

FINANCE COMMITTEE MINUTES

October 12, 2006

The Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on October 12, 2006 at 8:56 a.m.

COMMITTEE PRESENT

Claudia Walters, Chairman
Rex Griswold
Tom Rawles

COUNCIL PRESENT

None

STAFF PRESENT

Christopher Brady
Barbara Jones
Debbie Spinner

1. Discuss and provide direction on Council-appointed Auditor, including the following:

a. Budget and organizational changes.

Government Relations Coordinator Scott Butler introduced Interim Assistant to the City Manager Bill Follette.

Mr. Follette reviewed the existing and the new budget allocations (see Attachment 1) for the Audit function. He noted that the Council elected to allocate \$135,000 of the Council-appointed Auditor's budget to fund the Crime Free Program in the current year. Mr. Follette advised that the "new budget allocation" reflects the impact of the delay in hiring the Council-appointed Auditor and staff. He said that the existing Audit staff would be shifted to the Management Performance and Accountability Office with one position assigned to the Special Projects Office and another position eliminated.

In response to a question from Committeemember Rawles, Mr. Follette advised that the existing Auditor's Office is staffed by four people and that the new structure will have a total of nine full-time employees (FTEs).

Mr. Follette stated that the savings resulting from delays in staffing the new audit function enables an allocation of \$230,000 to special projects in the current fiscal year, and he noted that a lesser amount would be available in the next fiscal year.

Responding to a comment from Committeemember Griswold, City Manager Christopher Brady advised that funds for the Crime Free Program would not be available in the Audit budget in the next fiscal year.

In response to a question from Committeemember Rawles, Acting City Auditor Gary Ray said that four employees presently staff the Audit Division, and that there were six employees approximately three years ago.

Committeemember Rawles commented that the Council's plan to create the position of Council-appointed Auditor has resulted in an expansion of government. He said that an Audit function formerly staffed by four people would evolve into a staff of nine people.

Chairman Walters noted that the Auditor's Office is presently understaffed and that there are many audits that should be addressed.

Mr. Ray explained that the existing Audit function has a staffing authorization of six FTEs, and he confirmed that staff completed the legally required audits but that other audits remain undone.

Mr. Brady noted that only one person will have the title of City Auditor and that an existing position in the Audit Division will be moved to the Special Projects Office. He stated that the new Council-appointed Audit function would address the Audit Plan and that the Management and Accountability Office would proactively design and establish procedures.

Chairman Walters stated that the voter-approved ballot issue created the City Auditor position, which is appointed by and reports directly to the Council. She noted that the Special Projects Office was proposed because many of the projects of interest to the Council cannot legally be addressed by the "audit" function. Chairman Walters said that the proposal provides the City Manager with the necessary tools to effectively manage the City. She explained that a new function within the City is being funded rather than increasing the funding for an existing function.

Committeemember Rawles said that although he understood and supported the concept, the Charter change resulted in the creation of a new function, an increased budget and three additional positions.

Chairman Walters explained that the Committee's discussions of the City Auditor's role revealed that the position could not legally address many of the issues of concern to the Council.

In response to a question from Committeemember Rawles, Mr. Brady advised that at some point in the future the Quality and Organizational Development function would be merged with the Management Performance and Accountability Office. He noted that this area could address "performance related" audits rather than financial audits.

Committeemember Rawles stated the opinion that the Council should proactively acknowledge the changes and the reason for implementing the changes. He expressed support for the proposed structure, and he further stated that the structure would improve efficiencies that an auditor can check but by law is unable to design.

Committeemember Griswold advised that the Financing the Future Committee discussed the necessity for performance audits. He also expressed support for the proposed structure, and he added that an effective audit function could improve efficiency and result in substantial cost savings to the City.

It was moved by Committeemember Rawles, seconded by Committeemember Griswold, to recommend to the full Council that the proposed budget allocation in the amount of \$740,000 for Fiscal Year 2006/2007 (as outlined on Attachment 1), be approved.

Carried unanimously.

b. City Code Changes.

Chairman Walters noted that the City Attorney's Office provided the Committee with copies of two proposed ordinances (see Attachment 2) that incorporate changes to the City Code, one regarding the Council appointment of a City Auditor and the other changing the name of the Finance Committee to the Audit and Finance Committee and adding the City Manager as a nonvoting, ex-officio member of the Committee.

It was moved by Committeemember Rawles, seconded by Committeemember Griswold, to recommend to the full Council that the proposed ordinances be approved.

Carried unanimously.

c. Special Projects for FY 06-07.

Chairman Walters suggested that the Committee submit a list of proposed special projects to the full Council and request additional recommendations from all of the Councilmembers.

Committeemember Griswold proposed the following special projects:

- Electric System – the alternatives available to the City.
- Gas System – the alternatives available to the City.
- Information Services Department (ISD) – including the financial budget software.

Mr. Brady advised that \$500,000 is currently budgeted to redesign the financial software system, and he added that the City is recruiting for a position to lead that effort. He suggested that ISD be removed from the list of special projects, and he added that staff would provide the Council with periodic updates on the redesign process.

In response to a question from Committeemember Rawles, Mr. Brady clarified that Special Projects will be a separate office accountable to the City Manager and not a part of the Management Performance and Accountability Office.

Committeemember Rawles suggested that an evaluation of the City's Housing Division be included as a special project. He noted that Federal dollars account for the majority of funds dispensed by the City, but he would like a study of the costs to the City and the effectiveness of the effort. Committeemember Rawles stated that he would like the study to specifically include the Escobedo Apartments.

Chairman Walters noted that she has requested a recommendation on the Escobedo Apartments for a number of years. She added that the current discussion of special projects is simply a starting point in compiling a list.

Committeemember Rawles stated the opinion that the Committee should prioritize the Council's suggestions for special projects and submit the list to the Council for approval.

Chairman Walters requested that Mr. Butler solicit recommendations for special projects from the Councilmembers for consideration and prioritization by the Committee at a future meeting.

Mr. Brady advised that the City has engaged a consultant to assess the City's gas system, and that preliminary discussions have been held with Southwest Gas. He added that he has met with Dick Silverman of the Salt River Project (SRP) to discuss the electric system. Mr. Brady further advised that SRP suggested that teams representing SRP and the City of Mesa meet to discuss the issue.

Chairman Walters requested that Mr. Butler review the Council's list of proposed special projects with Mr. Brady so that current information is available when the Committee considers establishing priorities.

Committeemember Griswold noted that the Urban Land Institute (ULI) recommended a partnership for the development of Williams Gateway Airport (WGA), and he suggested that a special project could address various partnership models.

Mr. Butler advised that the East Valley Partnership requested that the ULI expedite the written report regarding their recommendation. He noted that the partnership recommendation would also require input from the Council and the WGA Board of Directors.

Committeemember Rawles stated the opinion that the City should not be in the gas business, and that the City should consider selling the operation to a private sector provider. He further stated the opinion that the City's slogan or logo is reflective of City government rather than the City itself.

- d. Process for selecting a City Auditor – Committee may convene an executive session to discuss the appointment of an Acting City Auditor.

The Committeemembers concurred that an executive session was not necessary. Committee discussion of the "process for selecting a City Auditor" is included under agenda item 6.

2. Discuss and consider recessing the Finance Committee meeting for the purpose of convening an executive session.

Chairman Walters, with the concurrence of the Committeemembers, stated that an executive session would not be required.

3. Convene an executive session.

The Committee did not convene an executive session.

4. Executive Session.

- a. Discussion or consideration of employment, assignment, appointment, promotion, demotion, salaries, discipline, dismissal, or resignation of a public officer, appointee or employee of the City. (A.R.S 38-431.03A (1))
 1. Acting City Auditor

The Committee did not convene an executive session.

5. Reconvene the Finance Committee meeting.

The Finance Committee meeting continued without convening an executive session.

6. Discuss and take action relative to forwarding a recommendation to the City Council regarding the appointment of an Acting City Auditor.

In response to a question from Committeemember Rawles, Mr. Brady advised that he has communicated to the existing staff members that the individual appointed to the position of City Auditor has the prerogative to select the staff for the Auditor's Office. He noted that the current staff members could be candidates for the new audit positions, and he added that the employees' skills would be transferable to positions in the Management Performance and Accountability Office.

Committeemember Rawles suggested that the Committee recommend to the Council that the appointment of the existing Acting City Auditor be reaffirmed.

Chairman Walters suggested that the normal application process be initiated for the position of City Auditor. She noted that the existing Acting City Auditor could apply for the position. Chairman Walters stated the opinion that retaining a search firm was unnecessary, and that a review of all applications could be delegated to a panel consisting of the City Manager, the Financial Services Manager and a representative or representatives from a local certified public accounting firm. She added that the review panel could narrow the field of applicants to four or five candidates for consideration by the Council.

Committeemember Rawles expressed concurrence with the recommendation of Chairman Walters.

Committeemember Griswold suggested that the position of Acting City Auditor report directly to the Council effective immediately, and he stated that he supported the recommendation of Chairman Walters regarding the application and hiring process.

City Attorney Debbie Spinner advised that the Committee's recommendation regarding the appointment of an Acting City Auditor would be presented to the Council for consideration.

Chairman Walters stated that the recommendation of the Committee to the Council is that the existing Acting City Auditor be appointed to serve as the Council-appointed Acting City Auditor during the interim and that the existing Audit function continue to address the Audit Plan for the current year.

Mr. Brady advised that positions in the Management Performance and Accountability Office would remain open for the Council-appointed Acting City Auditor and the staff currently employed in the existing Audit Office in the event these individuals are not selected for positions in the new Council-appointed City Auditor's Office.

Chairman Walters noted that Financing the Future Committeemembers could also be considered as candidates to serve on the selection review panel. She summarized that Mr. Brady and the Committeemembers expressed concurrence with the proposed process, and that staff has direction to move the recommendations forward to the full Council for consideration.

7. Adjournment.

Without objection, the Finance Committee Meeting adjourned at 9:45 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Finance Committee meeting of the City of Mesa, Arizona, held on the 12th day of October 2006. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

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Attachments (2)