

**ADMINISTRATION AND FINANCE COMMITTEE  
CITY COUNCIL CHAMBERS  
140 WEST PINE STREET  
MISSOULA MONTANA  
January 20, 2010 1:05pm**

**Members present:** Stacy Rye, Chair; Ed Childers; Renee Mitchell; Pam Walzer; Jason Wiener; Dick Haines; Lyn Hellegaard; Roy Houseman; Dave Strohmaier; Bob Jaffe Jon Wilkins.

**Others present:** Brentt Ramharter; Paul Sepp; Kat Hylland; Jan Schweitzer; Leigh Griffing, Dee Andersen; Geoff Badenoch; Josh Kosar; Lori Davidson.

**I. Administrative Business**

A. Approve committee minutes dated: - will be submitted at a later date.

B. **Public Comment on items not listed on the agenda-None**

**II. Consent Agenda**

A. Approve claims (accounts payable). -Consent Agenda (Brentt Ramharter)

**Motion: The committee recommends the City Council approve claims totaling \$657,821.85 (Detailed claims) 1/19/10**

B. Approve claims (accounts payable). -Consent Agenda (Brentt Ramharter)

**Motion: The committee recommends the City Council approve claims totaling \$138,131.72 (Detailed claims) 1/26/10**

**III. Regular Agenda**

A. Review of City prepared Comprehensive Annual Financial Report and hear presentation of 2009 independent audit of the financial condition of the City, the Missoula Redevelopment Agency (MRA) and the Missoula Parking Commission (MPC) from Paul Sepp of Anderson Zurmuehlen & Co., P.C (memo).—Regular Agenda (Brentt Ramharter) (Referred to committee:1 /11/10)  
**REMOVE FROM AGENDA**

Paul Sepp, Anderson Zurmuehlen, reviewed the PowerPoint presentation. He said the scope of the audit is unchanged from last year.

The summary of audit results were as follows:

- Clean opinion on financial statements.
- Two internal control findings considered to be material weaknesses over financial reporting.
- No Internal control or compliance findings related to major federal programs.

He said over the past 6 years, the tax levies have stayed fairly constant. The mills haven't gone up as much as they might have because property values have been going up.

There was a big change in the required disclosures for the City of Missoula for 2009. It has to do with how the city must account for and disclose benefits for retirees for the health insurance plan. These disclosures require the City to do the following:

- Report liability for retirees.
- Disclose an unfunded actuarial liability for future post employment benefits for retirees.

The liability that was recorded for 2009 was \$500,000. The unfunded actuarial liability was \$5.4 million dollars.

Reports on internal controls and compliance at the financial statement level:

- 2 material weaknesses reported in accounting for taxes and assessments receivable and capital assets.

Mr. Sepp explained that with changes in Finance Department accounting staff, he feels they are only one time incidents that will not happen in the future and they are not systemic.

Jason Wiener asked what pages of the report they are listed on.

Mr. Sepp said SA8 and SA9.

Dave Strohmaier asked Mr. Ramharter if he would address these items and give further explanation.

Brentt Ramharter, Finance Director, explained that these are two separate entries, which occurred at year-end and are not on-going. With the taxes receivable, we got the data a month late from the County, so we were hard pressed getting ready for the audit. At the same time he said he was getting ready for surgery and the staff members working on the audit were new. There was some miscommunication between our staff and our consultants, and he said he didn't think we were giving them final numbers, but in fact we were. It was different with capital assets, there were some errors on the spreadsheets which he said he had correct about 6 weeks before the entry was made. As it turned out some files were lost in the computer system and the IT Department had to do a restore from the back up tapes. When they did this it restored the spreadsheet to the un-corrected earlier version and he didn't have a chance to look at it before the entry was made because he was recovering from surgery. He said both of these items were tied to him having his surgery at the same time.

Mr. Sepp said that they also issued an informal letter to management with four areas of minor internal control items requiring improvement.

Renee Mitchell asked for more details on the management comment on the Aquatics computer log in controls.

Mr. Sepp explained that Aquatics has a point of sale computer system. The system is password controlled and users have a generic password that they all use. Ideally they all should have their own personal passwords so the system can track each cashier as they log in and out, making any cashier errors or reconciling items easier to track. It may not be practical but it was our recommendation.

Mr. Ramharter said that he is working with IT and the Aquatics staff on this issue. IT will be creating several dozen passwords that will be assigned to cashiers as they are hired. We could end up having two or three cashiers using the same password instead of twenty. So if there are any problems they can be quickly narrowed down and addressed.

Ms. Mitchell replied that it seems like a simple procedure to implement.

Mr. Sepp pointed out that in the 2011 legislature there was a change in permissive levies for health benefits. Mr. Ramharter has recently consulted the state.

Mr. Sepp concluded his presentation and opened up the discussion for questions.

Dick Haines wanted clarification on the permissive levies for health benefits.

Mr. Sepp responded that bill allows you to move some of your levy for health benefits outside of the cap.

Mr. Ramharter explained our health levy consists of two parts. Part of it is inside of the cap and effectively its part of the general fund support for health insurance. Part of it is outside of the cap and that is called the permissive levy.

Pam Walzer requested more info on retiree health. So we said there was \$499,000 and you said \$5.4 million. She wants to make sure she understand the issue and to make sure that we are in compliance.

Mr. Sepp said the liability that was actually accrued was about \$500,000. That is that additional liability looking out to the future for retirees. The \$5.4 million is an actuarial calculation and makes some assumptions about everyone retiring in the future. It does raise questions on the cost of covering retirees.

Mr. Ramharter stated that in terms of the annual budget, we will go forward and agree that we have to disclose this and do this study every 2 years. However, we don't have to do anything if we choose not to. The budget as it works, although there is subsidizing of retirees occurring which is what the study determines.

**B. Update on cable franchise fees ([memo](#)).—Regular Agenda (Brentt Ramharter) (Referred to committee: 01/11/10)**REMOVE FROM AGENDA****

Brentt Ramharter explained the City of Missoula has a franchise contract with Bresnan Cable and we are charged with enforcing it. The fee is a 5% franchise fee and a ¢.25 per month charge per account for Public Education Government (PEG) Access fee for MCAT, that is used for video equipment. In fact some of the Council Chambers video equipment was funded that way. What our consultants found when they audited the records at Brenan were two problems. One we were under recovered, on which they gave us a \$25,000 payment. On the PEG access fee what they do is with apartments, retirement homes and dorms at the University where there are many residences not necessarily occupied 100% of the time. They cut a deal with the owners at a discount. We didn't agree to any deals but they were remitting payment as if we did. So we have a settlement agreement in front of them and they will give us their answer tomorrow if their offer is acceptable to Administration we will bring it to Council. Jim Nugent has suggested we need full Council present and if needed the Mayor can call a special meeting if there offer is not acceptable.

Mr. Wiener asked if the 5% franchise fee goes into the general fund.

Mr. Ramharter said it goes into the Cable Franchise Fee fund and 65% goes to MCAT which leaves about \$150,000 to the general fund for the Street Department.

Mr. Wiener asked where the PEG fee goes.

Mr. Ramharter responded 100% goes to MCAT.

**IV. Held in committee**

- A.** An ordinance amending the municipal code as it relates to bike licensing. ([A&F](#)) (Returned from council floor: 12/15/08)
- B.** Amend City Council Rule 21(a) to clarify quorum requirements ([memo](#)).—Regular Agenda (Jason Wiener) (Referred to committee: 04/28/08) (*Tabled in Committee on 02/11/09*)
- C.** Implications of establishing maintenance districts. ([memo](#)) – Regular Agenda (Bob Jaffe) (Referred to committee: 05/11/09)
- D.** Review the FY 2010-14 CIP projects in committee ([memo](#)).—Regular Agenda (Brentt Ramharter) (Referred to committee: 03/23/09)
- E.** Consider the establishment of Parks and Street Maintenance Districts ([memo](#)).—Regular Agenda (Bob Jaffe) (Referred to committee: 05/04/09)
- F.** Clarify position of council member who also serves on the board of a non-profit agency that has dealings with the city. ([memo](#)) – Regular Agenda (Ed Childers) (Referred to committee: 07/20/2009)
- G.** [Resolution](#) of the Missoula City Council establishing a tourism business improvement district consisting of non-contiguous lands within the City of Missoula for the purpose of aiding tourism, promotion and marketing within the district. ([Exhibit A](#)) ([Exhibit B](#)) ([memo](#)) ([A&F](#)) (Returned from Council floor: 10/05/09)
- H.** Consider a [resolution](#) revising fees for services related to the review and processing of land use applications pursuant to city adopted regulations pertaining to zoning, subdivision and floodplain services ([memo](#)) ([Revised resolution 10/21/09](#)).—Regular Agenda (Denise Alexander) (Referred to committee: 10/09/09)
- I.** Review and determine whether City Council actions pertaining to the adoption of ordinances in general comply with state law MCA 2009 7-5-103 Ordinance requirements and city council rules for the conduct of meetings and business (Rule 24 Adoption of Ordinances) ([memo](#)).—Regular Agenda (Renee Mitchell) (Referred to committee: 10/26/09)

- J. Quarterly report by North Missoula Economic Development Corporation (NMEDC) ([memo](#)).—  
Regular Agenda (Lyn Hellegaard) (Referred to committee: 12/21/09)
- K. Review Administration and Finance and Economic Development subcommittee referrals. ([memo](#))  
—Regular Agenda (Marty Rehbein) (Referred to committee: 01/11/10)

**V. Adjournment**

The meeting was adjourned at 2:00pm

Respectfully Submitted,

*Dee Andersen*

Administrative Secretary