

St. Petersburg City Council
BUDGET, FINANCE & TAXATION COMMITTEE

Committee Report for the Meeting of August 6, 2009

Members: Chair James R. "Jim" Kennedy Jr., Vice-Chair James S. Bennett, Jeff Danner, Wengay M. "Newt" Newton Sr. , & Karl Nurse (Alternate).

Call to Order

Approval of Agenda

Minutes of July 30, 2009 will be provided in the August 20, 2009 agenda packet.

1. New Business

a. Review of the Fund Status Report of Selected Funds Quarterly Report

Mr. Tim Finch, Budget & Management Director, provided the Fund Status Report of Selected Funds Quarterly Report. Mr. Finch indicated that the majority of the departments that are depicted on the report in red, are experiencing economic or weather related revenue challenges. Mr. Finch also indicated that the directors of those departments are making adjustments to their expenses to try to compensate for decreased revenue. Mr. Finch discussed the restrictions to the Marina's Dock Five and that a tenant for the Airport's restaurant has been secured. Mr. Finch indicated that the Director of Golf Courses is acutely aware of the challenges facing his operation and is making adjustments accordingly. Mr. Polson inquired about the status of the Print Shop operation. Ms. Elston indicated that the Print Shop operation is analyzed every other year and to date the operation has been deemed as a cost savings to the City. Mr. Nurse indicated that typically an internal print shop is used for larger, standard type print jobs and that specialty jobs are normally sent offsite. Ms. Elston agreed and indicated that the City's Print Shop is used in that manner. Mr. Danner wanted to know if funds could be transferred from one fund to another. Mr. Finch indicated that transfers are completed at the end of the year to true up the budget. Mr. Newton inquired about the Golf Courses. Mr. Finch indicated that the Golf Courses have been forced to close on numerous days based on vast amounts of rain. Mr. Finch also indicated that the Golf Course operation has felt the impact of the economic downturn. Ms. Elston indicated that the Golf Courses and Marina are the two funds that typically return to the General fund.

b. Quarterly Financial Reports

Mr. Jeff Spies, Finance Director, provided the following quarterly reports all dated June 30, 2009: Quarterly Selected Funds Status Report, Quarterly Debt Report, Quarterly Pension Investment Report, Quarterly Budget to Actual Report, and the

Quarterly Investment Report. Mr. Spies discussed the cover memo included with the Budget to Actual Report. Mr. Spies indicated that revenues are not coming in as budgeted. Mr. Spies indicated that expenditures are also down as a result of cutbacks. Mr. Spies discussed the fact that commercial insurance premiums are due April 1 causing the report to show a 102% total consumed for that fund. Mr. Polson inquired as to why the report showed a drop off in fines and forfeitures when he has reviewed reports that indicate that citations and fines are up significantly. Ms. Elston explained that citations and fines are up, however collections are down. Mr. Nurse requested that the backup on utility and franchise tax transfers be included. Mr. Spies indicated that he would add that backup information to the appropriate cover memo. Mr. Spies discussed the provided Debt Report; he explained that the majority of the City's debt service payments are due on October 1 and April 1. Mr. Spies also indicated that this report did not include the bond issue just sold in July. Mr. Nurse inquired if debt service was the same as it would be next year. Mr. Spies indicated yes. Mr. Newton inquired if the \$2 million from the State was guaranteed. Mr. Wolf indicated that the money was pledged and used for bond purposes. Next Mr. Spies briefed the Committee on the Pension Investment Report. Mr. Spies indicated that Page 10 shows the adjustment to market value. The City's ERS investments improved from the end of March to the end of June by \$20 million. Mr. Spies continued to say that he anticipated future improvements based on his current analysis. Mr. Kennedy commented that staying and holding in the downturn of the market was a good fiscal move. Mr. Polson inquired about the prognosis of fiscal year 2011. Mr. Spies indicated that it will be more costly in 2011, based on the 4 year rolling average. He illustrated that we will drop a good year and add a bad year to that 4 year average. Next Mr. Spies discussed the provided Investment Report. Mr. Spies explained that we are no longer in securities lending and that the securities lending change caused a substantial market value loss. Mr. Spies also explained that in July, the City issued Public Utility revenue bonds and received \$51.1 million. Mr. Spies explained further that \$5 million of that revenue is in a long term agency, \$20 million is in short term agencies and the remaining balance is in the Fidelity Money Market account. Mr. Spies also discussed the Liquidity Disclosure section of the Investment Report. Mr. Polson wanted to know if we had a projected resolution timeframe for the Lehman Brothers issue. Mr. Wolfe indicated that he did not have a projected time as to when that issue would be settled. Mr. Spies indicated that the City is in the process of filing with the bankruptcy court regarding the Lehman Brothers and Bank of America positions. Mr. Newton inquired as to the amount of both positions. Mr. Spies indicated that both positions equated to about \$16.2 million. Mr. Kennedy requested an overview of the Weeki Wachee fund. Mr. Spies detailed the Weeki Wachee fund and indicated that the market value would need to improve.

c. Fiscal Policies

Mr. Tim Finch, Budget & Management Director, and Mr. Jeff Spies, Finance Director presented a PowerPoint presentation illustrating the Governmental Accounting Standards Board (GASB) Statement #54 and its impact on the City's fund balances. Mr. Finch indicated that we are not required to follow the guidelines adopted by GASB, but that we would not get a clean audit opinion if we opted not to follow their guidelines. Mr. Spies indicated that this particular pronouncement only applies to governmental funds. Mr. Finch gave the definition of a fund balance and described the current classifications of fund balances. Mr. Finch indicated that the classification unreserved and undesignated is the portion that is most frequently discussed. The unreserved and undesignated funds are the funds that are available for appropriation. Mr. Finch explained the reasons for the new standard, the issue date and that the City's FY 2010 financial statements needed to be presented using the new standard. Mr. Spies indicated that he planned to implement the standard now and that the FY 2009 financial statements would be in the new format. Mr. Finch explained the new classifications including the terms spendable, non-spendable, restricted, unrestricted, committed, assigned and unassigned. Ms. Curran inquired as to what was an example of a non-spendable fund. Ms. Elston indicated that inventory was a good example and Mr. Spies indicated that some trust funds are non-spendable. Mr. Nurse inquired as to whether items assigned could be re-assigned. Mr. Finch indicated yes, that funds could be re-assigned. Mr. Newton inquired as to how contracts are designated. Mr. Spies indicated that contracts are not designated until they are encumbered, as a result of a purchase order. As it relates to fund balance levels, Mr. Finch explained that fund balance levels should be determined based upon the environment that the government operates in and that there is no "right amount." Mr. Spies also explained that the Government Finance Officers Association (GFOA) recommends that all governments should retain a general fund unrestricted fund balance equal to two months of operating revenue and that governments facing unusual risk (e.g. hurricanes) may need higher balances. Mr. Spies indicated that the City of St. Petersburg is viewed as a good investment in the bond market, partially based on the fact that we have the reserves that we do. Mr. Finch discussed our exposure based on hurricanes and our levels of insurance. Mr. Nurse commented that most of our uninsured value is the Trop. Mr. Nurse discussed the official and unofficial FEMA policies. Mr. Bennett inquired as to what was included in our insurance coverage. Mr. Finch indicated that the coverage is for buildings and contents. Mr. Newton commented that he learned that when a storm is coming the Governor can get funds from the President, rather than waiting on FEMA for reimbursement. Mr. Newton requested that this topic be revisited at a later date. Mr. Polson inquired as to whether the fund balance slide was part of GASB Statement #54. Mr. Spies indicated that the Recommended Fund Balance Levels slide included recommendations from both GASB and GFOA. Finally, the Committee reviewed the suggested changes to

the Fiscal Policies document. Mr. Nurse requested that prior to approval of the changes to the Fiscal Policies, he would like to see the City's financial statements in the new format. Ms. Elston agreed and indicated that staff is currently working on the new documents. Mr. Finch identified and explained each suggested change in the following sections: General Fiscal Policy and Fiscal Policy for Annual Operating Revenues and Expenses. Mr. Spies identified and explained each suggested change in the following sections: Fiscal Policy on Investments and Fiscal Policy for Capital Expenditures and Debt Financing. Staff was asked to provide Council with updated financial reports and to report back to the BFT Committee on September 10.

2. Continued / Deferred Business
 - a. None
3. Next Meeting Agenda Tentative Issues

August 20, 2009

- a. Mahaffey Management Study Update – AMS Planning & Research
Brad Scott, City Auditor

August 27, 2009

- a. Proposed Utility Rates for FY 2010
Richard Bulger, Billing & Collections Director
- b. Great Explorations
Chris Ballestra, Downtown Enterprise Facilities Director
- c. Deferred Compensation Plans and Pension Plans
Gary Cornwell, Human Resources Director

4. Adjournment – meeting adjourned at 4:57 p.m.

**BUDGET, FINANCE & TAXATION COMMITTEE
PENDING / CONTINUING REFERRALS**

August 7, 2009
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TOPIC	DATE REFERRED	REFERRED BY	SCHEDULED / HEARD ON	RETURN DATE	STAFF RESPONSIBLE	SPECIAL NOTES
Energy Conservation Program	04.23.09	Kennedy		09.10.2009	DeYampert	Kennedy requested update on status of HELP.
Deferred Compensation Plans and Pension Plans	05.28.09	Bennett		08.27.2009	Cornwell	Requested that staff begin looking at the possibility of offering a voluntary 401 pension plan option to non-union employees.
Mahaffey Management Study Update – AMS Planning & Research	06.18.09	Scott		08.20.2009	Scott	Update on management study.

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Cooperative Brokers	07.09.09	Danner		09.24.2009	Grimes	Cooperative Brokers-commissions on City leases.
Fiscal Policies	08.06.09	Kennedy		09.10.09	Finch/Spies	Further review of proposed Fiscal Policies.