lives (e.g., less than 2 years) or of small monetary value are properly reported as an "expense" or "expenditure" in the period in which they are acquired.

When outlays for capital-type items are, in fact, reported on the statement of position, they are said to be *capitalized*. The monetary criterion used to determine whether a given capital asset should be reported on the balance sheet is known as the *capitalization threshold*. A government may establish a single capitalization threshold for all of its capital assets, or it may establish different capitalization thresholds for different classes of capital assets.

Capitalization is, of its nature, primarily a financial reporting issue. That is, a government's principal concern in establishing specific capitalization thresholds ought to be the anticipated information needs of the users of the government's external financial reports. While it is essential to maintain control over all potentially capitalizable items, there exist much more efficient means than capitalization for accomplishing this objective in the case of a government's smaller tangible capital-type items.[1] Furthermore, practice has demonstrated that capital asset management systems that attempt to incorporate data on numerous smaller items are often costly and difficult to maintain and operate.

Recommendation. GFOA recommends that state and local governments consider the following guidelines in establishing capitalization thresholds:

- Potentially capitalizable items should only be capitalized only if they have an estimated useful life of at least two years following the date of acquisition;
- Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so

Attachment: GFOA Capitalization info (2133 : Capitalization of Assets Policy)

would be to eliminate a significant portion of total capital assets (e.g., books of a library district);

- In no case should a government establish a capitalization threshold of less than $5,000 for any individual item;
- In establishing capitalization thresholds, governments that are recipients of federal awards should be aware of federal requirements that prevent the use of capitalization thresholds in excess of certain specified maximum amounts (i.e., currently $5,000) for purposes of federal reimbursement; and
- Governments should exercise control over potentially capitalizable items that fall under the operative capitalization threshold.[2]

References.

1 See GFOA's best practice on "Maintaining Control over Items that Are Not Capitalized" (2006).

2 See GFOA's best practice on "Maintaining Control over Items that Are Not Capitalized" (2006).

Approved by the GFOA's Executive Board, February, 2006.

Attachment: GFOA Capitalization info (2133 : Capitalization of Assets Policy)

City of Burton

Capitalization of Assets Policy

Purpose This policy is to ensure the consistent recording of fixed assets owned by the City, establishing the appropriate value of the property owned and estimating an appropriate useful life for the capital asset.

Authority City of Burton City Council sets this policy. The Mayor and his/her designees will be responsible to ensure the policy is enforced city- wide.

Application This policy applies to all assets capitalized from March 1, 2016 and all future capitalizations.

Responsibility The responsibility to record capitalized assets, maintain estimated useful lives and record depreciation when appropriate is done through the Controller's office staff. Other departments may be required to record and report transactions and disposals that are required by the Controller's office to accurately maintain the City's financial reporting requirements for capital assets and to maintain adequate internal controls.

Definitions The term "capital assets" is used to describe assets used in municipal operations that have initial useful lives that go beyond at least a single reporting period (one fiscal year). Capital assets may be either tangible (land, buildings, equipment, vehicles or infrastructure) or intangible (easements, riparian rights, etc.). Recording capital assets is necessary for municipal administrators to maintain adequate control

Attachment: Burton Policy per GFOA guidelines (2133 : Capitalization of Assets Policy)

over all government assets and to minimize loss or abuse and to show accurately the assets on their financial statements.

When outlays for capital items meet the minimum threshold for recognition and are reported in the financial reporting system of the City, they are considered capitalized. Thus capitalization is a financial reporting issue and government's primary concern is establishing the appropriate threshold to minimize cost and maximize internal control of these assets. Threshold refers to an amount, above which all purchased items are recorded and capitalized on the financial statements of the City.

Policy

This policy will apply to all purchases made after March 1, 2016.

All individual items costing $5,000 or more will be subject to capitalization. Groups of similar items which cumulatively add up to more than $5,000 will not be considered for capitalization unless the effect of doing so would be to eliminate a significant portion of total capital assets (example: new distributions system water meters or valves put into service each year that add additional value to the water system and are not a repair to the current system should be added, even though their individual value is less than the $5,000 threshold.)

Only items with a useful life of 2 years or more following the date of acquisition will be capitalized.

Each department head will exercise internal control over items which fall below the capitalization threshold. The following are examples of

Attachment: Burton Policy per GFOA guidelines (2133 : Capitalization of Assets Policy)

internal controls that may be used: controls over the movement of equipment, regular inventory controls, asset tags, limiting access and analytical comparisons of unanticipated variances. These examples are not all of the possible controls which can be used and are used here only as examples of internal control.

Major additions, including those that significantly prolong a fixed asset's life or expand its usefulness, should be capitalized.

ICMA 401 Plan document adoption To approve and authorize a resolution to adopt the ICMA 401 plan document.