

The Finance and Judiciary Committee for the City of Junction City met at 6:30 p.m. on Thursday, May 5, 2016 in the Council Chambers of City Hall, 680 Greenwood Street, Junction City, Oregon.

PRESENT WERE: Councilor Bill DiMarco, Councilor Karen Leach, Councilor Steven Hitchcock, and Finance Director Mike Crocker. Mayor Cahill was present through agenda item 3.

I. Changes to the Agenda

There were no changes.

II. Approval of minutes for February 4, 2016.

The minutes were approved as presented.

III. PERS Funding Update

Director Crocker presented an update on the Public Employees Retirement System (PERS). The City received its Actuarial Valuation Report which includes the City's advisory rates, calculated as of December 31, 2014 and effective July 1, 2017. The rates were included in the packet as attachment 'A'. The advisory rates are for the biennium 2017/2019. Final rates will follow, later in the year. Director Crocker stated that the rate changes will be incorporated into the current 5 year financial forecast, currently in progress. The rate increases may be in the 3 to 4% range in each of the next three biennium according to current estimates. A summary of the current PERS unfunded liability, PERS and actuary reporting is summarized in the Oregonian article dated November 28, 2015 and is included as Attachment 'D'.

Attachment 'B' includes three tables that reflect six biennium historical rates, and three future biennium based on the advisory rates for the 2017/2019, and worst case scenarios for the following two biennium. The forecasted rates for the 2019/2021 and 2021/2023 bienniums are based on the current actuarial reporting and current published analysis of this report. The three charts in attachment 'B' are for the three rate groups, Tier 1&2, OPSRP Police and OPSRP General Services.

An initial example of the costs is shown in Attachment 'C'. The FY16/17 bar is the FY16/17 proposed budget and is the starting point for the example which projects the rate changes to the three forecasted bienniums. The biennium following FY16/17 display the costs in total with the rate increases applied and carried forward.

The Committee directed the Finance Director to present the information that he had at this time to the Council at the June 14, 2016 meeting. Director Crocker will bring back to the Committee additional information as it become available.

IV. Property Tax Allocation Fiscal Policy

Director Crocker reviewed the property tax allocation incorporated into the proposed and approved FY16/17 budget. The property tax allocation incorporated into the FY16/17 budget distributes all property taxes to operating departments. The allocation is based on the actual spending of each department compared to all expenditures in the General Fund and uses the results from FY14/15. The allocation supports the direction by Council to include department fund budgeting in the FY16/17 budget.

The current budget fiscal policies were included as attachment 'A' and the property tax allocation from the FY16/17 budget is included as attachment 'B'.

The Committee discussed the annual review of the allocation by Council. Director Crocker suggested that Council review and approve the allocation in November of each year. The allocation would then be incorporated into the budget process by staff. The Committee suggested that prior to the presentation to Council that staff would create the initial proposal for the allocation. The possible basis for a staff proposal may be the department's needs.

Director Crocker suggested that a fiscal policy could address an annual review and adoption by Council and a description of how the property taxes are to be allocated.

Councilor DiMarco brought up the contingency in the General Fund and stated that there is a need for a general contingency in addition to the department contingencies.

The Committee directed the Finance Director to bring suggestions for the language to create a property tax allocation fiscal policy back to the Committee at a future meeting.

V. Auditor RFP

Director Crocker presented the proposals received in response to the City's request for proposals for audit services. The proposals were due May 3rd at 5 pm and two proposals were received. The two proposals received are from Pauly, Rogers and Co. and Isler CPA. Isler CPA is the current auditor for the City through fiscal year 14/15.

Director Crocker stated that both audit firms are well qualified and are experienced in municipal auditing.

Councilor Hitchcock asked why the RFP was generated and if there were any concerns with the current auditors. Director Crocker stated that there have been no concerns with the current auditors. He stated that for best practices, the City should send out an RFP periodically.

The experience of the two firms was discussed and Director Crocker discussed briefly the peer review process for CPA firms that provide audit services. The list of clients provided in each proposal was reviewed. The years of service for each client in the Isler proposal were discussed.

The costs included in the Isler proposal for FY15/16 are \$26,900, and are increased by the CPI W for the remaining 4 years. The costs included in the Pauly Rogers and Co proposal call for \$27,500 for 2016, \$28,200 for 2017, \$28,900 for 2018, \$29,700 for 2019 and \$30,500 for 2020. The costs are less for Isler for each of the 5 years of the proposal.

The Committee noted that the cost difference between the two proposals over five years is close to \$5,000 and that Isler would be the least cost of the two.

A recommendation was made by Councilor Hitchcock to recommend Isler CPA to Council. Councilor DiMarco and Councilor Leach agreed.

VI. Agenda Forecaster Review

The Committee reviewed the forecaster with no changes.

VII. Other Business

None.

VIII. ADJOURNMENT

The meeting was adjourned at 8:00 pm.

Respectfully Submitted:

Mike Crocker, Finance Director