

Finance and Administration  
Tuesday, July 14, 2009  
City Hall

The Finance and Administration Committee met in special session on the above date, at the hour of 9:00 a.m. at the City Hall Conference Room and the following items were discussed.

### **ROLL CALL**

Members present: Committee Members Doug Hammerstrom and Dan Gjerde.  
Staff present: City Manager Linda Ruffing, Finance Director Pat Frost, Director of Public Works Goble, and City Clerk Cindy VanWormer.

**APPROVAL OF MINUTES** – Committee Member Gjerde requested a correction on page 2 of the minutes to change the words “reserve” to “revenues” on the second bullet point. **The minutes from June 10, 2009 were approved as corrected.**

**RECEIVE/FILE FORT BRAGG PROMOTION COMMITTEE MINUTES** – The minutes from June 4, 2009 were received and filed.

### **PUBLIC COMMENTS**

### **CONDUCT OF BUSINESS**

#### **2. Continue Discussion and Provide Director to Staff Regarding Establishment of Reserves in Water and Wastewater Funds**

The Council Committee Item Summary Report and Additional Information & Attachments prepared for this item were reviewed by Finance Director Frost.

Discussion: The following was noted during discussion of this item:

- A significant error occurred in the Water/Wastewater Rate Study done by MuniFinancial – while the agreed upon method to use throughout the study period was a reduced salary allocation in the Wastewater Enterprise Fund, the reimbursement portion of the allocation was inadvertently left out of the Revenue Requirement table in the July 15, 2008 report; an updated table was provided with the reimbursement amount identified under Non-Operating Revenue “Negative Expense Allocation.” The reimbursement amount was shown on the water spreadsheet as an amount being paid out. This adjustment is done because wastewater staff is performing Water Enterprise duties and those charges need to be charged out to the Water Enterprise.
- Committee Members and staff discussed the reserve funds and definitions for each: a) Capital Repair & Replacement Reserve; b) Capital Improvement Program (CIP) Reserve; and c) Operating Reserve.
  - The CIP Reserve is made up of money from water and wastewater capacity fees, which are charged on new development.
  - A “capital asset” is defined by the City as an asset with an individual cost of more than \$5,000 and an estimated useful life in excess of two years.
  - The asset valuation study has not yet been done. Committee Member Hammerstrom suggested establishing a depreciation account once those values are established.
  - Now that the methodology is in place for the Equipment Repair and Maintenance Fund staff can keep running totals from year to year and the five-year average will become more reliable.
  - The Operating Reserve could be lowered over time as the other reserves are established; it was suggested that the Operating Reserve be 5% or 10% of the Enterprise’s budget.
  - Once reserves are established there shouldn’t be the need for interfund loans as there are now.

- The rate study anticipates “pay as you go” on certain items and new debt on others; it is not expected that reserves will cover everything.
- Committee Member Gjerde suggested having two accounting funds within the CIP reserve so that money paid in by ratepayers can be kept separate from money paid by developers.
- Hammerstrom suggested setting up the reserve accounts now and showing negative balances until the City/District is able to fund them.
- Balances, as well as preferred reserve amounts, should be reviewed annual as part of the mid-year budget process.

**Action Items:**

- 1. Staff will check with MuniFinancial to see why the negative expense allocation is considered non-operating revenue as opposed to operating revenue in the Wastewater Enterprise.**
- 2. Change Capital Repair & Replacement Reserve Fund to Capital Repair Reserve Fund.**
- 3. Staff will provide the Committee with the balances in the Water and Wastewater Capital Improvement Reserve Fund.**

**1. Receive Report from Staff Regarding Grants and Financing of Capital Projects**

Director of Public Works Goble reviewed the Council Committee Item Summary Report prepared for this item. He noted that whenever federal dollars are used there are a lot more reporting requirements during and after the project.

Discussion: The following was noted during discussion of this item:

- Committee Members and staff discussed the grant writing positions in the City and the need for those persons to continue to write grants as well as administering existing grants and submitting funding requests.
- Staff will work on updating the narratives for the State Water Revolving Loan Fund projects to see if we can get them higher on the priority list. Staff would like to access the funds for the Treatment Plan Improvements (Priority A) to use for rehabilitating the primary digester.
- Staff is seeking funding for Newman Reservoir, which the City hopes to construct next summer; rural development funding through the USDA is a potential funding source, as well as bonds or loans.
- Staff is not working on pursuing any more transportation grants but is concentrating on water and wastewater project grants.
- Goble noted that the City has received \$122,000 in federal funding for the sidewalk infill project; a lot of reporting will be required for very little money received.
- Committee Member Hammerstrom stated that he would like the Committee to operate on a policy level rather than micromanaging staff. He suggested a way to clarify the amount of time the Public Works Analyst is spending on grants, both administering and writing them would be helpful. City Manager Ruffing stated that she believes the split for this position was 40% grant related and 60% administrative work for the Public Works department. She noted that administering grants is much more time consuming than writing them and that administering grants coincides with the construction cycle.
- Committee Member Gjerde suggested that staff look at each grant and create a narrative that sells the city and clearly states the rationale for each project. Goble stated that in addition to doing that staff will also be seeking letters of support from the community and other organizations.
- Housing and Economic Development Coordinator Owen is mentoring Public Works Analyst Prairie so that she becomes efficient in writing and administering grants.

**3. Discuss Financing Options to Help Fund Repairs and Replacements for Failed Backflow Assemblies Based on our Annual 2008 Cross Connection Program Testing**

Engineering Technician Baker reviewed the Council Committee Item Summary Report prepared for this item.

Discussion: The following was noted during discussion of this item:

- Not everyone who receives a notice will need a loan; this program will help those who are not able to afford the installation themselves. The loan would be paid back with monthly installments placed on the person's water bill.
- The repairs/replacement would need to be done by a person who is certified to install backflow assemblies.
- Committee Member Gjerde stated that he liked the opening paragraph in the second letter better as the one letter (Exhibit B) just states that the "City is concerned" and he felt that language should be stronger.

**The Finance/Administration Committee supported a 12-month no interest loan program.**

**4. Matters from Committee Members/Staff**

**ADJOURNMENT**

**The meeting was adjourned at 10:49 a.m.**