

**MINUTES OF THE REGULAR MEETING
OF FINANCE COMMITTEE
OF THE CITY OF SUNSET HILLS, MISSOURI
HELD ON MONDAY, JUNE 27, 2016**

Meeting convened at 5:40 p.m.

Place of meeting: Public Works Conference room at Sunset Hills City Hall.

The Finance Committee of the City of Sunset Hills, Missouri met in open session. Chairman Alderman Rich Gau, Member City Collector Michael Sawicki, Member Joe Stewart, Member Mike Fitzgerald, IPM Administration Consultant Robert Heacock, Accounting Manager Bill Lehmann were personally in attendance. Member Alderman Thomas Musich and Member Cammilleri were absent.

1) Approval of Minutes

The minutes of the May 23, 2016 Finance Committee meeting were distributed for review. A motion was made by Member Sawicki to adopt the minutes as written. Member Stewart seconded the motion, and it was passed unanimously.

2) Finance System Project - update

Timeline review: Mr. Lehmann distributed handouts created by Chris Peters, project manager at Tyler Technologies indicating the milestone elements. Mr. Lehmann explained some of the highlights shown in the handout. Mr. Lehmann reported that Tyler has accessed the City's Fundware server and installed a module to extract required data for the conversion. A question was asked regarding if payroll will be included in the Tyler software or if the city is outsourcing payroll. Mr. Lehmann stated the City has two months to decide on a final decision regarding payroll. He indicated that he and Mr. Heacock will be meeting with CBIZ for a demonstration of their payroll product. CBIZ also offers CPA services which can help with health care compliance elements of payroll. Mr. Lehmann stated that after the demo from CBIZ he will have three bids (Tyler, ADP and CBIZ) for payroll processing. A question was asked if the non-Tyler products can feed data into the Tyler software. Mr. Lehmann stated that he thinks they should be able to based on prior discussions with Tyler.

Discussion regarding conversion timeline extension: Mr. Lehmann distributed an email from Tyler Technologies explaining the timeline extension. Part of the reasoning is to use local Tyler consultants as much as possible which will save an estimated \$16,000 in travel-related costs. Mr. Lehmann stated that the Employee Self Service (ESS) payroll module and the purchasing modules are not contracted yet, but the budget will allow these to be added. Alderman Gau clarified that conversion completion is scheduled for April of 2017 as opposed to the end of 2016.

Mr. Lehmann stated he is comfortable with the timeline as it allows some room to make changes if necessary and have it done the right way. Alderman Gau asked if Mr.

Lehmann needed anything else from the committee. Mr. Lehmann asked for the committee's agreement to move forward with the purchase order module. The upfront cost is \$4,000. A motion was made by Mike Fitzgerald and seconded by Mike Sawicki to authorize acquisition of the purchasing order module from Tyler and it was unanimously passed. Mr. Lehmann confirmed that Tyler Technologies has agreed to extend the term of the main contract by one year (at the same annual fee). They will be sending a contract addendum.

Mr. Lehmann distributed a document that outlined projected Tyler expenditures by year through 2020 based on the contract terms.

3) 2015 Audit Update

Michele Graham, CPA of Botz Deal & Company, PC stated the City has received an "unmodified opinion" which is the highest opinion rating for an audit, which means the City has a clean opinion (no qualifications or modification).

Members of the Committee addressed some concerns and questions to Ms. Graham regarding budgets and encumbrances and she answered their concerns. Ms. Graham summarized specific elements in the audit regarding GASB statements 68 & 71 and their effect on how to report the City's LAGERS Pension Plan elements on the City's financial statements. The impact was that the financial statements reflect a net pension asset reported that is not a financial (spendable) resource.

Chairman Gau asked if Ms. Graham could provide a breakout on page 5 of the audit report detailing tax revenues by sub-categories (i.e. sales, property, utilities, and franchise taxes). She agreed to do so.

Motion to accept the audit report was made by Member Fitzgerald and seconded by Member Stewart and it was unanimously passed.

4) Investment Report / Investment Policy Discussion/Review

Mr. Lehmann stated that Brad Lukens of Arbitrage Management Group, the City's investment advisor, recommended that the city invest in commercial paper utilizing some of the City's non-invested cash funds. In a discussion it was noted that the city has some percentage limitations in the investment policy that limit the amount that can be invested into certain investment categories. Mr. Lehmann referred to the policy section indicating that commercial paper cannot be more than 10% of the portfolio. However, the investment policy does not define "portfolio". A discussion followed regarding the possible definition. Mr. Heacock and Mr. Lehmann stated they will get clarification on suggestions for the term "definition" as it applies to the investment policy and provide that at the next Finance Committee meeting. He also suggested that if there are any changes to the investment policy now would be the time to make them.

5) Income/Expense Variance Review

Mr. Lehmann stated the Income / Expense Variance report was included in the meeting packets that were distributed prior to the meeting. Alderman Gau asked how much time it takes to prepare the report each month. Discussion focused on producing the report monthly versus quarterly (on YTD actual to budget variances). Mr. Lehmann stated that he will include the reports in the city's S&P file. He also stated this report will help with analyzing operations and will help to highlight the potential need for budget amendments. Mr. Lehmann was asked prepare the report for June YTD (because of the budgeting process) and then quarterly thereafter.

6) Certificates of Participation Re-Capitalization/Re-Funding

Mr. Heacock stated that he and Mr. Lehmann met with Regan Holloway, Managing Director of Hilltop Securities, and a resident of Sunset Hills regarding interest rates on advance refunding. The city can only do advance refunding once and could net substantial savings because of the possible lower interest cost. If interested, Ms. Holloway could come present about this opportunity to the Finance Committee and provide some history regarding Certificates of Participation/Re-Funding and how it works. Ms. Holloway used to work with Gilmore & Bell and was involved in the City's original 2009 Certificates of Participation offering while there. A discussion ensued regarding the time restrictions / limitations to partake in potential opportunities. It was decided to invite Ms. Holloway to next month's finance meeting.

7) Annual Finance Committee work calendar-review

June meeting items were reviewed and discussed.

8) Other matters

Mr. Heacock distributed and explained a report from Mr. Baker on the flood buyout properties. The report included how many homes are left for potential buyout consideration. Two particular homes are no longer part of the future application process. Mr. Baker's report explained why they are no longer being included, who is managing them and what are the property owner's responsibility and the City's responsibility.

9) Adjournment

Member Sawicki made a motion to adjourn the meeting. Member Stewart seconded the motion and it passed unanimously. Meeting adjourned at 7:17p.m.

Recording Secretary – Dede Hendricks