

**FINANCE COMMITTEE
AUGUST 13, 2012 AT 6:00 P.M.
LINCOLN CENTER – 1519 WATER STREET**

PRESENT: Alderpersons Beveridge, R. Stroik, Slowinski, O'Meara and M. Stroik

ALSO

PRESENT: Mayor Halverson; C/T Schlice; City Attorney Molepske; Clerk Moe; Ald. Moore, Wiza, Trzebiatowski, Suomi, Patton, Phillips; Directors Lemke, Schrader, Ostrowski, Schatschneider; Asst. Chief Zenner; Assessor Siebers; Deputy C/T Freeberg; Kelley Pazdernik; Matthew Brown; Brandi Makuski; Barb Jacob; Reid Rocheleau; Cathy Dugan; Roger Hackler

ITEM #1 – 2011 AUDIT REPORT – CARLA GOGIN, BAKER TILLY.

Carla Gogin, Baker Tilly, gave a brief overview of the 2011 audit report, covering the financial statements and the internal controls. She compared the financial status of a municipality to a 3 legged stool, as there are 3 main legs to it, the condition of the assets, fund balance and the debt. She stated that the independent auditors report shows their opinion, which is unqualified, the highest level of assurance you can receive on the financial statements. She stated the fund balance categories have changed since last year, it used to be reserve fund balance, designated fund balance and unreserved fund balance. It has now been changed to non-spendable, restricted, committed, assigned and unassigned, which they do still line up with the prior year. The non-spendable fund balance is for longer term items, inventory, prepaid type of assets that are not at the City's disposable to spend. Unassigned fund balance used to the unreserved fund balance. The City has a policy for fund balance, which is to have a minimum of two months of unassigned fund balance and a maximum of 4 months of unassigned fund balance. The City is currently at 11.6 million, which is 52% or 6 months, so there is an extremely healthy fund balance in the general fund. The City actually budgeted to use 2.5 million of fund balance for 2011 and they actually used about \$800,000 of fund balance, so it was a positive variance of 1.7 million. The expenses ended up being less than budgeted and revenues were more than budgeted, so very prudent budgeting, which has allowed the City to maintain its favorable bond rating. When combining the general fund expenditures and the general debt service expenditures, the City spent about \$27 million dollars, which 18% of that is general debt service related items. The 18% is also very favorable as anything under 20% is good. There is a limit as to how much the City can borrow as far as General Obligation Debt, which is 5% of its equalized value. General Obligation Debt is debt secured by the taxing authority of the City as where Revenue Bonds (which is common in Utilities) are secured by the revenue stream of the utilities. The debt limit was 77 million and the City's G.O. Debt outstanding of 29 million, so City is about 38% of its G.O. capacity, so very positive. The City does have a number of Tax Incremental Districts (TIF Districts) so it is very common to use G.O. Debt in order to pay for TIF related projects, so with the number of TIF Districts the City has, she considers the G.O. Debt balance to be very good. She stated the results are very similar to the past, very healthy results. She stated that there are certainly tough economic times as it relates to what is happening with levy limits, but being our fund balance is so strong, we are able to do things that some other communities cannot do.

Ald. R. Stroik questioned why it takes 8 months to bring this to Council for the final review and closeout.

Carla Gogin replied the report is actually dated in June, fieldwork was done at the end of March, so it could be put on an earlier agenda. She stated she believes in the monthly information that is given to the Council throughout the year, as we do not make a lot of journal entries.

Ald. R. Stroik stated this has always been a positive report and feels like the information should be shared as soon as possible. He asked if she could share what other municipalities percentages are.

Carla Gogin replied they do have statistics that are provided to other clients that will show how a community of your size compares with other municipalities. She stated she would share that with John and he could forward it from there.

C/T Schlice stated in regards to timing, the report is done in June, but then he has to wait for the books to be printed and then schedule someone from Baker Tilly to come to the meeting. We are within a 45 day spread. Next year, since he is leaving, it will be scheduled earlier.

Ald. Moore questioned the restricted amounts we spent in the unrestricted fund balance, where did the date range of 2 – 4 months come from because he understood it was always 6 months.

C/T Schlice clarified it is 4 – 6 months.

Carla Gogins briefly reviewed the internal control report. They are required to report to the Council, areas where they believe there is a material weaknesses. One of the areas would be segregation of duties. It is not uncommon for a municipality the size of ours to have the same type of issues because of not having enough employees to balance out the workload. There are not many areas they found weaknesses, but she encourages the Council to review those items.

Motion made by Ald. R. Stroik, seconded by Ald. Slowinski to accept the 2011 audit report and place it on file.

Ayes: All Nays: None Motion carried.

ITEM #2 – 1ST AND 2ND QUARTER ROOM TAX REPORTS.

C/T Schlice stated the reports are tracking as expected and projected revenues have been modified since the Ramada and Super 8 are closed.

Motion made by Ald. Slowinski, seconded by Ald. M. Stroik to accept the 1st and 2nd quarter room tax reports and place them on file.

Ayes: All Nays: None Motion carried.

ITEM #3 – FUNDING OUTSIDE LEGAL SERVICES – STEEL NIGHT CLUB.

C/T Schlice stated these legal costs were accrued a few months ago and need to be paid.

Motion made by Ald. O'Meara, seconded by Ald. R. Stroik to pay the invoice from Anderson, O'Brien, Bertz, Skrenes & Golla in the amount of \$2,272.05 with funding to come from contingency.

ITEM #4 – TRANSFER OF FUNDS – MCDILL, LIBRARY REPAIR, LINCOLN CENTER REPAIR & AIRPORT FUEL CLEANUP.

Ald. R. Stroik questioned if the airport spill is the one from a few years ago.

C/T Schlice replied yes, it is just being funded now. It has been advanced out of Fund 400 so now we need to replace those funds, otherwise the fund would be short. The good news is that

there was a cap with the insurance policy so this will be it for the cleanup even though it may continue for awhile yet.

Motion made by Ald. R. Stroik, seconded by Ald. O'Meara to approve the transfer of funds for McDill, Library Repair, Lincoln Center Repair and Airport Fuel Cleanup in the amount of \$304,615.

ITEM #5 – APPLYING FOR SITE ASSESSMENT GRANT.

Director Ostrowski stated that the CDA plans to apply for a Site Assessment Grant for environmental assessment for the CenterPoint MarketPlace redevelopment project. The grant is for assessment only and will fund up to \$50,000 with an equal match. He also stated the department plans on applying for an EPA Community-Wide Assessment Grant to determine the extent of environmental contamination throughout the entire community. The maximum award for this grant is \$400,000, \$200,000 for community-wide hazardous substance assessment and \$200,00 for a community-wide petroleum or petroleum product assessment. In the past there has been no local match required. The application period will be open later this year and the final applications will be due in November 2012.

ITEM #6 – APPROVAL OF PAYMENT OF CLAIMS.

Motion made by Ald. O'Meara, seconded by Ald. Slowinski to approve the approval of payment of claims in the amount of \$1,596,532.38.

The claims were discussed.

Ayes: All

Nays: None

Motion carried.

Adjournment at 6:24 p.m.