

MINUTES OF THE MISSION FINANCE & ADMINISTRATION COMMITTEE

May 1, 2019

The Mission Finance & Administration Committee met at Mission City Hall, Wednesday, May 1, 2019 at 7:35 p.m. The following committee members were present: Pat Quinn, Arcie Rothrock, Nick Schlossmacher, Debbie Kring, Kristin Inman, Ken Davis and Sollie Flora. Absent: Hillary Thomas. Mayor Appletoft was also present. Councilmember Schlossmacher called the meeting to order at 7:35 p.m.

Also present were City Administrator Laura Smith, Assistant City Administrator Brian Scott, City Clerk Martha Sumrall, Capt. Dan Madden, Assistant to the City Administrator Emily Randel, and Public Works Superintendent Brent Morton.

Acceptance of the April 3, 2019 Finance & Administration Committee Minutes

The April 3, 2019 Finance & Administration Committee Minutes were provided to the committee in the packet. There being no objections or corrections, the minutes were accepted as presented.

2018 Audit Presentation and Approval

Mr. Scott distributed the *Comprehensive Annual Financial Report* and the *Report to the Honorable Mayor and City Council, April 24, 2019*. He stated the audit went well and thanked all staff for their help with this process, particularly Debbie Long, Accounting Manager. Mayor Appletoft stated that getting a “clean audit” is the result of the good day-in and day-out practices and work of staff throughout the year. Mr. Scott stated we did not receive a Management Letter this year, which is great and a testament to the good work of staff throughout the year.

Mr. Scott introduced Stacey Hammond and Emily Sheldon, Berberich Trahan & Co., to present information on the audit. Ms. Hammond provided an overview of the audit, including:

- Required Communications: their responsibilities, overview of the scope and timing of the audit, accounting policies and practices, audit adjustments, any disagreements with management (none), significant issues or difficulties encountered during the audit (none), and written communications.
- There were no disagreements with management or misstatements, and the financial statements were presented fairly.
- They are issuing an “unmodified audit” which is the best recommendation that can be received.
- Information on GASB Statement No. 75: Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.
- City accounting estimates are reasonable and presented in a reasonable manner (presented on page 4 of the report).

- Trial balances and the limitations of our current accounting software.
- There were no deficiencies in our internal controls and any noted last year have been corrected since that time.

Ms. Hammond thanked Mr. Scott and all the staff for their help and commended all on the processes that are in place and used throughout the year.

Councilmember Quinn asked if the limitations of our accounting software had an impact on the audit. Ms. Hammond stated that it did not and discussed considering the cost benefit analysis of new software. She stated implementing new financial software is a serious undertaking and Mr. Scott stated this has been on his list to address for the past several years, but other issues have taken priority. He anticipates working on this issue later this year. He also provided information on some overlap we see each year when we close out the year, particularly as it relates to the employee expenses.

Councilmember Davis requested additional information on “Stewardship, Compliance and Accountability” (page 37 of CAFR) and why these three funds exceeded their budget. Ms. Hammond stated that this did require a footnote in the report, but that there are no repercussions by the State and was simply due to a timing issue. Mr. Scott provided additional information and noted that the Mission Crossing property tax increment collected in 2017 was for the 2018 budget. Ms. Smith stated there were unique challenges with the leasing of the cario equipment out of the Special Parks and Recreation fund, which resulted in a timing issue with these funds.

Councilmember Inman noted a typo on page 8 of the CAFR and requested this be corrected (paragraph 5, delete the word “million”).

The committee recommended that the 2018 Comprehensive Annual Financial Report - Annual Audit be forwarded to Council for acceptance of the audited financial statements for the year ending December 31, 2018. All on the committee agreed, but this will not be a consent agenda item.

Waiver of Chapter 205 - Fireworks

Ms. Smith stated annually, Council waives the requirements of Chapter 205 for the fireworks display at the Mission Summer Family Picnic, and authorizes funds for Councilmember Kring to purchase fireworks. There was no discussion on this item.

Councilmember Quinn recommended that a waiver of the requirements of Chapter 205: Fire Prevention and Protection as it relates to Public Exhibitions for Saturday, July 6, 2019, in connection with the Mission Summer Family Picnic held at Broadmoor Park, and approval of the purchase of fireworks in an amount not to exceed \$750 be forwarded to council for approval. All on the committee agreed. This will be a consent agenda item.

CMB License - Ni Hao Fresh, 6029 Metcalf Avenue

Ms. Sumrall stated Ni Hao Fresh has submitted an application to sell Cereal Malt Beverage/Enhanced Cereal Malt Beverage on premises. A background check has been completed on the business owner/manager and the license will be good through the end of this year. CMB licenses renew annually on a calendar year.

Councilmember Inman asked if the signs she is seeing around the City advertising “strong beer” are permitted. Ms. Smith stated that she will notify Code Enforcement of this issue and any snipe signs that need to be removed will be.

Councilmember Quinn recommended that the application for Ni Hao Fresh, 6029 Metcalf Avenue to sell Cereal Malt Beverage/Enhanced Cereal Malt Beverage on premises be forwarded to Council for approval. All on the committee agreed. This will be a consent agenda item.

2020 Budget Goals and Objectives / Revenues

Ms. Smith stated the process for the 2020 Budget is just starting and provided background information, noting that the City has 16 individual funds, but the budget process is focused on the General Fund. The CIP is funded by dedicated revenue streams. This is the first year the CIP Committee is able to work through the entire budget process. The Parks, Recreation & Tree Commission is a month behind in their consideration of the CIP as they have not had a quorum at several meetings. Because of this, a change in dates for Council budget meetings is recommended. Ms. Smith recommended that the upcoming meeting schedule be changed to move the July 3rd committee meetings to July 10th (due to July 4th holiday) and that the budget work session to consider the CIP be moved to June 26th (original date was June 12th). This change in date for the July committee meetings will need to be voted on under “New Business” at the May 15th City Council Meeting.

Ms. Smith asked that any priorities Council may have for the budget be sent to her at this time. She has not yet received any and it is helpful to have these at the beginning of the budget process. She discussed several 2019 projects that will carry into 2020, including the Comprehensive Plan Update, Space Needs Analysis, purchase and implementation of new financial management software, energy audit and analysis of City facilities, and the asset management project. Councilmember Kring stated that more ideas may be coming forward with the newly established Council liaisons to commissions and committees. Ms. Smith stated we may have some priorities come forward this year and we will work on the appropriate timing of this to help with future budget considerations.

Ms. Smith discussed the challenges and opportunities for the City, including:

- Balancing service delivery and operating needs with infrastructure investment

- Considering the use of debt to finance large capital projects
- Appropriately funding facility and equipment needs
- Maintaining a competitive compensation structure
- Managing increases in employee health/welfare and retirement costs that outpace inflation
- Continuing to explore appropriate cost recovery goals for the Community Center
- Leveraging increased redevelopment opportunities city-wide
- Developing an annual budget in accordance with the property tax lid provisions now in effect

She provided information on property valuation noting that the estimate from the Johnson County Appraiser is for an overall appraised property value increase of 5.63% in 2019. For residential property, including apartments, the increase is estimated at 7.71% for 2019. She noted that from 2008-2013 there was a decline in property tax revenues and we are just now getting back to where we were. She also noted HB 2345 which may provide some relief to the property tax lid issue. She will add a table to the memo provided that includes a historical summary of Mission's mill levy and utility fees (packet to be updated online).

Mission's fund balance consideration is also part of the budget process and Ms. Smith discussed the City's established fund balance goal of 25% of budgeted General Fund reserves. She stated based on our ending position for fiscal year 2018, we again exceeded the fund balance goal and have almost \$1.4 million in unrestricted, excess fund balance.

Ms. Smith discussed revenues in the General Fund that are anticipated to decrease by 1% in 2020, primarily due to decreased revenues in fines and forfeitures, review and inspection fees, and decreased memberships at the Community Center. Sales taxes are anticipated to increase by 2%, and Ms. Smith stated she has been speaking with Mr. Kimmel, Ehlers, on updated projections for the Gateway project and will share these when more information is available.

Councilmember Inman requested additional information on potential sales taxes from internet sales. Ms. Smith stated this has been high in the past (75% over budgeted), but this can't be counted on. Mr. Scott noted that a significant increase was due to large purchases by AT&T.

Councilmember Kring asked when the solid waste contract will need to be renewed. Ms. Smith stated an RFP will be issued at the end of the summer for this contract as our current contract with Deffenbaugh expires at the end of the year.

Ms. Smith stated at this time, preliminary base budget requests are anticipated to be \$896,000 over budget and this is without supplemental requests. She will provide information on all supplemental requests made, and she and Mr. Scott continue to work on these budget numbers. Councilmember Kring recommended that we always consider grant opportunities that may be available.

Ms. Smith stated in the past, a budget resolution was developed at the beginning of the budget process, but this process has changed and the resolution will be considered at the end of the budget process once further decisions have been made. She read from the 2019 Budget Resolution to remind Council of current budget policies that will again need to be considered in the 2020 budget process. She also asked if there were additional policies Council would like added this year.

Councilmember Davis requested additional information on the space needs analysis currently underway and potential cost impacts with this project. Ms. Smith stated that improvements recommended will probably exceed cash reserves, so this will be a decision for Council in the future. The project is beginning with employee interviews and questionnaires, and she anticipates the first report from SFS Architecture to be presented at the June committee meeting. At that time, next steps will be presented for consideration.

Councilmember Quinn requested additional information on residential property values. Ms. Smith stated Mission and all of NE Johnson County is trending upward (greater than the County overall), and Mayor Appletoft stated we are now coming back to values prior to the recession. Mr. Scott provided information on several lot splits that have been approved with new houses being built on these lots. The committee also discussed affordable housing in the area.

Councilmember Davis asked that the commission and committee meetings be added to the Weekly Council Calendar.

This item was for discussion only and no action was taken.

Selection of Committee Chair and Vice Chair

Ms. Smith stated this process will be same as discussed during the Community Development Committee, with the chairs and vice chairs for both committees being selected at the May 15th City Council Meeting under "New Business."

This item was informational only and will be considered on the May 15th City Council Agenda under New Business.

Other Department Updates

There were no department updates.

Meeting Close

There being no further business to come before the Committee, the meeting of the Finance and Administration Committee adjourned at 8:25 p.m.

Respectfully submitted,

Martha Sumrall
City Clerk