CITY OF BURTON

BURTON CITY COUNCIL MEETING

JUNE 19, 2017

MINUTES

Council Chambers	Committee of the Whole	6:00 PM

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by President Steven Heffner at 6:00 PM.

A. CALL TO ORDER

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Late	6:17 PM
Duane Haskins	Councilman	Present	
Steven Heffner	President	Present	
Steven Hatfield	Councilman	Present	
Christina Conley	Councilwoman	Present	
Dennis O'Keefe	Councilman	Present	
Vaughn Smith	Councilman	Present	

B. STAFF PRESENT

Paula Zelenko, Mayor
Ginger Burke-Miller, Controller
Rik Hayman, Chief of Staff
Racheal Boggs, Deputy Clerk

C. ADMINISTRATIVE REPORT

None.

D. AUDIENCE PARTICIPATION

None.

E. COUNCIL DISCUSSION

1. Presentation and discussion with Pam Hill from Plante Moran regarding governmental accounting.

   Pam Hill stated last year you had the loan for the dump truck before the end of the year but you didn't physically receive that asset. So your cash was over inflated June 16, 2016 by around $408,000.00. The financial statements showed 1.3 million as cash on June 30, 2016. You got the loan but you just hadn't paid out the cash yet for that asset. The available cash on June 13, 2016 was around $900,000.00 minus the dump truck expense. I looked at the cash flow analysis and the general ledger details as of April 30, 2016 and it does make sense given the fact that you had significant use of funds this year for capital purchases. Listed on the bottom of the cash flow statement are the capital expenditures that were paid out of the internal service fund in 2017. It was about 1.1-1.2 million dollars. About $600,000.00 was funded by loans, the rest was physically cash that was paid out of the internal service fund to pay for those assets. This is real close to the cash balance that was there as of April 30th. For the last 4-5 years the net position has been pretty much the same but you can see the capital asset amount has declined as the depreciation or net book value of those assets have gone down. Then when you bought more, it bumped back up.

Mr. O'Keefe said the problem is we are dealing with the proposed income and expense budget. The fund balance appeared to be cash and we were told it was not. We wasted a lot of time on this. Next year on these enterprise funds, the fund balance has to be disclosed as to what the cash position is. We need more detail next year.

Mr. Smith asked Ms. Hill how can we track our labor and get our legacy issues under control and what is the best way to do a line item budget? The last one we did was a disaster.

Ms. Hill suggested sending any questions to the administration first. Try to iron out some of the questions before the meeting. This would make it more productive. The use of different reporting tools may be helpful, such as highlighting areas and putting explanations next to some of the items. You could take a look at your current option within your unions, multipliers that you are giving to retirees and make a more detailed budget for labor and then on a departmental basis. The whole thought process behind governmental accounting is transparency and accountability and as a taxpayer they can see where their money goes.

Mr. O'Keefe said if we approve the line item budget tonight, we have no process to manage that. I agree with the hybrid plan.

Ms. Hill suggested checking with legal council on the hybrid plan.

Mr. Haskins stated the two huge factors of a line item budget are department heads being held accountable and knowing their budget before they overspend and have administration come before the council before they spend the money.

Mr. Haskins stated he supports the line item budget 100 percent. I think this is best for the city and helps you be more fiscally responsible.

Mrs. Burke-Miller said the purchase order system that we implemented July 15, 2016 has been helping. When the department head enters in a purchase order now the system will let them know if there is enough money in there. One of the issues we need to address as well is I.T. The discussion from the conference call with Mr. Smith with regard to the I.T. fund balance and whether it made sense to pull back $100,000.00 out of the general fund allocation.

Ms. Hill said with internal service funds you need to make sure that the way you are allocating and charging anything out of that fund is reasonable and what it's based on. The whole point of this fund is to allocate costs. Whatever methodology you use for this system needs to be consistent and reasonable. It is ok to change it if circumstances change as long as you have a reasonable basis for that change and for the methodology you are using. You have some funds that are paying into that internal service fund in which those monies are restricted. You have to make sure that everyone is paying their fair share based on whatever methodology you have.

Mr. O'Keefe said we made a big change several years ago when we needed to upgrade our hardware and software. We made a decision to lease instead of buy so we know exactly what it is going to cost. In my opinion that's a $100,000.00 that doesn't need to be there.

Mr. Haskins stated there is $180,600.00 left in the fund balance of that.

Ms. Hill said if you transfer out of an internal service fund you do have to transfer equitably based on the allocation you're using to charge funds.

Mrs. Burke-Miller stated there was an extra $100,000.00 in fund balance but there are several different funds that are paying into it. When we are developing the budget we look at how much excess money is in there and then make a determination of how much we want to decrease the amount that is charged out to all funds. What happened this year is that there was still some excess in there. City Council wanted to take $100,000.00, which reduced that money out of the allocation coming in from general fund only and not across each department.

Ms. Hill said Ginger makes the journal entry after the budget gets approved. If you approve the budget one way and you still want her to go back and do the computation to make sure you're going to be ok, she could do that and present it to you at another council meeting. If you needed to make a budget amendment at that time you could.

Meeting was adjourned at 6:56 PM.

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COMMENTS - Current Meeting:

Pam Hill stated last year you had the loan for the dump truck before the end of the year but you didn't physically receive that asset. So your cash was over inflated June 16, 2016 by around $408,000.00. The financial statements showed 1.3 million as cash on June 30, 2016. You got the loan but you just hadn't paid out the cash yet for that asset. The available cash on June 13, 2016 was around $900,000.00 minus the dump truck expense. I looked at the cash flow analysis and the general ledger details as of April 30, 2016 and it does make sense given the fact that you had significant use of funds this year for capital purchases. Listed on the bottom of the cash flow statement are the capital expenditures that were paid out of the internal service fund in 2017. It was about 1.1-1.2 million dollars. About $600,000.00 was funded by loans, the rest was physically cash that was paid out of the internal service fund to pay for those assets. This is real close to the cash balance that was there as of April 30th. For the last 4-5 years the net position has been pretty much the same but you can see the capital asset amount has declined as the depreciation or net book value of those assets have gone down. Then when you bought more, it bumped back up.

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